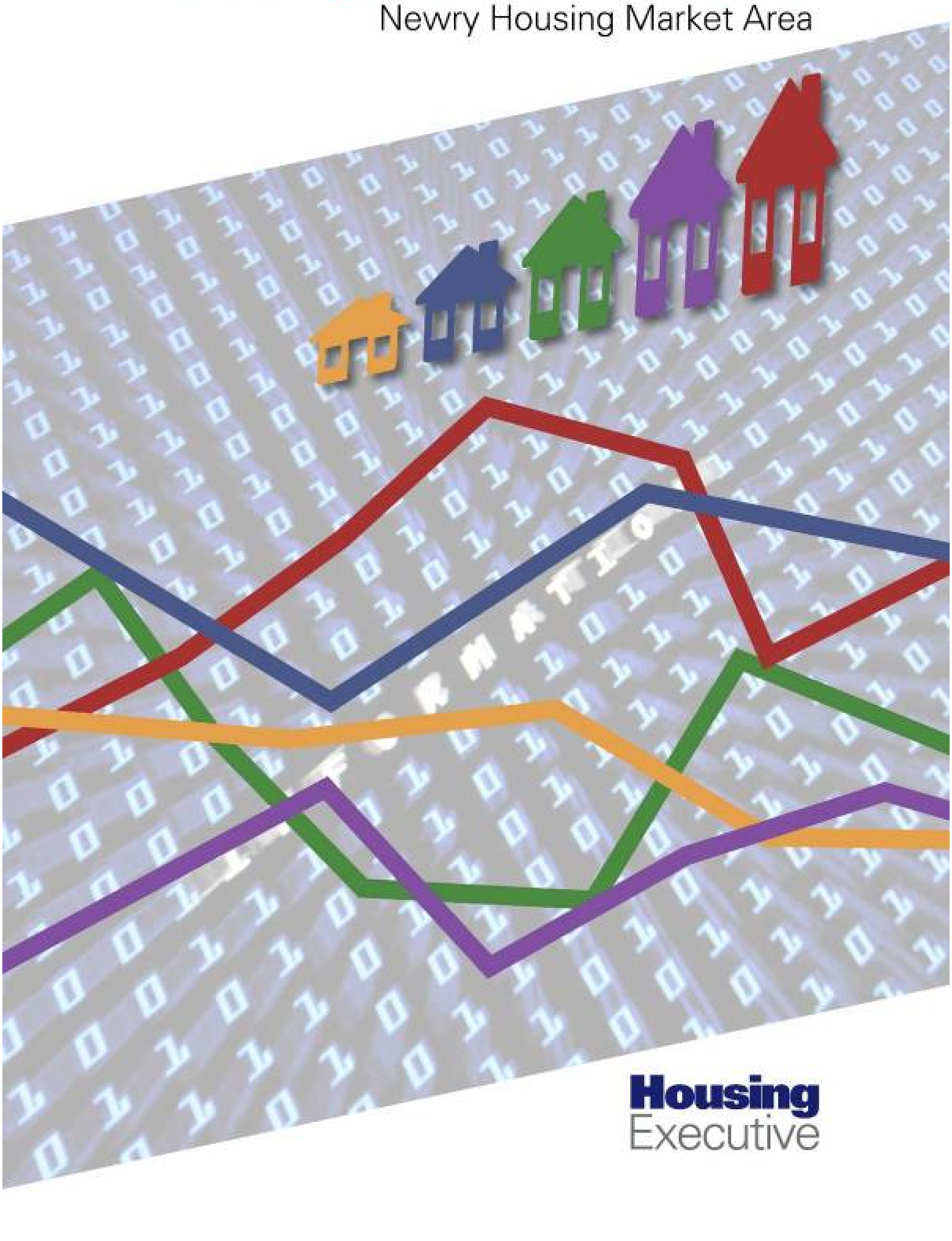
Housing Market Analysis

Newry Housing Market Area



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We would like to extend our thanks and gratitude to the organisations, and individuals who contributed to the production of this document.

Abbreviations

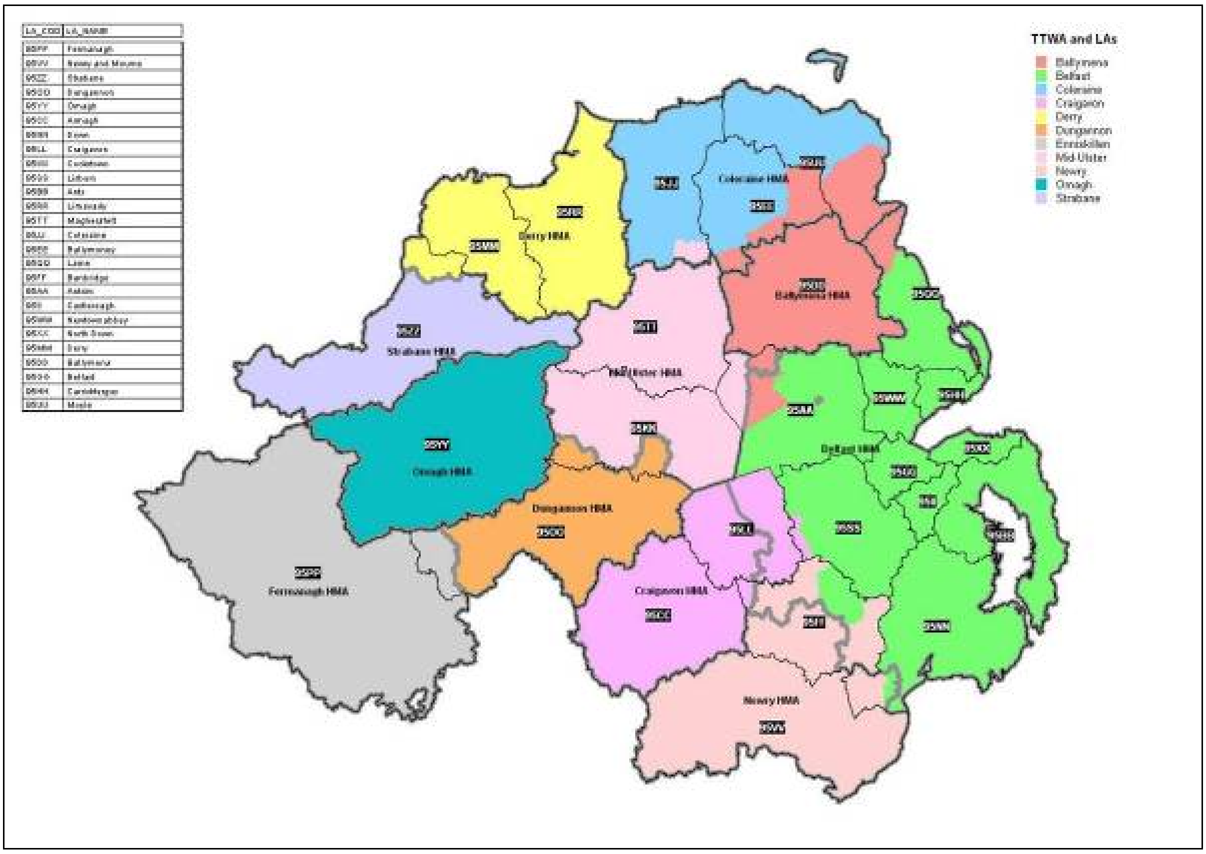
Newry HMA	Newry Housing Market Area
CHI	Community Health Index
DRD	Department for Regional Development
DSD	Department for Social Development
HMA	Housing Market Area
HNA	Housing Needs Assessment
LGD	Local Government District
LHSA	Local Housing System Analysis
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
ONS	Office for National Statistics
PPS	Planning Policy Statement
RDS	Regional Development Strategy
SDS	Spatial Development Strategy
TTWA	Travel To Work Area
PRS	Private Rented Sector

PREFACE

In Northern Ireland, as elsewhere in the UK, planning for housing provision takes account of a range of housing market dynamics and policies in order to address the full range of housing demand and need.

In line with the 2007 DCLG published guidance on the Strategic Housing Market Assessment methodologies the Housing Executive has embarked on a programme of Housing Market Analysis in NI. Our initial Housing Market Analysis research (2009) established eleven functional housing market geographies in NI (See Map 1).

Map 1: Housing Market Area Geographies



In March 2011, a Belfast Metropolitan Housing Market Analysis pilot was concluded. It is planned to deliver a two year Housing Market Analysis programme (2011/12 – 2012/13) on the remaining 10 Housing Market Area (HMA) reports, subject to available resources.

Year 1 (2011/12)	Year 2 (2012/13)
Mid Ulster Housing Market Analysis	Omagh Housing Market Analysis
Ballymena Housing Market Analysis	Causeway Housing Market Analysis
Fermanagh Housing Market Analysis	Dungannon Housing Market Analysis
Newry Housing Market Analysis	Craigavon Housing Market Analysis
North West Housing Market Analysis	Strabane Housing Market Analysis

Two common themes run through Housing Market Analysis:

- The need to base local housing analysis on functional market areas that have some intrinsic rationale rather than simply on the basis of administrative boundaries;
- The need to integrate analysis of housing need with a more general investigation on how housing markets work. This should be based on a more accurate and fuller understanding of consumer choice and the impact of market responses to economic investment.

The Housing Executive believes that Housing Market Analysis is an important planning tool for housing development. It demonstrates an understanding of current housing market trends and identifies potential future imbalances in the NI housing market. Housing Market Analysis reports will provide a more detailed and rigorous inter tenure analysis of the housing market to complement our housing need assessment.

METHODOLOGY

Study Aims and Objectives

The aim of this study is to:

- Produce a local housing system analysis (LHSA) for the Newry Housing Market Area (Newry HMA), identified through a previous commission (Young et al, 2010).

Within these overall aims, the specific objectives were to:

- Undertake a data audit of the key economic, demographic and housing data for the Newry HMA.
- Provide a broad indication of the main housing sub-divisions within the Newry HMA.
- Conduct data analysis to establish the current position of the Newry HMA and likely future trends.

Report structure

This report shows the findings from an analysis of the local housing system for the Newry HMA. The report is structured as follows:

- Section 1 summarises the geography of the Newry HMA.
- Section 2 considers economic and demographic trends and their significance for the Newry HMA.
- Sections 3 to 5 consider each of the main tenures within the housing system.
- Section 6 evaluates the available evidence and identifies the key system imbalances facing the Newry HMA, including unmet housing need.
- The Appendices contains further details of information relating to that which is used in Newry HMA. In addition it presents the wider policy and planning context within which the Newry HMA operates.

This report is intended to provide a housing market wide understanding of the operation of the housing system. This report is therefore not sensitive to imbalances that can arise at a neighbourhood level or local rural areas.

This study relies primarily on secondary data sources. Some of these were supplied by the Housing Executive, including waiting list and stock data, and the Northern Ireland House Condition Survey (HCS). Summary house price evidence was provided by the University of Ulster. In addition, we drew on data issued by the Northern Ireland Department of Enterprise Trade and Investment (DETINI) and the Department of Social Development (DSD). We also made extensive use of statistics published by Northern Ireland Statistics and Research Agency (NISRA), especially statistics published through its neighbourhood information service website (NINIS).

The study team gleaned additional qualitative information through interviews with key players in the housing market including Estate and Letting agents and Housing Executive District Office staff.

The basic spatial building block employed for this study was the ward, which is the basis on which the Newry HMA has been defined. In most cases housing market and sub-geographies totals are based on aggregated ward data[1]. Time lags in the publication of data mean that some of the analysis is less timely than we would have hoped.

Delineating the spatial structure of the Newry HMA

In order to analyse a housing market area, a vital first step is to define the spatial extent and structure of the housing market area.

Markets exist when buyers and sellers come together to trade goods and services. Most households looking to move house want to continue to live in the same general area where they have family, friends and can commute to work. Housing markets therefore function over a spatial area that reflects the housing and location choices of consumers rather than administrative boundaries.

Housing demand is largely self-contained at the housing market area level. It is the area within which most adults both live and work. It is also the area within which most households will search for housing and where a change of residence unconnected with a change of employment or education will occur. As such, analysis of migration and commuting flows is often used to determine the geographical area over which a housing market functions and to map the boundaries across which relatively few households change residence or commute.

Over the past decade, the concept of a housing market area has become central to the development of policies in relation to strategic planning, economic development and housing across the UK. Analysis of the dynamics of the housing system at the housing market area level can improve understanding of the linkages between housing and the wider economic, social and political environment in which it operates. More specifically, analysis of the inter-connections between these external forces and the supply and consumption of housing can improve the understanding of how well a housing system is functioning and why certain imbalances exist. This in turn can help to inform policies that seek to shape the volume and mix of market, social and affordable housing available. It can also inform policies that seek to make more effective use of the existing stock.

[1] As discussed in the guidance manual, in some instances it was necessary (and feasible) to apportion data not published below LGD below sub-market area.

Spatial sub-divisions within a housing market area

The design, quality, tenure and characteristics of the housing stock vary across a housing market area. Households also vary in their location and housing preferences and in their willingness to search for housing over a wide area. Such variations influence the internal structure of the housing system. In particular, the short distance of many residential moves illustrates that housing systems can operate at different spatial levels. It is therefore useful to view a housing market area as a tiered entity where different spatial areas nest into each other such that:

- Housing market area: A housing market area (HMA) constitutes the 'upper tier' and represents the spatial area at which commuting patterns and migration patterns interact. It represents the widest geographical area where large numbers of households move house without changing employment or education.
- Spatial Sub-divisions: Large and complex housing market areas can contain distinct spatial sub-divisions. These areas typically display a reasonable degree of self-containment. Nonetheless, they are influenced by events and trends at the wider HMA level. Some parts of the Newry HMA are predominately rural in nature. Generally, household numbers and levels of residential mobility are too small to identify distinctive housing sub-market areas. However, the operation of the housing system in rural areas is often distinctive and requires fine-grained analysis at the local area level in order to assess the blockages that prevent households that live in rural areas from securing suitable housing. In urban areas, fine-grained analysis is also necessary to understand the characteristics of neighbourhoods and the extent to which different neighbourhoods are more or less integrated into the wider housing system.
- For this document, two sub divisions within the overall Newry HMA have been identified: **Newry City** and the **Rural Remainder**.

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EXECUTIVE SUMMARY

Background

In recent years the Northern Ireland housing market has faced severe problems of affordability and rising housing pressure, followed by a systemic crisis in the global financial system and an associated slow down in the local economy. It is essential that housing planners understand what is going on in the housing market, distinguish long-term trends from short-term changes, and better grasp the significance of the major challenges confronting the housing system. This is what Local Housing Systems Analysis (LHSA) attempts to do. This report is an examination of the housing system in Newry Housing Market Area.

What is Local Housing Systems Analysis?

Local housing systems analysis is a framework for collecting, analysing and interpreting evidence across a well-defined spatial housing system. It allows housing planners to identify what imbalances or problems the evolving housing system is likely to confront and whether further research is required to resolve important information gaps. The main features of the LHSA framework are:

- An assessment of the boundaries of the housing market area based on consumer choices (i.e. local migration patterns);
- An assessment of the linkages between housing and the wider economic, social and political environment in which it operates at the housing market area level;
- Analysis of the internal structure and dynamics of the housing system involves looking at current and anticipated trends within and between the three main tenures;
- The evidence collected should be able to allow planners to conduct an 'imbalance' assessment of the key problems facing their housing system.

The Newry Housing Market Area

- The Newry Housing Market Area (HMA) is situated in the south east of Northern Ireland and extends from Crossmaglen to west of Newcastle, and from Warrenpoint to south of Banbridge Town. Newry City is the principle settlement within the HMA, which includes a substantial rural area.

HMA Findings

- Newry HMA like many other areas in Northern Ireland and Great Britain, has experienced considerable change over the past 10 to 15 years. Growth in the owner occupied and private rented sectors, affordability pressures and growth in social housing need, despite the decline in the numbers of social housing stock. The credit crunch in 2007/08 resulted in a substantial slow down in house building, lower house prices and lending restrictions, further growth in the private rented sector and the prospect of a fragile housing market for the foreseeable future;

- The Newry HMA population percentage increase (8%) was more than double than for Northern Ireland between 2001 and 2008. The population of Newry HMA is projected to increase by 17% between 2010 and 2023. Again this is more than double the projected rate for Northern Ireland (8%) as a whole;
- The number of households in Newry HMA increased between 2001 and 2010 by 19%, more than twice the rate of population growth. Around 75% of households live in the rural remainder and 25% within Newry City. The percentage rise in households was much greater outside Newry City. Whilst the number of new migrant workers coming into the Newry HMA has declined significantly, the numbers settling in the area are gradually rising. This is demonstrated by growing number of applications from migrant workers on the Common Waiting list;
- The projected increase in households between 2010 and 2023 is 22% for Newry HMA, approximately 50% greater than the rate of household growth for Northern Ireland;
- Household growth was supported by the continuing trend towards the formation of one and two person households and an increased life expectancy, which has seen growing numbers of older households remain in their homes for longer;
- The underlying economic conditions required to regenerate the housing market are not yet in place and may not be so for a considerable period. While the public sector could have a role in stimulating the housing market, this will only have a limited effect due to expenditure cuts applied by government. Indeed job growth in the region is likely to be slow over the next ten years and will restrict future household growth;
- The annualised HGI for Newry and Mourne LGD 1998-2015 set out in the RDS is approximately 700 units per annum. The annual average number of new dwelling starts from 2000 to 2010 records only 567 units per annum. There were no recorded starts in 2008/09 and 2009/10 with 380 starts in 2010/11. This would suggest that the fragile state of the housing market and economy will continue to constrain household formation in Newry HMA in the years ahead;
- While there is a surplus of housing stock south of the border, there is a lack of employment opportunities, which could entice households in Newry HMA to move. The economic environment in the Republic of Ireland is likely to deter any household migration from Northern Ireland in the short to medium term;
- A significant feature of the housing market in Newry HMA, in the decade to 2007, was increasing affordable housing pressures, which prevented households from gaining entry to the owner occupied sector. During this period, the Newry HMA experienced a period of sharp house price rises, which increased more rapidly than household earnings and incomes. In 2007 all three LGDs within the Newry HMA had higher average house prices than that for Northern Ireland (£233,415);
- The price spike that occurred between 2005 and 2007 and believed to have been driven in part by speculator and investor activity appears to be more of a Greater Belfast phenomenon, having only a limited impact on the Newry HMA;
- Falling house prices have improved affordability as house price to income ratios have subdued. By 2010 the average house price in the Newry and Mourne LGD had reduced to £155,008 and was on a par with the Northern Ireland average

house price. However, this has been offset by tighter lending criteria which has made it difficult for potential first time buyers to raise the necessary deposits and mortgage finance. Whereas 826 starts were recorded for Newry HMA in 2006/7, no new build starts were registered for 2009/10. Consumer confidence in the housing market is therefore low;

- Lord Best's Commission on the Future for Housing in Northern Ireland has pointed to the possibility of introducing new forms of intermediate housing products to address the need for affordable housing, particularly for first time buyers. We estimate that approximately five to six thousand households would benefit from intermediate housing in the Newry HMA;
- Following the crash in the housing market in 2007, many of the newly built dwellings in Northern Ireland, developed originally for owner occupation, entered the private rented sector. In Newry HMA, low numbers of vacant new build dwellings were recorded, consequently, the growth in the private rented sector has been less pronounced compared to the rest of Northern Ireland;
- However, the rise to approximately 4,000 private housing benefit claimants in Newry and Mourne LGD at March 2011 suggests that some of the 2010 new build private housing development in Newry HMA has entered the private rented market. Despite this additional supply, letting agents report that demand substantially outstrips availability;
- Expert interviews confirmed the importance of housing benefit in Newry HMA, considered to underpin a large portion of the PRS;
- At 2011 there were only 23 HMOs registered in the Newry and Mourne LGD;
- Demand for social housing within Newry HMA remains high. The 2011 social housing need assessment identified a five year need for approximately 1,100 units for Newry and Mourne LGD. In addition, it is anticipated that the levels of new applicants and those in housing stress will rise further if the supply of private renting fails to meet affordable demand and if government funding for further new build social housing continues to be constrained;
- Welfare reforms have potential for far-reaching effects on the demand and supply of affordable housing and the type of affordable housing. Single tenants in the private sector under 35 years of age are already beginning to experience a reduced level of housing benefit if they are not living in shared accommodation. For social housing, the reduced housing benefit for working age tenants under-occupying a property will apply from 2013.

Future Challenges

- The long-term challenges for the Northern Ireland and Newry housing markets are tied to economic performance and job creation. The Northern Ireland Assembly's highest priority is to grow the private sector economy through exports. However, because of the high levels of debt across European economies, we should expect at least a decade of subdued growth. In addition, ongoing public sector cuts are likely to affect the Northern Ireland economy adversely, resulting in higher levels of unemployment;

- Depressed economic conditions will restrict the recovery of the housing market and suppress household growth. Expenditure cuts have already resulted in reduced spending on new social housing. Housing need in the Newry HMA is therefore likely to grow under the current financial regime and economic climate;
- The Regional Development Strategy for Northern Ireland 2035 indicates a requirement for 26,300 new houses in Newry and Mourne, Down and Banbridge LGDs over the 17 years from 2008 to 2025. This equates to an average of some 1,150 units per annum, which is slightly lower than the 2006-based figure. The accuracy of these long-range household projections will require careful monitoring, particularly under the existing and projected mid term economic conditions;
- Whilst the Banbridge, Newry and Mourne (BNM) Area Plan 2015 has identified land for 1,100 units of social housing, careful monitoring of the sites will be required to measure the success of meeting social housing need through the Plan led approach, advocated through PPS12. The BNM Plan represents the first attempt to address social housing need through the Area Plan since the publication of PPS 12;
- Despite falling house prices affordability will continue to face first time buyers in the short to medium term due to lending restrictions. Intermediate home ownership may address this issue on a larger scale than has hitherto been the case. Further research/pilot schemes could establish the viability of proactively building homes for the intermediate home ownership market;
- Housing experts believe the recent growth of the private rented sector is a long-term phenomenon for Northern Ireland. Whilst this tenure has not grown to the same extent as in the rest of Northern Ireland, a key challenge for the longer term involves looking at ways to support the private rented sector in the Newry HMA, particularly in meeting the demand for affordable rented accommodation. It is clear that considerable additional research is necessary to understand the extent of the PRS at the functional housing market area level;
- There is much debate but little agreement on whether welfare reforms will present a long term shift in affordable housing form and what impact this may have on local communities. It is unclear if the private rented market will respond by providing alternative suitable accommodation to meet the need for shared living at an affordable rent, particularly as there were only 23 HMOs recorded within the Newry HMA;
- Registered Social Landlords will require being flexible in the use of current social housing stock and allocation policies to react to the affordable needs of existing tenants and new social applicants;
- The level of vacant properties in the Newry HMA has been consistently above the Northern Ireland average for the past decade. Further research is recommended to identify the reason for this.

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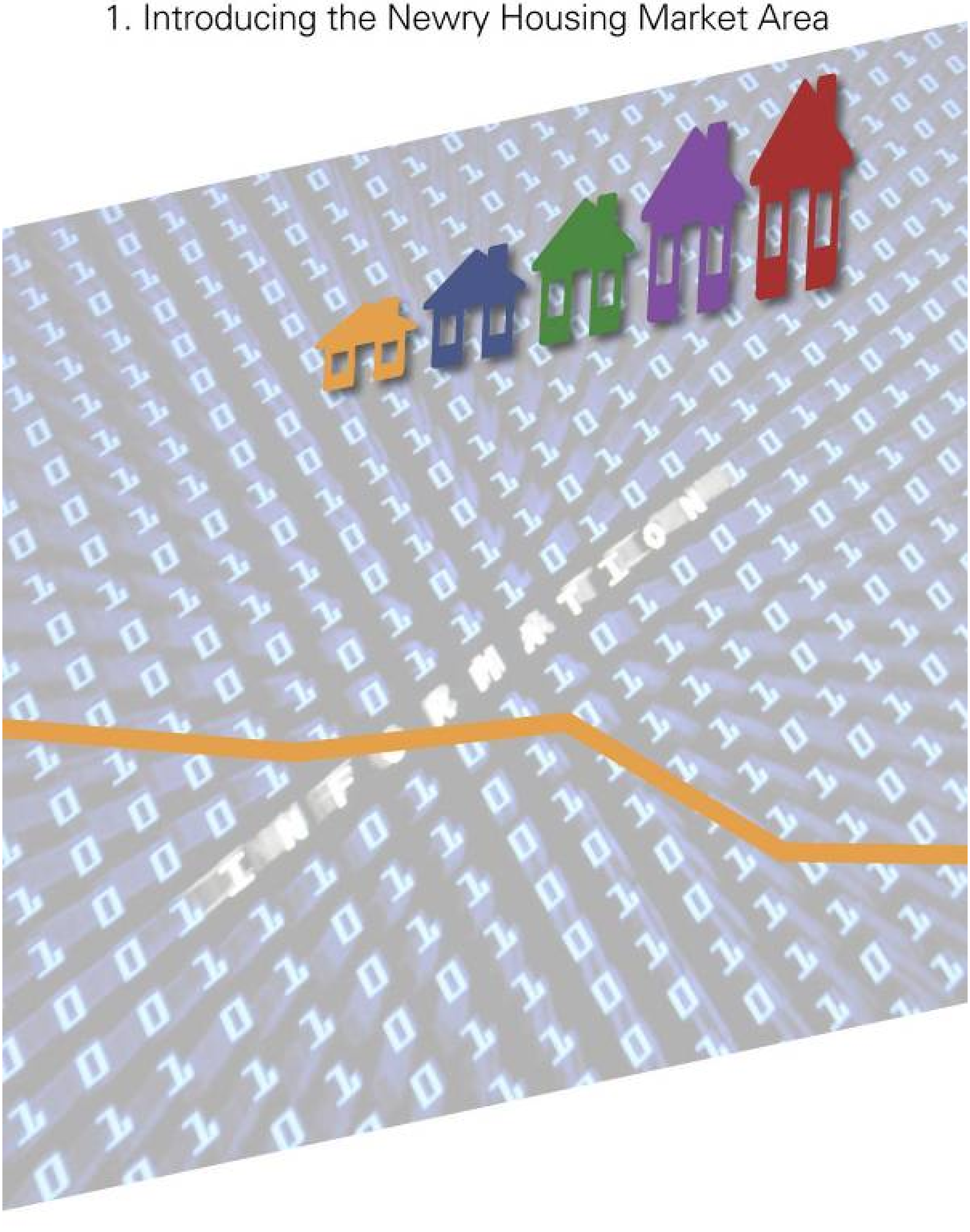
1. Introducing the Newry Housing Market Area



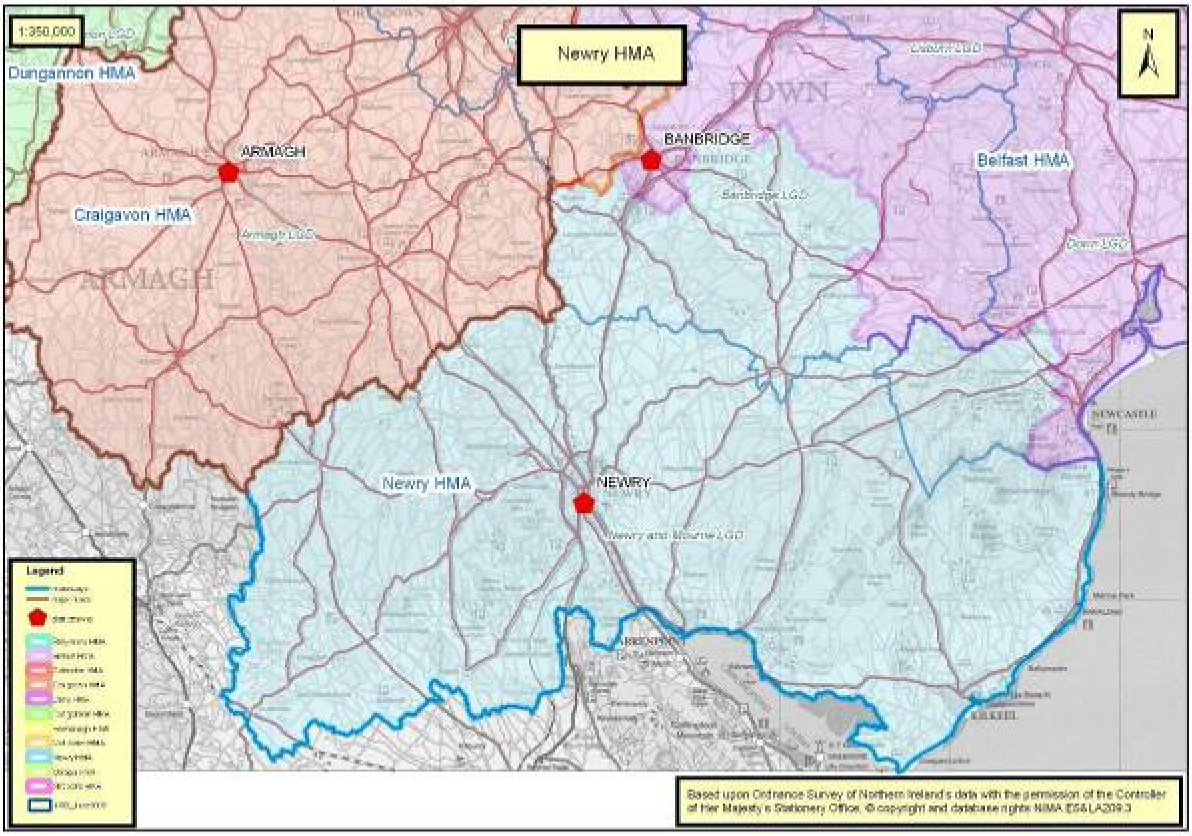
1. INTRODUCING THE NEWRY HOUSING MARKET AREA

The Newry HMA

The Newry HMA (see Map 2), shows which local government districts (LGDs) fall wholly, or partly within the Newry HMA. The HMA includes:

- All of the Newry & Mourne local government district (LGD);
- Four Banbridge LGD wards plus the Down LGD ward of Tollymore to the north and east.

Map 2: Newry Housing Market Area



The Newry HMA is situated in the south east of Northern Ireland and extends from Crossmaglen to west of Newcastle, and from Warrenpoint to south of Banbridge Town. It is comprised of the wards listed in Table 1.

Table 1: Wards within Newry HMA

Annalong	Donaghmore	Silver Bridge
Bessbrook	Drumalane	Spelga
Ballybot	Drumgullion	St Patrick’s
Binnian	Fathom	St Mary’s
Burren and Kilbroney	Forkhill	Tullyhappy
Camlough	Kilkeel Central	Windsor Hill
Clonallan	Kilkeel South	
Creggan	Lisnacree	Bannside*
Crossmaglen	Mayobridge	Katesbridge*
Daisyhill	Newtownhamilton	Loughbrickland*
Derryleckagh	Rostrevor	Rathfriland*
Derrymore	Seaview	Tollymore**

Most wards within Newry LGD except: *In Banbridge LGD; ** In Down LGD

Newry City is the principle settlement within the Newry HMA. One ward boundary within the city extends into the rural area, however as more than 60% of households resided within the city settlement boundary, the ward was deemed to be a ’city ward‘ for the purposes of analyzing data. The following eight wards have been designated as Newry City wards – Derryleckagh, Daisyhill, Ballybot, Derrymore, Drumgullion, St Mary’s, St Patrick’s and Windsor Hill.

The formal definition of ‘rural’ is a settlement of less than 4,500 people – however for the purpose of the Newry HMA, the Rural Remainder sub-division is defined as the area of the Newry HMA excluding the Newry City wards.

The population of Newry HMA increased by 13% between 2001 and 2008 and is projected to increase by a further 16% by 2019. During the same period, the number of households is projected to increase by 21%. Around 75% of households live in the rural remainder and 25% within Newry City. Changing demographic trends, particularly in age profiles and a reduction in the average household size, are important factors in planning for new housing indicating a need for a larger proportion of dwellings for single/smaller household groups.

The Spatial Boundary of Newry HMA

Housing markets often operate across a spatially defined area. This is because households usually move house within a limited area, reflecting accessibility to place of work or education and proximity to friends and family. A housing market is therefore conceived as a spatial area that contains the origin and destination of most households who move home. Defining housing market areas provides a basis for better understanding of how a local housing system functions and the economic, social and environmental factors that shape housing demand and supply dynamics. This in turn should help to inform policies aimed at:

- Providing a mix of market and affordable housing across the housing market area that takes account of local demand and need and the quality of place.

- Managing and getting the most effective use out of the existing stock.

The Newry HMA was identified as part of another Housing Executive commissioned study. A separate report (Young et al, 2010) explains the derivation of the Newry HMA and the other 10 housing markets that function across Northern Ireland. Essentially, the study assessed whether Travel to Work Areas (TTWAs) provided a reasonable approximation of housing market areas in 2001 by comparing Census commuting and migration patterns. Migration patterns between 2004 and 2007, derived from the Community Health Index (CHI)[2], were analyzed to develop a more detailed understanding of the linkages between different areas and the influence of employment centres on residential flows. The validity of the set of HMA boundaries were also explored through stakeholder discussions.

Table 2 confirms that in 2001 owner occupation was the dominant tenure across the HMA, with comparatively higher levels of social and private renting within Newry City.

Table 2: Housing tenure of households, 2001

	Owner Occupied (%)	Social renting (%)	Private Renting (%)	Other (%)	All (%)	No households
Northern Ireland	70	21	7	2	100	626,711
Newry HMA	74	16	7	3	100	34,039
Newry City	65	24	9	1	100	8,347
Newry Rural Remainder	77	13	7	3	100	25,692

Source: Census (2001) Table KS18: Tenure (Numbers) – ward based outputs rounded to nearest percent.

Newry HMA is a growing area that has attracted a diverse population. It is considered to be vital sub regional location placed strategically on the Belfast / Dublin corridor. The Newry HMA is a distinct catchment with a focus on Newry City. Initiatives such as the Twin City Region strategy for Newry and Dundalk, produced by the International Centre for Local and Regional Development demonstrate the level of ongoing strategic planning envisaged for the area. This and the inter-governmental focus on the area as a sub regional gateway means that Newry HMA and Newry City in particular, has had, and is going to continue to attract, a degree of priority for economic and infrastructural investment. Consistent with the RDS 2001-25, there has also been much new housing development as a result of Newry's strategic location.

The number of people unemployed in the Newry HMA has increased from around 2.25% in 2005 to 5.7% in 2010. In particular, the private house building sector has been severely affected, with local estate agents confirming work that had virtually ceased following 2007. The past year (2010/11) has witnessed a resumption on this front with more than three hundred new starts in Newry LGD.

2 The CHI collects information of residents of Northern Ireland that change GP registration.

Most of the increase in unemployment has been seen since 2009 and is as a result of the recession and the general downturn in the local economy. Until recently Newry's position along the Belfast / Dublin economic corridor and its proximity to the border helped insulate it from many effects of the recession. The retail sector also experienced good trading conditions as a result of the favourable currency exchange. However the changing economic conditions have brought the work of the public and private sectors in promoting and developing the city into sharp focus. Cross border travel incentives have greatly reduced. The main reasons for this include the weakness of the euro, deflation in the ROI and the increase in the UK VAT rate.

Summary

There is a single functional Newry Housing Market, which extends south to Carlingford Lough/Warrenpoint and to the west to Crossmaglen. To the north and east the HMA extends almost to (but not including) Banbridge Town and Newcastle respectively (both these settlements are located within the Belfast Metropolitan HMA).

Beneath this level Newry City and the Rural remainder subdivisions have been identified and are analysed within this report.

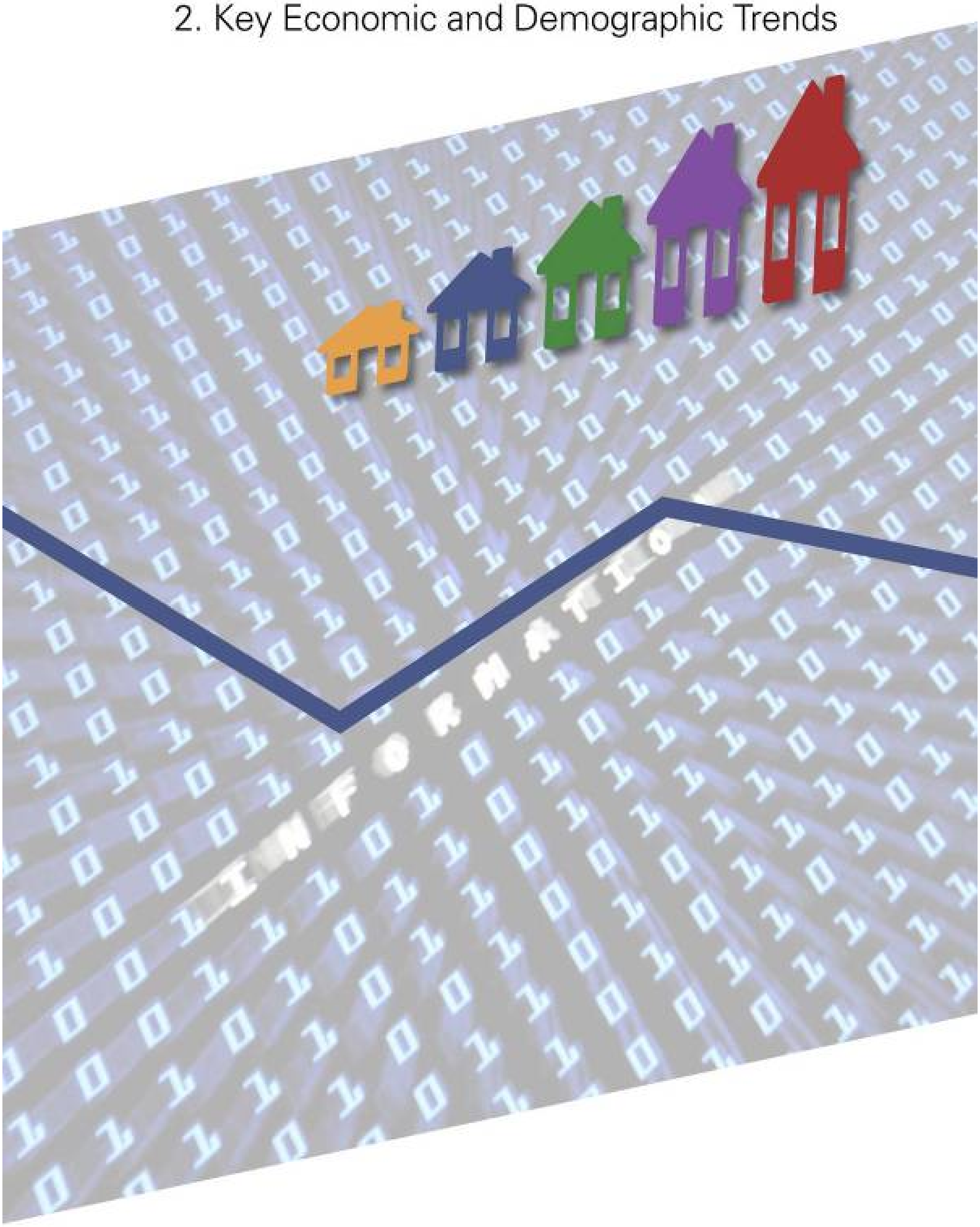
Recent economic prosperity, previously enhanced by the Belfast/ Dublin corridor location and good exchange rates, have now been adversely impacted by the economic downturn in both the ROI and Northern Ireland.

Changes to demographic profile will also present issues in relation to the future provision of housing in the HMA.

Assuming the new local government structure will be introduced by 2015, it may be pertinent for the Housing Executive to liaise with DSD, DRD and DOE to liaise and discuss whether:

- Future Regional Development Strategies should be clear about the desired planning strategy and vision for the Newry HMA and cross border connections as well as with those within Northern Ireland generally.
- DRD, DSD and DOE could take further steps to ensure there is consistency and synergy in terms of the strategic ambitions set out in the Development Plans that fall within the Newry HMA.

2. Key Economic and Demographic Trends



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2. Newry HMA: KEY ECONOMIC AND DEMOGRAPHIC TRENDS

Introduction

A range of factors influence the operation of the housing market and the housing choices available to households. Of particular significance are recent and possible future trends in terms of economic performance, the operation of the labour market and demographic change, which are the focus of this chapter.

Recent Economic Performance

It is reasonable to state that the local economy is linked very closely to that of the Northern Ireland and UK economy. Figures for GVA (Gross Value Added) are broken down to 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 3)

The Newry HMA falls under the coverage of two NUTS 3 sub regional areas. **East of NI** NUTS 3 area incorporates the parts of the HMA that fall into the Banbridge and Down LGDs. The **South & West of NI** NUTS 3 area covers Newry & Mourne LGD but extends to the rural counties of Tyrone and Fermanagh.

While there are no GVA growth figures specifically coterminous with the Newry HMA, it is appropriate to use the available data from the NUTS 3 areas to highlight issues which directly affect the Newry HMA. It is possible to make assumptions about the relative GVA growth within the Newry HMA based on the relative figures for East and West/ South NUTS areas as follows:

- Newry HMA growth was similar or slightly higher than the rest of NI and UK. From 1995 to 2008, the average annual growth rate for East of NI was 4.9%. In South & West NI, it was 5.7%. This compares to a Northern Ireland figure of 5.5% and UK figure of 5.4%;
- The growth, however, is likely to have been focused more on the Newry City sub area rather than in rural parts of the HMA. Such economic growth patterns reflect the preferences of employers in the service sectors, retail and public sectors who have gravitated towards Newry City (as well as the main urban centres of Belfast and Dublin) due to its strategic location along the Belfast/ Dublin corridor and the Twin City Region status it enjoys.

Recent Employment Trends

Labour market participation amongst working age population

Despite relative GVA growth, LGD findings from the Labour Force Survey from 2005 to 2009 indicate that the economic activity rate for all persons aged 16 and over in Newry & Mourne LGD (56%) was generally lower than the Northern Ireland average (59%). The neighbouring LGDs of Banbridge and Down showed comparative figures of 69% and 66% respectively.

By 2009, the average annual employment rate for Newry & Mourne LGD (59%) remained lower than Banbridge (76%) and Down (72%) LGDs, as well as the Northern Ireland rate (65%). Estimated employment rates fluctuate from year to year but comparisons between the average annualised rates from 2006, show Newry & Mourne has remained consistently below the Northern Ireland average. Banbridge LGD stayed above throughout the period 2005-09. Down LGD rose above the NI average in 2008 and has remained above average.

Unemployment, worklessness and deprivation

One manifestation of the recession has been a sharp rise in unemployment. Claimant count based unemployment figures for the Newry HMA in figure 1 show that:

- Claimant count based unemployment rates remained around 3% to 2008 but increased sharply in 2009 and continued to rise until 2010 (c.5%);
- In 2010, the annual average claimant count rate for Newry HMA was 5.7%; this was above the comparable Northern Ireland figure of 4.9%. Newry Rural area demonstrated a slightly lower level of unemployment;
- Unemployment is high throughout Newry City, the highest rates being in the wards of Daisyhill (7.6%) and Drumgullion (7%), the lowest in Windsor Hill (3.8%);
- In Newry Rural the highest unemployment rates are in the wards of Forkhill (8.7%) and Clonallan (6.4%). The lowest rates are in Bannside (2.5%) and Katesbridge (3.3%);
- Such recent increases illustrate that even its key location and infrastructural advantages have not kept Newry immune from the recession;
- It is reasonable, however, to suggest that when the economy recovers Newry will be well placed to recover faster than many other parts of Northern Ireland.

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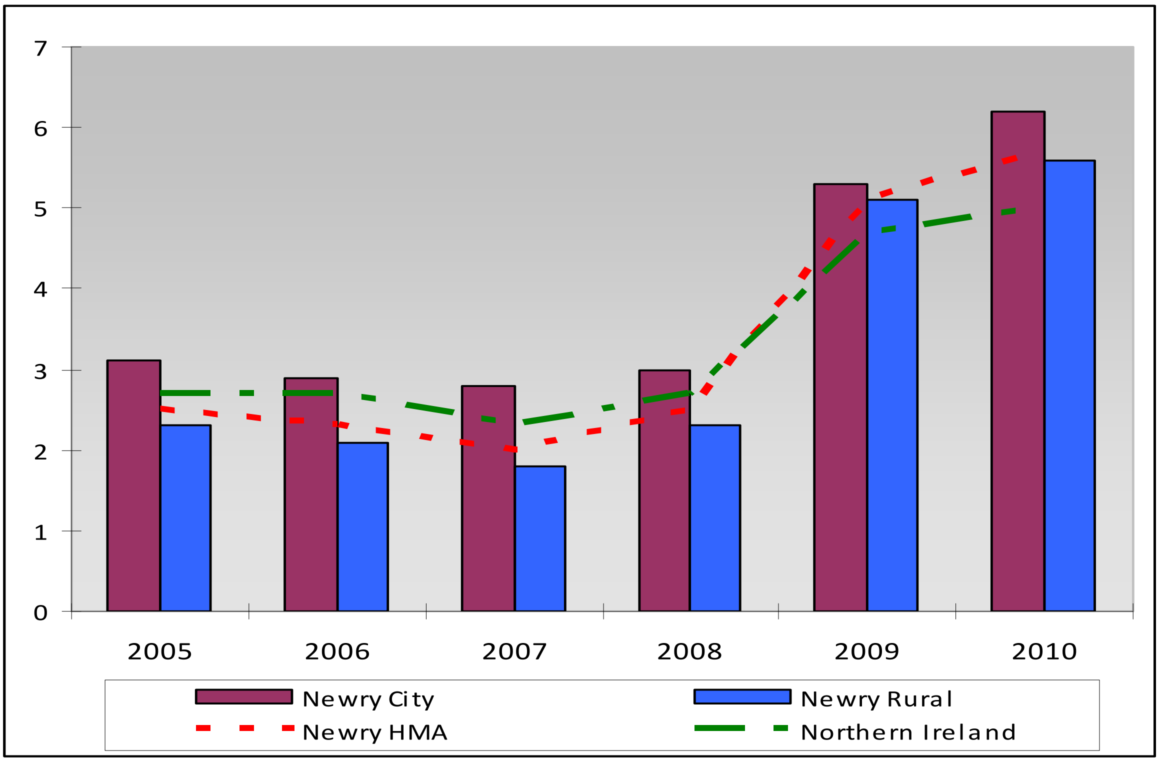
Figure 1: Annual Claimant Unemployment rate for Newry HMA, 2005-10



Source: NISRA Annual Average Claimant Count (NINIS, 2011)

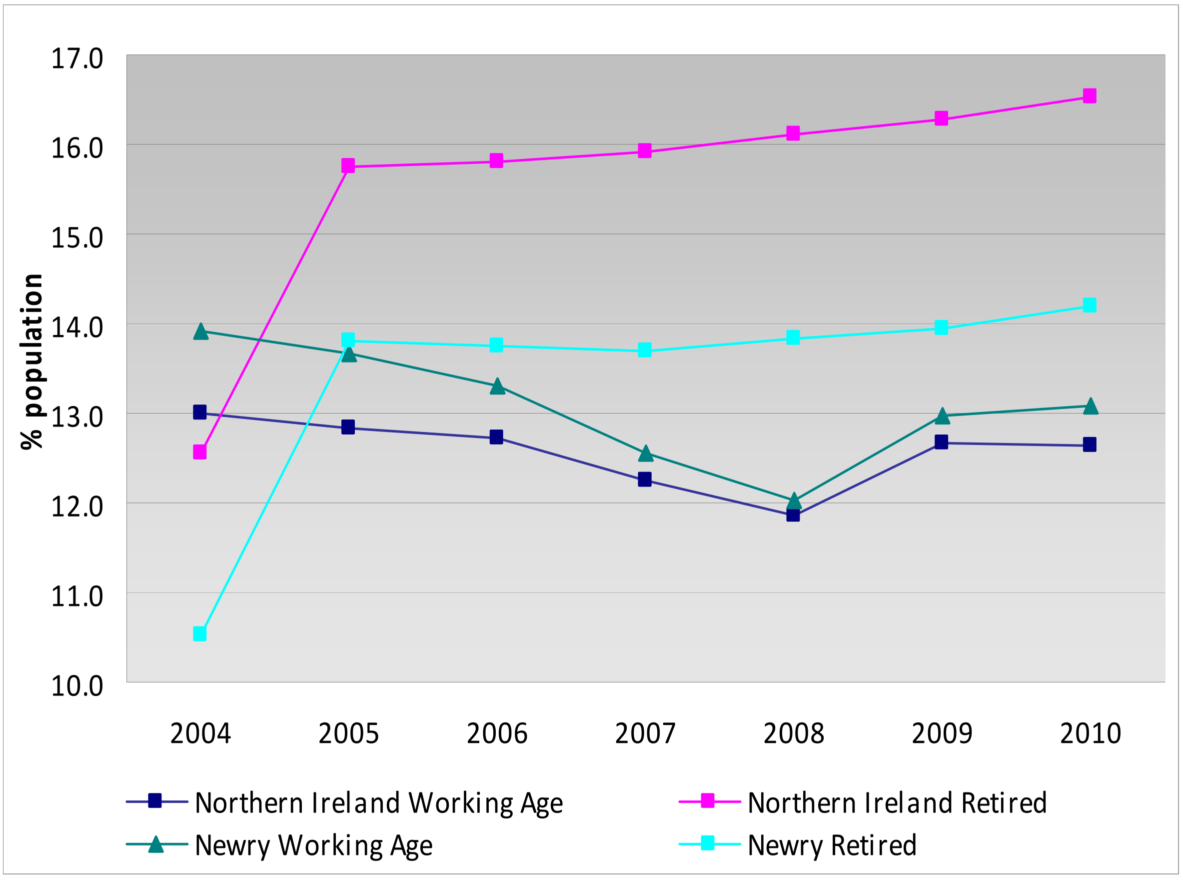
Figure 1 highlights that any economic recovery remains fragile and points to the possibility of continuing high levels of unemployment for some time to come. Continued expansion of the labour force as young people seek employment will contribute to persistent rates of unemployment.

There is some evidence to suggest that overseas migrants may have reacted to the economic downturn as employment opportunities reduced, and many have returned to their homeland as a result. This issue could merit further investigation, given the high historic levels of inward migration, which may have influenced planning and other policies.

Claimant count based unemployment does not provide a complete measure of worklessness. Figure 2 shows the proportions of working age adults in receipt of key state benefits[3] from 2004 to 2010. It indicates that prior to 2009, the proportions of working age adults in receipt of key benefits had been falling slowly but steadily. In 2009, this trend went into sharp reverse nationally and locally, largely because of the downturn in the economy. Relative to the Northern Ireland figure, the percentage of working age adults in receipt of key benefits in Newry HMA has consistently remained higher over this period.

3 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)

Figure 2: % 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 Newry HMA there are levels of deprivation higher than in many other parts of Northern Ireland. Newry & Mourne LGD ranks as fifth most deprived district according to the Northern Ireland Deprivation Measure 2010 (NISRA 2010).

Within the Newry HMA, deprivation is localised and tends to be concentrated more in social housing estates. As a result, four of the most deprived wards within Newry & Mourne LGD are located within Newry City, with Ballybot being the most deprived. Crossmaglen ward is the most deprived in the surrounding rural area. Having said that, not all wards exhibit serious deprivation and some wards located in the Banbridge LGD are among the least deprived in the Newry HMA.

Labour market structure

Both the Northern Ireland and Newry HMA employee job market is dominated by the service sector. As Table 3 shows, in 2009 the largest employing industry in the HMA was the service sector (77%) followed by manufacturing (13%), and construction (7%). While the number of employees has increased by 20% between 2001 and 2009, there are more employees in part time employment in Newry HMA compared to Northern Ireland.

Table 3: No of employees in Newry 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
Newry HMA	33,954	62.8	37.2	13.2	7.2	77.1	2.5	19.9
Newry City	15,500	65.7	34.3	13.5	7.2	76.7	2.5	20.8
Newry Rural	18,454	60.3	39.7	13.0	7.1	77.4	2.5	19.2

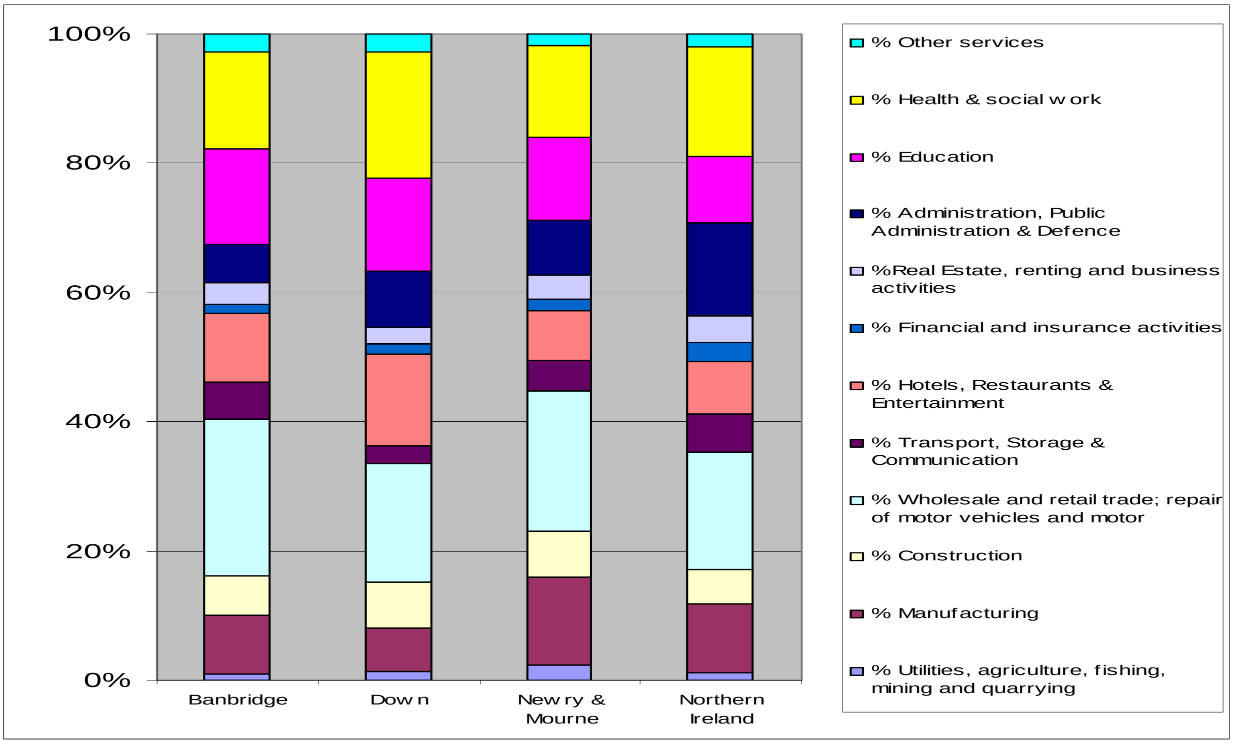
Source: Census of Employment: DETI LGD outputs and NINIS Ward level outputs

The Standard Industrial Classification of Economic Activities (SIC 2007) employee statistics, which are summarised in figure 3, indicate that in 2009 employees in Newry HMA worked in health and social sector (18%), wholesale and retail trade (17%), public administration and defence (11%) and education (9%). A further 12% were employed in real estate, scientific or technical professions and administrative support activities.

The numbers of employees working in the Newry HMA peaked at 35,655 in 2007 before falling back to 33,954 in 2009, reflecting the downturn in the economy generally. Employee job growth from 2001 to 2007 was heavily concentrated in the Construction, Real Estate and Wholesale and Retail Trade sectors across the three LGDs in Newry HMA. Of the total jobs in the three LGDs of Newry HMA, 37.2% were part time, which was comparable to the rest of Northern Ireland (37%).

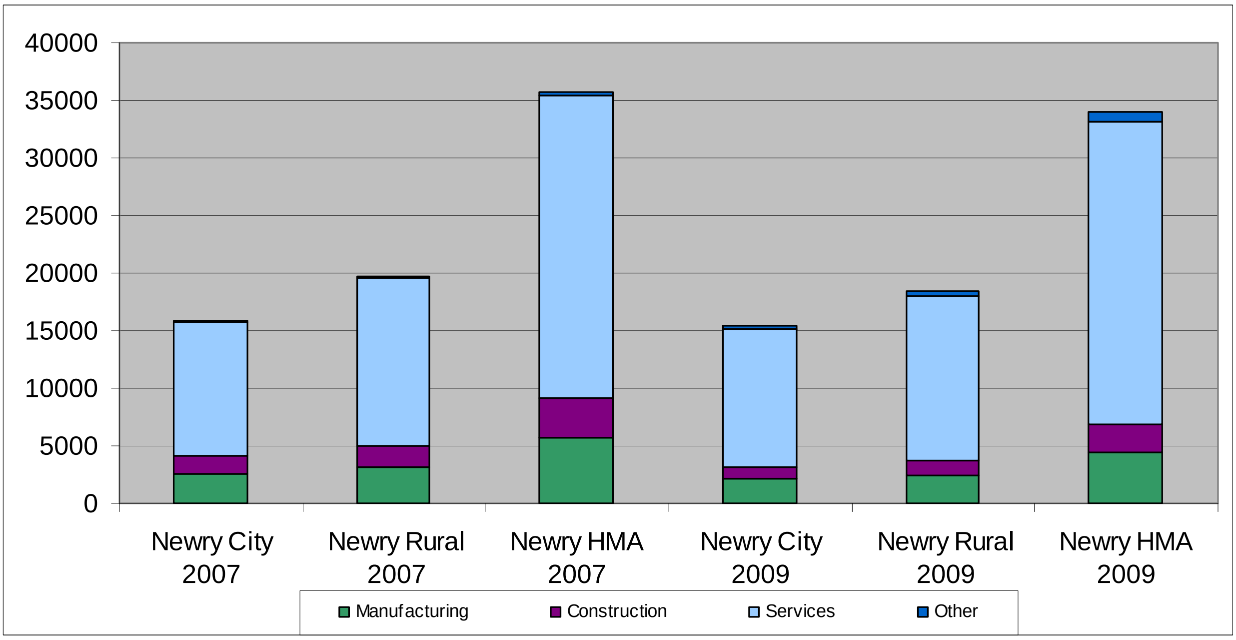
The Quays shopping centre, Newry

Figure 3: Employee share by industry (SIC 2007 workplace based), 2009



Source: Census of Employment, 2009 (DETINI, 2011)

Figure 4: Number of employees by sector, 2007-09



Source: Census of Employment, 2009 (DETINI, 2011)

Figure 4 shows that between 2007 and 2009 the fall in employee jobs were similar in Newry City and Newry Rural areas. This is partly because job losses have been heavily concentrated in the construction and manufacturing sectors. Over this period, the employee jobs shrank from 35,654 to 33,954 in the HMA.

Housing Executive

Incomes and earnings

Earnings

LGD earning data presented in Table 4 provides a broad indication of earnings across the Newry HMA[4]. It shows that:

- Work based and residence based full time earnings in Newry & Mourne LGD are similar at both median and lower quartile rates;
- Resident based earnings are generally higher than work based earnings in both Down and Banbridge[5];
- We interpret these findings to mean that individuals who live in Down or Banbridge are more likely to find their employment from within the totality of the Belfast Metropolitan Area rather than their home LGDs. The evidence for Newry & Mourne LGD suggests a much more localised employment market with work and residence based income being almost identical.

Table 4: Full time employee gross weekly pay, 2009

	Lower quartile		Median	
LGD	residence	Work based	residence	work based
Banbridge	£203	-	£343	£272
Down	£231	£164	£353	£287
Newry & Mourne	£184	£183	£328	£327
Northern Ireland	£230	£230	£357	£357

Source: DETINI (2010) ASHE

Incomes

Consistent with CLG (2007) guidance, we analysed CACI PayCheck, which models gross annual household income from all sources including state benefits and savings. As discussed in Appendix 4, comparisons with the FRS and other data sources, suggest this data source provides a useful indication of the distribution of household incomes at the HMA level. Table 5 illustrates that household incomes are below the average level for Northern Ireland as a whole. It is within the lower quartile of incomes that the divergence from the Northern Ireland figure is most significant.

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4 ASHE outputs at LGD level are subject to sampling error and often outputs are suppressed. ASHE 2010 data was released in 2011. However this table has not been updated, because of a need to ensure consistency with other income and price data available, which is 2009 based. However, after allowing for sampling error, there were no significant changes in the broad patterns of gross weekly earnings.

5 Work based earnings are based on where employees' workplaces are located, whereas residence based earnings are measured by where employees live.

Table 5: Gross household income distributions, 2010

Area	Lower quartile	Median	Upper Quartile	Average
Northern Ireland	£18,597	£29,421	£44,793	£34,723
Newry HMA	£16,784	£28,248	£44,618	£33,948

Source: CACI (2010) Paycheck

Incomes and tenure

CACI Paycheck cannot be used to track trends, but some indication of change in household incomes can be gauged from the House Condition Survey (HCS). Figures presented in Table 6 suggest that:

Table 6: Income of households living in Newry HMA, 2001 and 2006

	Newry HMA								Northern Ireland All Tenures	
	Owner occupied		Private rented		Social rented		All Tenure			
	2001	2006	2001	2006	2001	2006	2001	2006	2001	2006
Mean	18,100	19,800	-	-	11,400	11,700	16,800	18,200	16,700	19,100
Median	17,500	14,500	-	-	12,500	9,500	12,500	14,500	12,500	14,500

Source: House Condition Survey, 2001 and 2006 (% rounded)
Some tenures may not produce results where numbers are too small to be robust
Figures have been rounded

- The income profile of households living in the Newry HMA is broadly similar to the income profile of all households in Northern Ireland;
- As expected, households living in social rented accommodation have significantly lower incomes than those in owner occupation.

Short and longer-term economic outlook and associated challenges

The immediate impact of economic recession on the housing system

Newry HMA, as with the rest of Northern Ireland, saw an abrupt downturn in the economy during 2008 following the tightening of credit and the financial crisis, which made it difficult for firms to secure funds to invest in their business and for consumers to secure funds to purchase housing and other services.

The economic slowdown alongside increased borrowing costs had a very immediate and severe impact on the housing market. There was a sharp decline in sales to first time buyers throughout Newry HMA. This in turn led to a steep downturn in housing construction, property transactions and house prices. As prices fell back, house builders scaled back development activity and reduced employee numbers to cut costs and reduce exposure to risk. During 2009 and 2010 rising unemployment had a further downward effect on housing demand.

The private sector, especially the construction sector and the business & financial services sector, which includes sectors vulnerable to housing market weakness such as banks, solicitors, quantity surveyors, and estate agents, has been severely impacted by the recession.

The Old Mill, Newry

Short to medium term outlook

The UK economy pulled out of recession in 2009, but signs of improvement in economic and labour market conditions in Newry HMA as in the rest of Northern Ireland remain tentative. There is still much uncertainty about how quickly the local economy will recover and what scale of recovery is likely.

The June 2010 Ulster Bank Purchasing Managers Index suggested that the private sector economy in Northern Ireland remained weak and that sectors related to the property market, such as construction and conveyancing, had not returned to growth. By February 2011, Ulster Bank reported that the private sector economy was still 'waiting for recovery' and that the construction sector had weakened. The three-month moving average for each of the four months to January 2011 in terms of output, orders and employee numbers were all down on the comparable numbers for the same period to January 2010.

One reason for the lack of economic recovery in Newry HMA and the rest of Northern Ireland has been the regional economy's exposure to the ROI's economy, which experienced one of the deepest recessions in Europe. As DETI (2010c) observed in December 2010, the ROI accounts for 29% of manufacturing exports by Northern Ireland companies and there has been a sharp fall in shopping expenditure by households visiting Northern Ireland from the ROI.

The economy in Northern Ireland is also more vulnerable than any other UK region to public fiscal tightening. This reflects the comparatively high levels of public spending, the high share of public sector jobs and the high proportions of working age households reliant on state benefits.

The reduction in the NI Executive spending plans over the next four years, which were discussed in Appendix 2, are likely to exert downward pressure on economic growth as well as consumer spending and confidence. Associated job losses are also likely to see the rate of unemployment climb further. Various commentators suggest that unemployment in Northern Ireland will continue to rise during 2011 and may not peak until 2012 and that employment growth will remain modest until 2013 at the earliest[6].

There is little prospect of consumer confidence in the housing market recovering to any significant extent until the economy recovers and the availability of mortgage finance improves. This has potential to increase demand for rented housing. Whether the rented sector will respond to this anticipated growth in demand is uncertain. 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.

The UK Government's enacted and proposed welfare reforms, which are outlined in Appendix 2, could dampen private rental supply at the lower end of the market. The Social Security Advisory Committee (2010) and others have expressed scepticism that landlords will reduce rents in line with reduced Housing Benefit. They have also voiced concern that greater pressure on the availability of housing at the lower end of the private rental market could result 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, move back to live with their parents, or share housing with others. As a result, actual household formation rates for the Newry HMA and elsewhere in Northern Ireland may be below the projected trend for the next three to five years. If this does arise,

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6 PriceWaterhouseCoopers (PWC) 2011 report that unemployment could increase to around 11% during 2011 whilst Ulster Bank (2010b) suggest unemployment may rise for another 18-24 months. Moreover, Belfast City and Oxford Economics (2010) suggest that the Belfast economy will experience no significant growth in employment until 2013.

the numbers of households living in the Newry HMA by 2015 may be somewhat lower than NISRA projects.

Longer term prospects

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, and consider whether underlying trends will re-establish themselves in the long term. This in turn requires a judgement as to whether economic fundamentals are strong.

There is a widespread consensus that the rapid growth in retailing and public administration jobs that occurred 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 other sectors 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.

Richard Barnett’s (2009) review of economic policy, OECD’s (2008) review of the Belfast economy and more recent reports by Oxford Economics (Belfast City Council, 2008 & 2009 Centre for Cities, 2009) all concur that the root problem of the Northern Ireland economy is that the private sector is under-developed. In order to close the productivity gap with the UK (excluding London and the South East) the reports point to a need to:

- Expand the private sector, particularly in terms of higher value added financial and business services;
- Attract a skilled population to help secure high value economic growth. An important dimension of this will be a need to ensure housing policies help to ensure that the ‘quality of life’ on offer is sufficiently attractive to retain ‘local’ graduates and attract graduates from elsewhere;
- Address the persistence of deprivation in many neighbourhoods and ensure that the shift to a greater volume of graduate level jobs is accompanied by expansion of other employment opportunities and skills development to prevent further social and economic marginalisation of low skilled workers.

The NI 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 might 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 market housing, whilst service and customer-care related jobs may attract younger single people seeking smaller and lower value dwellings.

Demographic Trends

Population and projections

Recent trends in population numbers

Table 7 shows population change for the Newry HMA from 2001 to 2008. Over this period, the HMA population increased by 12,174 to 111,571. This equated to an increase of 12.2%, which was more than twice that of Northern Ireland (5.1%).

Table 7: Northern Ireland population estimates 2001 to 2008

	2001 (000's)	2004 (000's)	2008 (000's)	change 2001-8 (%)	change 2004-8 (%)
Northern Ireland	1,689,300	1,710,300	1,775,000	5.1	3.8
Newry HMA	99,397	103,113	111,571	12.2	8.2

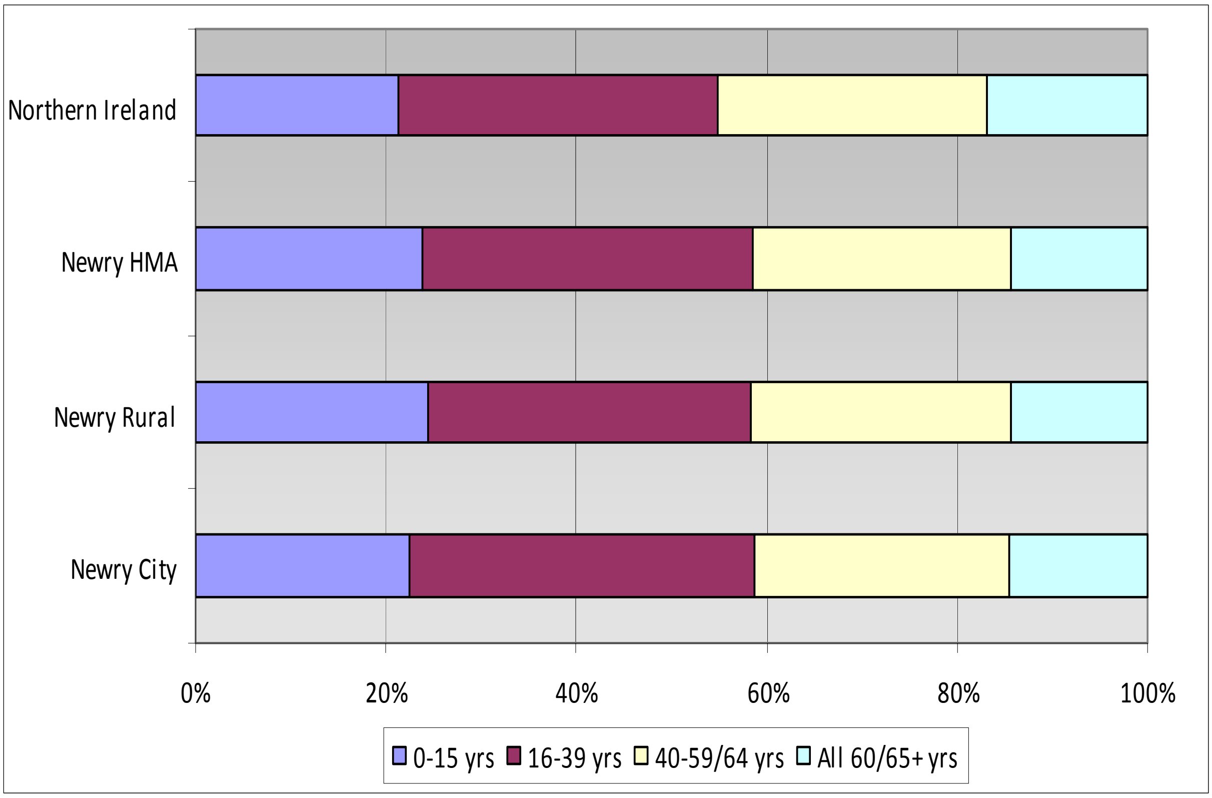
Source: NISRA (2010) Small area population (ward) estimates aggregated to HMA

Composition of population

Looking across the Newry HMA, Table 8 and Figure 5 show that:

- Within the Newry HMA 23.9% were children and 14.3% were older people; the Northern Ireland equivalent is 21.5% and 16.7% respectively;
- The Newry HMA has experienced growth across all age bands. The greatest growth can be seen in working age and retired age groups.

Figure 5: Population of the Newry HMA by age, 2008 (%)



Source; NISRA (2010) Mid- Year Small Area Population Estimates for 2008

- Rates of growth in the numbers of working age and above have increased more sharply than at the regional level;
- Unlike the regional trend, Newry HMA experienced a growth in the numbers of children;

Newry City had a higher proportion of the 16-39 age group than the NI average but was lower in the 49-59/64 age group. This would suggest that in recent years, Newry City has proved an attractive area to those raising young families.

Table 8: Northern Ireland population estimates 2001 to 2008

	Northern Ireland	Newry HMA	Newry City	Newry Rural
Population 2008				
0-15 years	381,074	26,700	5,746	20,917
working age	1,098,109	68,900	16,129	52,792
retired	295,832	16,000	3,701	12,287
Total	1,774,995	111,600	25,576	85,996
Population 2001				
0-15 years	397,156	26,100	6,276	19,853
working age	1,029,939	59,400	14,400	45,034
Retired	262,225	13,800	3,207	10,628
Total	1,689,310	99,300	23,883	75,513
Change in population age group 2001-8 (numeric)				
0-15 years	-16,082	500	-530	1,064
working age	68,170	9,500	1,729	7,758
Retired	33,607	2200	494	1,659
Total	85,685	12,200	1,693	10,481
Change in population age group 2001-8 (percent)				
0-15 years	-4.0	2.0	-8.4	5.4
working age	6.6	16.0	12.0	17.2
Retired	12.8	15.6	15.4	15.6
Total	5.1	12.2	7.0	13.9

Source; NISRA (2010) 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

Minority ethnic communities

In 2001, some 563 individuals in the Newry HMA belonged to a minority ethnic community[7]. This was equivalent to 4% of Northern Ireland's ethnic minority population and less than 1% of the Newry HMA population. Of these 563 individuals, there was an almost 50/50 split of those living in Newry City (297) and Newry Rural (266).

According to the Census, in 2001, 99.2% of the Northern Ireland population considered themselves to be white (non-traveller) compared to 92% for the UK as a whole. The largest minority ethnic communities in descending order were Chinese (0.25%), Mixed (0.2%), Irish Traveller (0.1%) and Indian (0.09%). Around 40% of the 14,271 people that belonged to a minority ethnic community had been born in

[7] Likewise, 66% of the 3,649 Northern Ireland household representatives from a minority ethnic community lived in the Belfast Metropolitan HMA. It is also of interest to note that 77% of the 30,558 individuals living in Northern Ireland in 2001 that were born outside of the UK or the ROI, came from Europe or English speaking countries

Northern Ireland, 9% had been born in Britain, 3% had been born in the ROI and 48% had been born overseas.

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[8]. 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 (see Table 9). To put this in context, the Census reported that 720 Northern Ireland residents had been born in Eastern Europe in 2001.

These estimates suggest that whereas the former A8 population had increased rapidly, there has been comparatively little change in the numbers and spatial distribution of individuals from a (non-white) minority ethnic community since 2001.

In terms of the spatial distribution of individuals that have migrated from the former A8 countries, NISRA estimates indicate that 4,000 live in Newry & Mourne LGD, 900 in Down LGD and 400 in Banbridge LGD. The main reason for the greater number of former A8 population in Newry & Mourne LGD in 2009, is 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.

Oxford Economics suggest that between 33,000 and 41,000 people born outside the UK and ROI were working in Northern Ireland in 2008, many in the hospitality and manufacturing sectors.

Table 9: NISRA estimated A8 Population by LGD, 2009

LGD Name	A8 Population (2009)	2009 Mid Year Estimate	% of Population
Banbridge	400	47,600	0.9
Down	900	70,300	1.2
Newry & Mourne	4,000	98,700	4
Northern Ireland	39,000	1,788,900	2.2

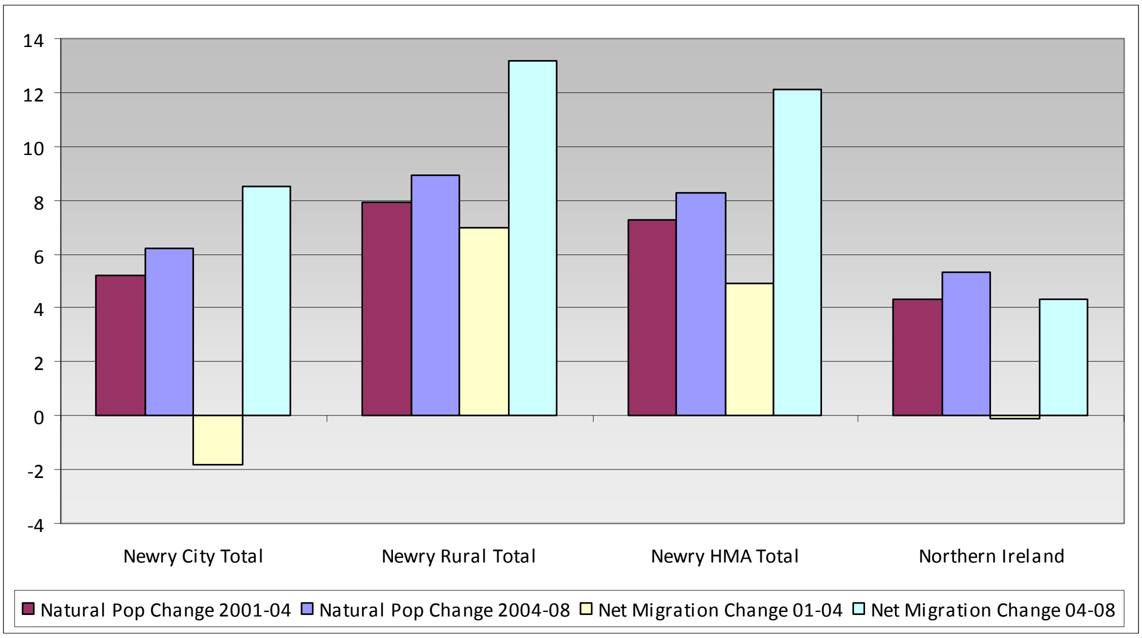
Source: NISRA (2008b) Size of the EU Accession (A8) Population Resident in Newry and NISRA (2010) Small Area population estimates (ward based).
Notes: The A8 population counts for Banbridge, Down and Newry & Mourne are judged most likely to live and work in the HMAs of the same name. These figures are derived from NISRA ward level population estimates.

[8] 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 Rebublic, Slovenia and Slovakia. Cyprus & Malta joined the EU in 2006, Romania and Bulgaria joined in 2007.

Population growth in Newry HMA has been a result of natural population change and net migration combined. It has grown at a consistently higher rate than the Northern Ireland average from 2001-2008 as shown in figure 6.

Newry City experienced a 1.8% dip in net migration change between 2001-2004 but recovered to an 8.5% growth between 2004-2008. Newry Rural demonstrated substantial growth from natural population change and net migration change between 2001 and 2008.

Figure 6: Annual average rate in components of population change, 2001-2008



Source: NISRA (2010) 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

NISRA mid-year population estimates for 2009 confirm that one immediate consequence of the economic recession has been a sharp fall in external migration. This would also be anticipated in the Newry HMA.

Another consequence of the recession has been an increase in the numbers of migrant workers that face financial hardship. Migrant workers were not entitled to state benefits if they had not signed up to the Worker's Registration Scheme, or had not worked consecutively for 12 months. However, these restrictions were lifted for migrants from the former A8 countries in April 2011.

Newry & Mourne HMA level population projections

In May 2010, NISRA published 2008-based population projections by LGD. NISRA (2010a) stress that sub-national projections are less reliable than those for Northern Ireland due to the greater volatility of internal migration.

NISRA projections (see Table 10) suggest that the Newry HMA population could increase by over 2% in the period to 2015 and by over 17% by 2023.

Table 10: Newry HMA Population Projections, 2010-23

	2010	2015	2023	change 2010-23		change 2010-15
				No	(%)	(%)
2008-based population projections						
Newry HMA	113,800	121,600	133,500	19,700	17.3	6.9
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 Newry HMA.

The 2008-based projections for Newry HMA suggest that there will be growth of 17.3% from 2010 to 2023. This is more than double the rate of increase for Northern Ireland as a whole (8%). The 2008-based projections however, differ slightly from the 2006-based projections across the three LGDs in Newry HMA. The 2006-based projections forecast a much greater rate of growth in Down and Newry & Mourne LGDs than Banbridge LGD.

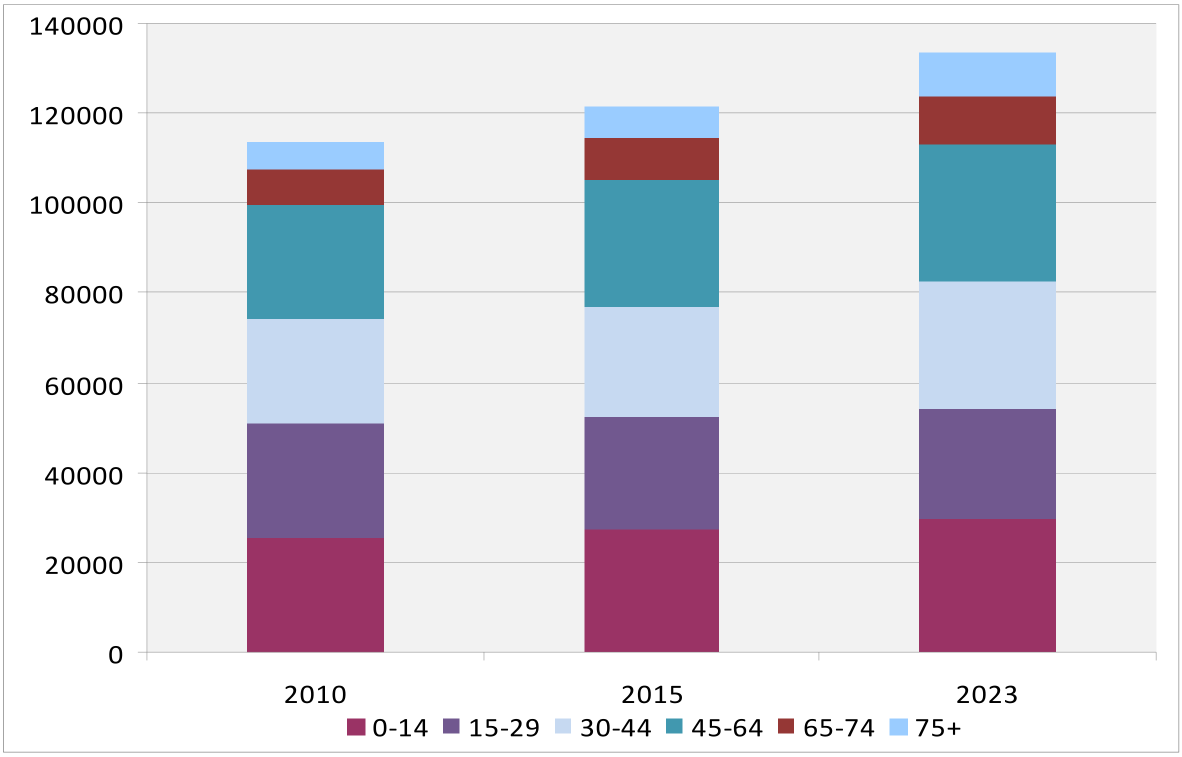
With it's location on the Belfast to Dublin corridor, Newry HMA is well positioned to attract a greater population. In the last few years there have been a number of development plans put in place which could further attract young professionals into the area. Additionally, the performance of schools has been historically strong. This could further enhance the expected population growth for the Newry HMA.

It is expected, however, that 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 Newry HMA.

NISRA project that from 2010 to 2023 the projected age profile for Newry HMA shows:

- By 2023, 62.3% of the population will be adults of working age, 22.3% children under 15 years and 15.4% aged 65+ years;
- Growth is projected across most age bands; however, the 15-29 year age group is projected to decrease marginally. As the migration and household formation patterns of this age group are sensitive to economic conditions and dynamics of the housing system, this long term trend should be treated with caution.

Figure 7: Newry HMA population projections by age, 2010-2023 (2008-based)



Source: NISRA (2010a) LGD level 2008-based population projections

Based on recent economic and demographic trends, the 2008-based projections for the period to 2015 appear to provide a more plausible scenario (than the 2006-based projections) of the general direction of population change at the Newry HMA level. Although both projections maintain similar trends, the 2008-based projections are more modest in their forecasts. That said, there is a risk that the rate of population growth for the Newry HMA and the rest of Northern Ireland could be somewhat lower than projected if continuing weak labour market conditions result in a sharper fall in net external migration than NISRA project.

Looking further ahead to 2023, it is much less certain what future rates of internal and external migration might look like. Much will depend on how quickly employment and associated house building return to 2007/08 levels and how quickly consumer and developer confidence in the housing market returns.

Household trends

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.

Housing Executive

Newry & Mourne HMA household trends

The long-run trend towards the formation of smaller and single person households has ensured that household growth has occurred across the Newry HMA and the rest of Northern Ireland. The increase in single person households throughout the UK reflects a mix of factors. These include higher divorce rates and higher numbers of adults delaying marriage and child bearing until they are in their 30s. Most significantly, older people outliving their partners, continue to live alone for a much longer time than in the past.

Table 11: Newry HMA Household Estimates 2001-10

	2001	2010	change 2001-10	
			No	(%)
Northern Ireland	628,490	706,400	77,910	12.4%
Newry HMA	33,470	39,790	6,320	18.9%
Newry City	8,390	9,350	960	11.4%
Newry Rural	25,080	30,440	5,360	21.4%

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

Household estimates[9], which are summarised in Table 11, suggest that from 2001 to 2006:

- The number of households in Newry HMA increased by 18.9% to 39,790, which was well above the comparable rate for Northern Ireland (12.4%);
- Household growth was particularly pronounced in Newry Rural compared to Newry City;
- Newry City increased at a similar rate to Northern Ireland as a whole.

Household projections

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. As Barry et al (2005) observed in relation to the 2002-based household projections:

> "LGD household projections should be treated as best estimates of what might happen in the future if past trends are allowed to continue without any policy intervention and without taking account of changing local needs. They should, in other words, be viewed more as a 'do nothing' policy outcome scenario that may help to inform future policy thinking. They are included

[10] NISRA prepare local authority level household projections but not annual household estimates. We used occupied stock numbers to produce household estimates for the Newry HMA. These estimates were controlled to the NISRA projected numbers of households at the LGD level. As discussed in Appendix 5, this method has drawbacks but it provides useful insights into the direction of change.

here only for the sake of completeness and should not be taken as forecasts of what is actually going to happen at local level".

NISRA sub-national household projections and household composition

NISRA issued 2008-based regional household projections to 2023 for the Newry HMA, which are summarised in Table 12.

Table 12: NISRA 2008-based household projections for Newry HMA 2010-23

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
Newry HMA	40,100	43,700	47,800	49,100	9%	19%	22%
Northern Ireland	706,200	749,200	794,300	810,600	6%	12%	15%

Source: NISRA 2008-based household projections (2010)
Figures rounded to be consistent with NISRA reporting conventions

- NISRA project, that 49,100 households may be living in the Newry HMA by 2023, which is significantly higher than the comparable rate for Northern Ireland. Newry & Mourne LGD is predicted to have the greatest increase in households within the Newry HMA. Between 2008 and 2023, households are predicted to increase by 27%. 2006-based projections suggested an increase of 35% between 2006 and 2021;
- Banbridge LGD is also forecast to increase significantly. 2008-based projections suggest a 25% increase between 2008 and 2023;
- Projections for Down LGD are more in line with the Northern Ireland average over the same period. It is predicted to rise by 19% compared to 18% for Northern Ireland.

Table 13 therefore shows projections for Newry HMA. It shows that household growth will be driven by an increase in smaller and single person households, albeit the rate of growth is projected to be higher than Northern Ireland as a whole. It also shows that there is likely to be a comparatively sharp decline in the numbers of larger households without children.

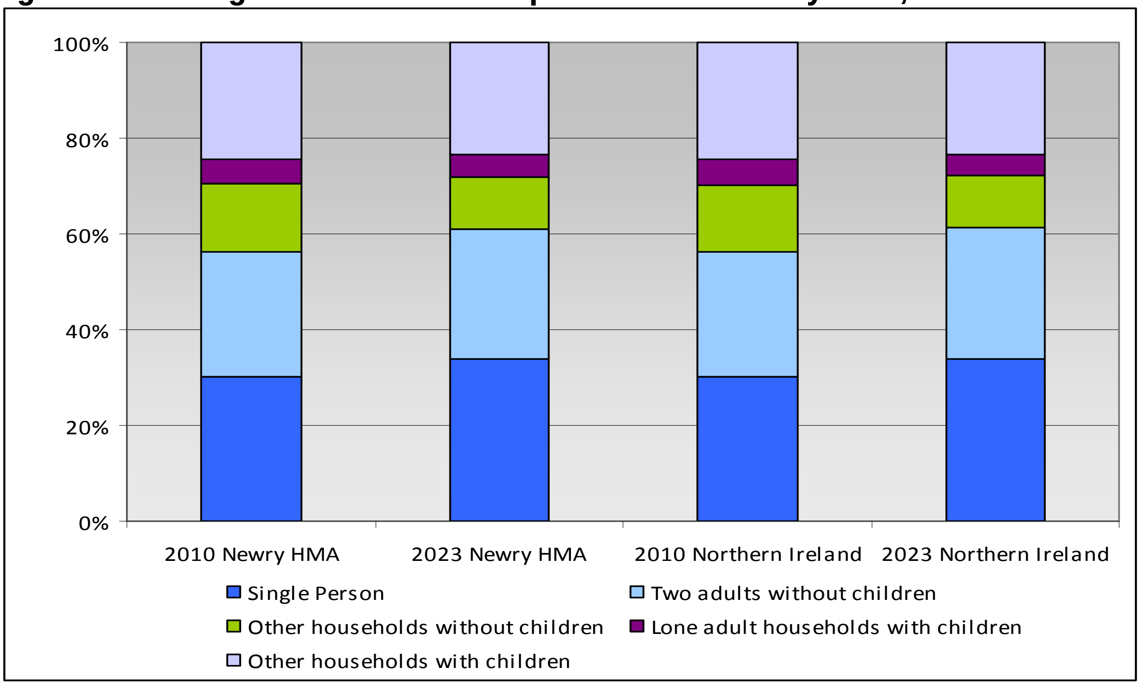
Table 13: NISRA 2008-based projected households by household type to 2023

	2010	2015	2023	change 2010-23 No	change 2010-23 %	change 2010-15
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%
Newry HMA						
Single person households	12,100	13,800	16,600	4,500	37%	14%
Two adults without children	10,500	11,700	13,500	3,000	29%	11%
Other households no children	5,600	5,600	5,300	-300	-5%	0%
Lone adult with children	2,100	2,200	2,300	200	10%	5%
Other households with children	9,800	10,400	11,500	1,700	17%	6%
All households	40,100	43,700	49,100	9,000	22%	9%

Source: NISRA household projections 2008-based
NOTE: Newry HMA (which is NUTS 3 areas of East of Northern Ireland) includes the LGDs of Banbridge and Down

Consequently, as Figure 8 shows, by 2023 more than 8 in 10 households may comprise of single or two person households.

Figure 8: Change in household composition in the Newry HMA, 2010-23



Household projections do not attempt to predict the possible impact of future government policies, changing economic circumstances or other factors on demographic behaviour. Any set of projections therefore require judgement as to how likely the trends are to continue.

It is less certain whether the projected scale of increase in the numbers of households at Newry HMA level projected will materialise. If current weak economic conditions continue for some considerable time this could have a sustained downward impact on internal and external migration flows and patterns of household formation and thus overall levels of household growth.

Cross border comparisons

Adjacent to the Newry HMA, County Louth is one of the most densely populated counties outside Dublin. This is due to the presence within its borders of two of the largest provincial towns in ROI, Dundalk and Drogheda. This generates critical mass and a large and well-educated labour force, which is an essential resource for economic activity and expansion.

The population of County Louth has steadily increased in recent years. Census figures show that the population of the county was 91,810 in 1986 and 110,896 in 2006, an increase of 20.7%. In the inter-censual period 2002 to 2006 the population grew from 101,821 to 110,894, representing an increase of 8.9 %. This is marginally in excess of the national average of 8.1% for this period.

County Louth is also the most urbanised county in the ROI outside Dublin. The 2006 census figures confirm that 65% of the population of the county is classified as urban.

In County Louth, 58% of the population live in Dundalk or Drogheda, 7% live in Ardee or Dunleer and the remaining 35% live in rural towns, villages or open countryside.

The working age group within Louth (defined as those persons aged between 15-64) was recorded at 67% for 2006 while the figure for the state was significantly lower at 58.7%. The proportion of the working age population suggests that there is a large available labour force within the county. This also has implications for the provision of housing, services, community facilities and employment provision.

In December 2008, the Central Statistic Office (CSO), issued revised regional population projection for the Border Region (Louth County Council, Cavan County Council, Monaghan County Council, Leitrim County Council, Sligo County Council and Donegal County Council) ,for the period 2011 to 2026.

These revised figures suggest that the population of the Border Region will be as follows:

Table 14: Projected Population for the Border Region 2011 to 2026

2010	2016	2021	2026	Change 2010-26
515,000	550,000	576,000	592,000	15%

Source: CSO December 2008

The population of the Border Region and County Louth in 2006 was 468,475 and 111,267 respectively. The percentage of the total population within the six border counties that resided in county Louth in 2006 was 23.8%. By applying the same percentage to the CSO projections, the population of Louth would be:

Table 15: Projected Population for County Louth 2011 to 2026

2011	2016	2021	2026	Change 2010-26
122,570	130,900	137,088	140,896	15%

Source: CSO December 2008

Population predictions for Newry HMA cannot be directly compared to County Louth; however, it is notable that both areas are set to increase. Inward migration is expected to slow and outward migration may increase across Northern Ireland due to the falling value of sterling and the uncertain economic climate. These trends are not expected to reduce population growth across Newry HMA to the same extent as other cities and towns in Northern Ireland. This may be because of demand from specific job sectors within the area that attracts the migrant workforce.

It is accepted that the changed economic circumstances, which has seen migration slowing in the border counties, could have a negative impact resulting in an actual population less than that projected. On the other hand, the continued implementation of the National Spatial Strategy/RDS (NI) and the potential for continued significant growth in Newry, Dundalk and Drogheda could have a positive effect that would result in projections being exceeded. This will need to be monitored.

The County Louth Economic Development Strategy 2009 – 2015 accepts that the majority of employment growth will be focused on the two principal urban areas of Dundalk and Drogheda. Nevertheless, it also recognises there is considerable scope for new economic opportunities in rural County Louth.

County Louth has traditionally had a strong employment and industrial base centred primarily on the towns of Dundalk, Drogheda, Ardee and Dunleer. The significant foreign direct investment in new enterprises supported by the Industrial Development Authority (IDA) has taken place in county Louth in more recent years and this has made a very valuable contribution to economic development and employment opportunities. The Dundalk Institute of Technology (DkIT) provides a range of high quality third level diploma and degree courses in the sciences, engineering, building and construction and the number of highly qualified graduates coming out of the college each year is a major strength and opportunity for the county. The changing employment profile of ROI has been manifested locally in a shift towards information, communications and technology (ICT) based industries, specialized engineering and food processing. Today, the county is rapidly becoming one of ROIs principal industrial centres and has attracted new growth in the engineering and IT sectors, principally to Dundalk and Drogheda.

Summary

In the decade to 2008, a dynamic economy and strong employment growth fed through into rapid demographic change across Northern Ireland. There was a significant upturn in the number of migrants coming from Britain, the ROI and Europe to Northern Ireland as well as a sharp upturn in residential mobility amongst existing residents.

One consequence of this dynamism was that the numbers of people and households living in the Newry HMA increased at a faster rate than witnessed in the 1990s. Household growth was also supported by the continuing trend towards the formation of one and two person households and an increase in life expectancy, which saw growing numbers of older households remain in their homes for longer.

The strongest population growth occurred in the Newry & Mourne and Down LGDs, supported by increased rates of private housing construction in both areas. Sustained economic and household growth fed through into strong and rising housing demand over the period to 2007. In addition, growing housing wealth and the ensuing consumer boom in Northern Ireland and the ROI further stimulated growth in the retail sector as well as growth in businesses with an active interest in the housing sector. NISRA projections indicate both LGDs may continue to experience population and household growth but the extent of this will partly depend on how quickly the economy recovers.

In the wake of the ‘credit crunch’, there has been a steep downturn in the housing market in the Newry HMA and elsewhere in Northern Ireland. Prior to 2008 the Northern Ireland economy continued to experience long standing structural problems, including a high reliance on public sector investment, an under-developed private sector and persistently high levels of economic inactivity amongst the working age population. Within the HMA, there were evident concentrations of low income and benefit dependence amongst the working age population of Newry HMA, which restricted their financial capability to exercise choice in the housing market.

Planned reductions in public spending and welfare reforms (which will reduce consumer spending at the aggregate level) point to a slow and rather jobless economic recovery. This may lead to a reduction in the rate of household formation until unemployment levels fall back, as people may delay leaving the family home. This could serve to reduce the requirement for housing and suppress the numbers of households seeking private or social housing in the short to medium term.

In the longer term, a lack of sustained economic growth and a stronger and more dynamic private sector economy may exacerbate the trend towards residential segregation. Essentially, households that are more affluent will have the ability to exercise choice in the housing market. Consequently, those with few choices in the housing market would become increasingly concentrated in urban areas where relatively cheap accommodation in the private and social sectors would be more concentrated. There is a risk that increasing numbers of people may face dwindling economic opportunities and have access to fewer and poorer amenities.

The NI Executive has identified that a major policy challenge will be to secure private sector-led future economic growth that will deliver employment growth and expand the employment and skills development opportunities for residents and inward migrants.

Household projections suggest that the number of households living in the HMA could increase by some 22% to 49,100 between 2010 and 2023. These projections have informed the RDS 2035 Housing Growth Indicators but the actual rate of growth in household numbers and the likely level of net additional dwellings required will be shaped by economic conditions over the period.

The projections also point to a continued growth in the numbers of one and two person households but the implications this will have for the type and size of housing required in the future is uncertain. A large and growing share of these smaller households will be older households that will want to continue to live in their family home.

Planning for the mix of housing required to support improved economic performance will require careful consideration alongside the housing implications of household growth particularly the growth in older households.

Over the past 12 months, it is clear that the severity and depth of the economic recession will shape future patterns of housing need and demand in the period to 2020 and beyond. The precise nature of these effects remains difficult to forecast with any certainty.

The possible implications of recent and future demographic and economic trends on the dynamics of the housing system are examined in the following chapters. However, it is important to keep in mind that the situation has changed rapidly over the past months and is continuing to do so. As a result, some of the implications that we discuss have involved a degree of informed conjecture based on assessment of available local evidence, emerging findings from other research and professional opinions.

Shops in Newry

Key issues

- The 'credit crunch' has led to a steep downturn in the housing market in Newry HMA and Northern Ireland as a whole;
- Within Newry HMA, there are evident concentrations of low income and benefit dependency among the working age population. Their financial circumstances restrict their housing choices;
- Planned reductions in public spending point to a slow economic recovery;
- Uncertainty in the economy may reduce household formation as young people delay making the move to independent living outside of the family home. This may lead to suppressed demand for housing in the short to medium term;
- A lack of economic growth may lead to further residential segregation as only affluent households will have choice in the housing market;
- In the decade to 2008 rapid demographic change occurred across Northern Ireland;
- Household growth in Newry HMA was supported by the continuing trend towards the formation of one and two person households;
- An increase in life expectancy means increasing numbers of older households, many of whom will wish to remain living in their own homes. This will require planning and innovation in terms of both policies and housing and social services.

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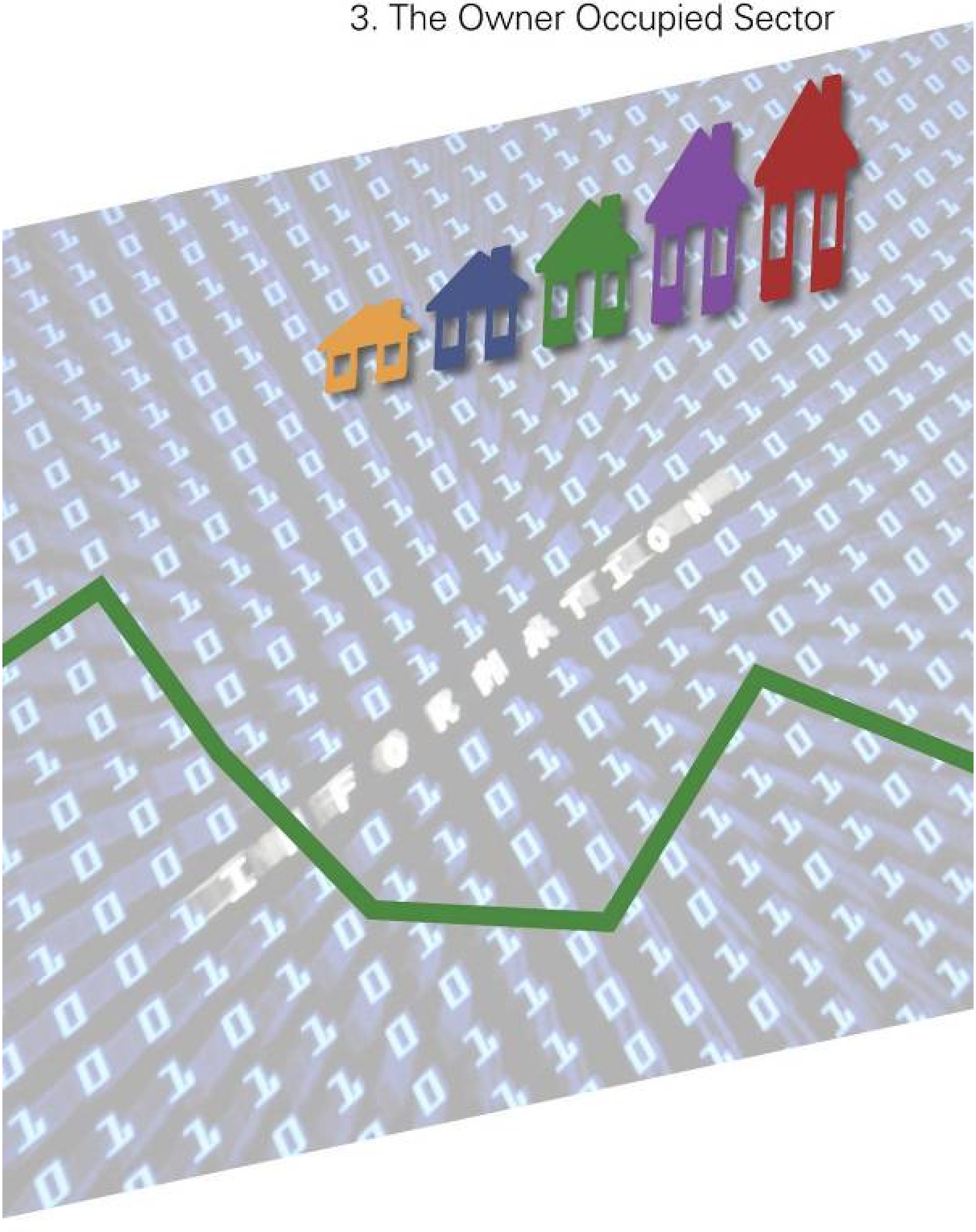
3. The Owner Occupied Sector



3. NEWRY HMA: THE OWNER OCCUPIED SECTOR

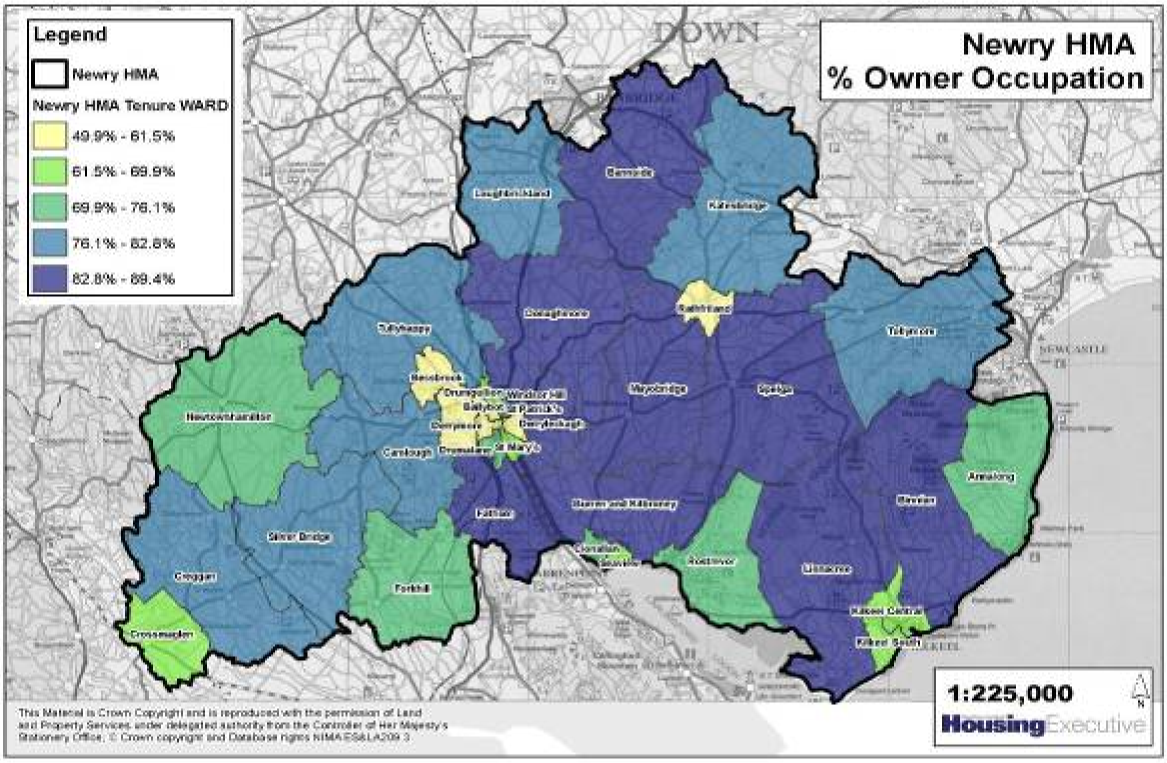
Introduction

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

Profile of the owner occupied sector

In 2001, some 73% of households in the Newry HMA were living in the owner occupied sector, considerably higher than Northern Ireland as a whole (66.8%). Map 3 illustrates the percentage of people who owned their properties by ward within the Newry HMA. It indicates that owner occupation is higher in rural areas than in the main city area of Newry.

Map 3: Percentage of households living in owner occupied sector by ward (2001)



According to the Northern Ireland Census in 2001, inner city wards of Ballybot, and Daisy Hill had the lowest levels of owner occupation at around 50%; these areas included large numbers of social dwellings within the City. Windsor Hill and Derryleckagh wards in Newry City had the highest level of owner occupation at over 79%.

In the Newry Rural area, wards on the outskirts of the City like Mayobridge and Burren/Kilbroney recorded almost 90% owner occupation. Rathfriland and

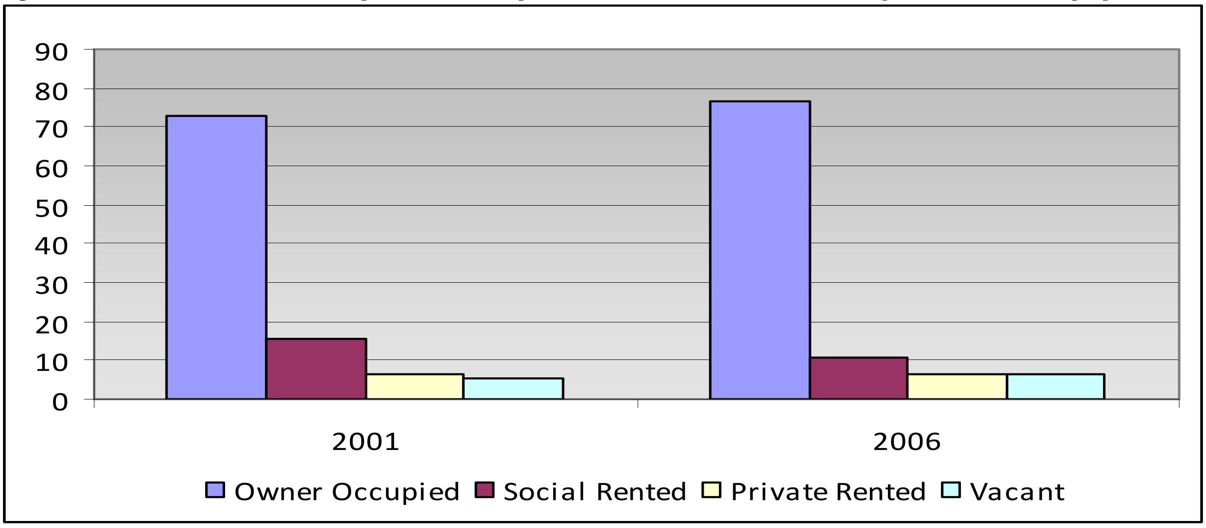
Housing Executive

Bessbrook wards showed the lowest percentage of owner occupation (60%) within the rural area, and again there was a high correlation of social housing at this location.

Recent tenure trends since 2001

Evidence from the House Condition Survey (HCS) shows that between 2001 and 2006 the proportion of households in Newry HMA that owned their own home increased from 73% to 77%. The main reason for this continued expansion is probably due to the high level of private housing construction rates averaging around 885 per year during this period. Owner Occupation, therefore, remains substantially higher in the Newry HMA compared to the Northern Ireland average percentage share of total tenures.

Figure 9: Tenure of occupied stock plus vacant stock in Newry, 2001-2006 (%)



Source: House Condition Survey

The Newry HMA comprises 35 wards, 30 of which are coterminous with Newry & Mourne LGD. Findings from the (HCS) 2001 and 2006 suggests that the majority of the owner occupied increase was located in the Newry & Mourne LGD where the overall percentage increased by 4%.

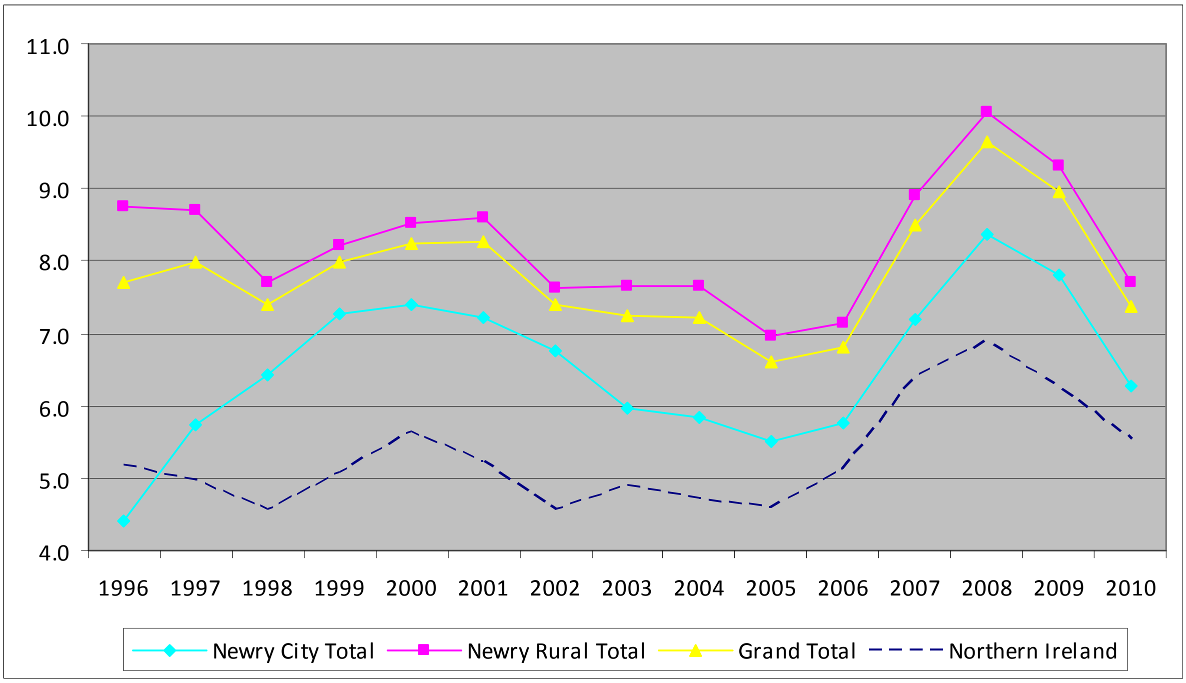
Since 2006, owner occupation continues to be the most popular tenure in the Newry HMA, however, indicators suggest that its tenure share of the overall housing market has decreased slightly in recent years and more people are renting their home from private landlords.

The 2009 HCS reported that the PRS for the Newry and Down area represented around 20% of total stock. It is important to note that this survey also takes account of all the wards in the Down LGD, the majority of which are not directly relevant to the Newry HMA. Increases in private Housing Benefit claimants in all three LGDs (Newry & Mourne 37%; 58% in Down; 43% Banbridge) have been recorded since 2007 and comments from local estate agents would support suggestions that more people are renting privately in the area. More detailed consideration of the PRS is discussed further in Chapter 7.

Vacant dwellings

The RDS 2035, assumes that a vacancy rate of 5.7% is necessary at the Northern Ireland level[10]. Compared against this benchmark, evidence from NINIS (Figure 10) indicates that between 1996 and 2010, vacancy rates for Newry HMA as a whole have tended to be higher and fluctuated between around 7% and 10%. It is likely the underlying reason for this is the rural and highly scenic nature of Newry HMA which includes higher rates of second homes and holiday lets. The wards of Tollymore, Rostrevor and Spelga, in and around the Mourne Mountain area have consistently had vacancy rates of 9% and higher since 1996.

Figure 10: Annual vacancy rates across Newry HMA, 1996-2010



Source: NINIS (2011) RCA and DSD Small area vacant and occupied stock

There has been a noticeable drop in vacant dwellings throughout Newry HMA since 2008, as second homes and vacant private stock have been utilized for private renting in the face of the downturn in the economy. Likewise Newry City and Newry Rural areas have shown similar trends. Proposed changes to the rating System are likely to mean that properties currently declared as 'vacant' will now attract a rates

[10] A minimum level of vacant dwellings is required to allow households to move from one dwelling to another. In addition, a number of dwellings at any point in time will be vacant because they are undergoing repair or have just been completed and will come into use relatively quickly through the normal operation of the market. In looking at the balance between the supply of dwellings and the numbers of dwellings required to meet the housing requirements of households it is always necessary therefore to allow for a small proportion of stock to be vacant at any point in time.

charge. There will be less incentive for owners to continue to state they are vacant in the hope of saving on rates charges and the percentage of stock considered vacant may decrease.

Vacancy rates in Newry HMA peaked in 2008, (corresponding to high numbers of new units constructed in the three to four years to 2007) possibly because the completion of significant numbers of new dwellings can lead to some increase in vacancies in the short term until they are sold. The onset of the recession combined with severe credit constraints and an ebbing away of consumer confidence has had the effect of reducing private sector new build completions in the Newry HMA since 2007/08, and this may, in part, explain the drop in vacancies since then.

Housing stock flows

New house building

Various factors shape changes in the volume and mix of housing. New housing construction is the most important influence, but inter-tenure stock transfers, property conversions and demolitions can also have an influence.

It was estimated that between 2000/01 to 2006/07, an average of 26 units per 1,000 households were started each year in the Newry HMA. This was above the comparable rate of 21 units per 1000 units for Northern Ireland. Since then, and up to 2010, this average has dropped to seven units per 1,000 households in the Newry HMA –(half the Northern Ireland rate of 14 units per 1,000 households for the same period).

At Newry HMA level, between 2000/01 and 2006/07, the HMA experienced strong levels of house building, peaking at 1,346 in 2001/2002. In 2002/03 new build dropped back but levels remained high averaging 826 units per year up to and including 2006/07. New dwelling starts dropped dramatically from 635 in 2006/07 to 97 in 2007/08 and 64 in 2008/09.

Table 16: New dwelling sector starts in the Newry HMA , 2000-10

year	New Dwelling Starts Private Sector	New Dwelling Starts Housing Associations	New Dwelling Starts Total All Sectors	HA starts as % of all New Dwellings
2000/1	974	41	1,019	4.0
2001/2	1,320	27	1,346	2.0
2002/3	848	31	879	3.5
2003/4	936	21	957	2.2
2004/5	771	52	823	6.4
2005/6	795	21	816	2.6
2006/7	635	20	655	3.1
2007/8	97	58	155	37.5
2008/9	64	102	166	61.4
2009/10	104	80	184	43.7
Average 2000/1- 2003/4	1,020	30	1,050	2.9
Average 2004/5- 2006/7	734	31	765	4.1
Average 2007/8-2009/10	88	80	168	47.6
Average 2001/2 – 2009/10	654	45	700	6.4
Total Newry HMA	6,544	453	7,000	6.5
Northern Ireland	114,007	10,204	124,289	9.0

Source: NINIS (2011) 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, Newry and Mourne, Down and Banbridge.

In contrast, Banbridge LGD averaged 480 per year, but Down Council area had the highest number of starts in the 10 years from 2000, averaging 555 dwellings per year, with the decline only being evidenced in 2009 when the recession took hold.

In 2009/10, while there were no reported starts in the Newry & Mourne LGD, there were 684 new build starts reported within the Down and Banbridge LGDs.

Local estate agents consulted in compiling this report have indicated that only minimal levels of new build occurred over this period with many developers being risk averse. This may in part be explained by the fact that this period coincides with the drafting of the Banbridge, Newry & Mourne Area Plan. This may have created an element of uncertainty for land owners and developers who in turn seem to have held back on developments preferring instead to await the publication of the Area Plan and clarification on land zoning and hence potential land values and development costs.

Generally, however, there has been a considerable decline in new build starts as some private developers have ceased developing or may be land banking. Until a recovery, it would appear that developers will continue to be cautious in commencing development.

More recent DSD figures for 2010/11 and information from estate agents indicate that low levels of new build in Newry & Mourne LGD may be increasing, with 380 recorded starts. This is higher than starts in Banbridge LGD (282) and Down LGD (346). Estate agents in the Newry area confirm that more new build dwellings have entered the market this year, and that properties sensibly priced in popular areas are entering both the owner occupied and private rented sectors.

House building relative to RDS 2001-25 targets

The Housing Land Availability Summary Report 2010 issued by the Planning Service in January 2011 indicates that by July 2010 some 5,467 dwellings in Newry & Mourne LGD, 4839 in Down LGD, and 3,504 in Banbridge LGD have been completed since 31st December 1998, which was the start of the RDS 2001-25 housing allocation period. The Northern Ireland total dwelling starts between these dates was 112,028.

Table 17 compares the annual average numbers of completions over the 10 years to March 2010 with the annualised equivalent housing growth indicator (HGI) and the average net annual household growth to 2010.

Table 17: Comparison of annual average starts relative to RDS and household growth annual averages in 10 years to March 2010

Area	HGI 1998-2015 (adjusted 2006)	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	208,000	12,200	8,700	12,429	101.9	142.9
Newry & Mourne	12,250	700	600	567	81	94.5
Down	10,500	600	350	574	95.7	164
Banbridge	6,000	400	350	496	124	141.7

Source: NINIS (2011) Total Number of New Dwelling Starts in NI
NISRA 2008-based household projections for 2010 and previous projections for earlier years.
The comparison provides a reasonable approximation of trends and not a precise statement of trends. The time periods involved are not fully compatible and multiyear targets do not necessarily translate easily to annualised equivalents. NISRA projection methods have also changed over time. In addition some starts will be intended to replace housing that has been demolished or closed and therefore do not add to the overall stock of dwellings. These caveats notwithstanding, we believe the information summarised in Table 16 provides a useful indication of long run trends.

Within the Newry HMA, annual average starts have been less than the annualised HGI figures. Newry & Mourne, Down and Banbridge LGD target HGI's are for 700, 600 and 400 respectively. Average annual starts of 567 and 574 in Newry & Mourne and Down LGD's respectively indicate performance below the anticipated levels. In Newry & Mourne starts have also failed to keep a pace with household growth. This indicates that demand for properties was much higher than the available supply.

This demand in turn could have been a contributing factor to the steep rise in house prices, discussed later in this chapter.

In the Banbridge LGD, however, annual starts have exceeded annual growth in new household formation. 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. It should be noted, however, that only four rural wards in Banbridge LGD are part of the Newry HMA and this situation is more reflective of the Belfast HMA where starts have exceeded household growth.

From the perspective of the Newry HMA, annual average starts, whilst well in excess of annual average household growth, lag behind the annualised Housing Growth Indicator requirement. Unlike Northern Ireland, Newry HMA demonstrates a need for further new build starts, subject to available finance to develop and purchase.

Other stock flows

DSD housing statistics suggest that between 2001 and 2010 around 900 Housing Executive properties have been lost from the South Area housing stock. The Housing Executive's South Area includes the LGDs of Newry & Mourne, Banbridge, Fermanagh, Armagh, Craigavon and Dungannon.

The sale of social housing has also contributed to the growth in owner occupation, although sales rates have fallen back since the start of the decade. Between 2001/2 and 2004/5 sales to sitting Housing Executive tenants in the Newry & Mourne LGD, for example, added on average 220 units to the owner occupied sector in the Newry area each year. Comparative figures in 2002/3 saw 240 sales in Newry and 6,156 in Northern Ireland. Sales in Down and Banbridge council areas mirrored this trend over the same period. Since 2002/03 sales to sitting tenants in the Newry & Mourne LGD and the rest of Northern Ireland have declined sharply. In 2008/9, there were only three sales in the Newry Council area, and 62 in Northern Ireland as a whole.

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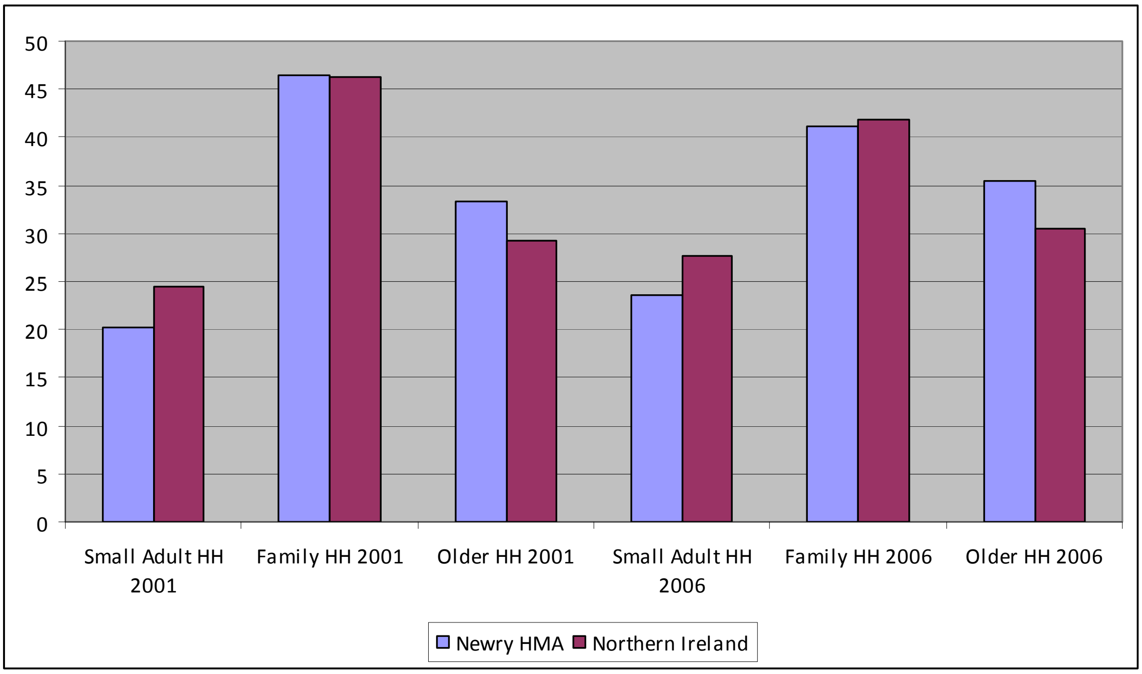
Profile of Owner Occupiers

The socio-economic profile of households living in the owner occupied sector in the Newry HMA is almost identical to the Northern Ireland profile.

Figure 11: Owners by household type 2001 & 2006



Source: House Condition Survey

Figure 11 indicates that owner-occupiers in the Newry HMA are more likely to live in smaller household units with almost 60% of total households considered either small adult or elderly in 2006, slightly above the Northern Ireland figure of 58%.

House price and transaction trends

Exploring house price movements and the volume of dwellings transacted over time is key to understanding housing market supply and demand dynamics. There is a close link between housing demand, housing supply and affordability. Residential migration within a housing market area tends to be influenced by the price and affordability of housing as well as local attributes such as the quality of a place and the accessibility of transport infrastructure. There are two main sources of house price data. The first is the Regulated Mortgage Survey[11] (RMS) which is the basis for comparing price movements in Northern Ireland relative to the UK. The second is the University of Ulster house price dataset[12] used to prepare the Northern Ireland House Price Index published by University of Ulster in partnership with Bank of Ireland and

[11] The Regulated Mortgage survey is a monthly DCLG and CML survey of price data from lenders (although some types of loans such as buy to let mortgages are excluded). In 2007 the RMS contained some 50,000 records per month supplied by about 60 lenders. In the 6 months to April 2010 it contained an average of 24.000 records per month from 35 lenders. The RMS is the price data used by Wilcox (2007, 2009)

[12] The University of Ulster's price dataset is based on a sample of open market transactions gathered from a network of estate agents throughout Northern Ireland

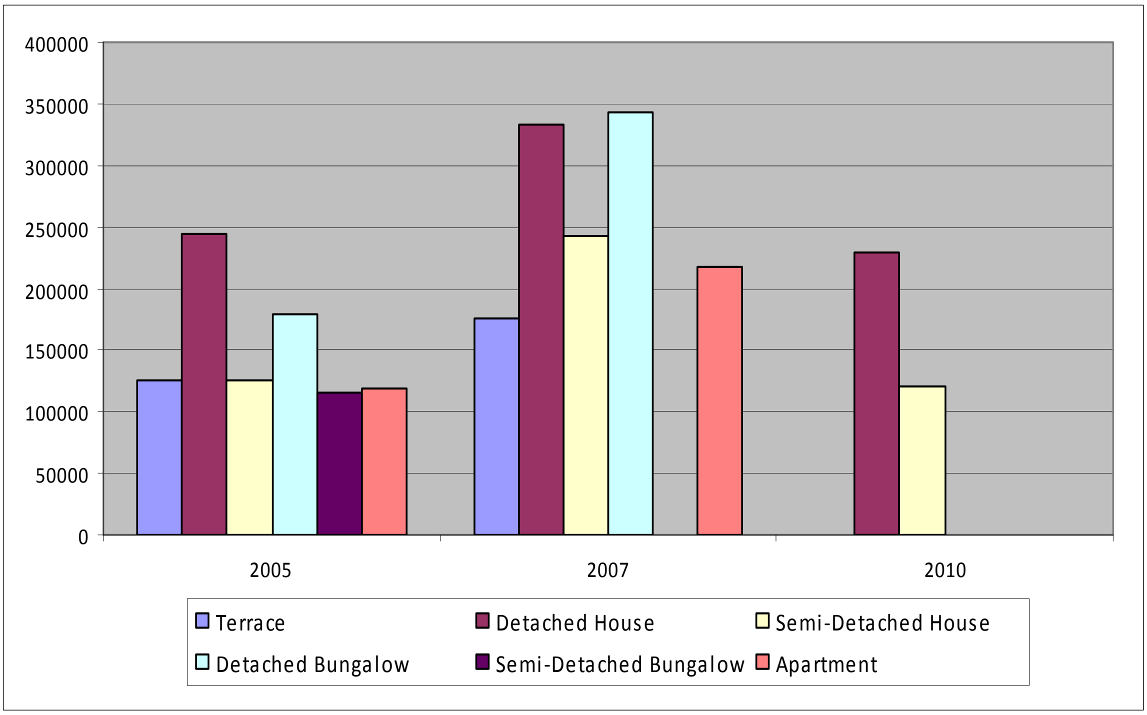
the NIHE. Specific prices differ depending on which data source is used, but both show similar patterns in terms of trends over time at the Northern Ireland level. At the sub-regional level, the University of Ulster dataset is the more accessible and robust as it contains a much larger sample for each of the Northern Ireland HMAs. On the other hand, sample sizes for both surveys, which were always low for sparsely populated areas[13], have fallen since 2007, therefore only very limited analysis is available for rural areas within the HMA.

House prices in the Newry HMA

Price trends by dwelling attribute

Data supplied by University of Ulster summarised in Figure 12 shows average house prices from 2005, 2007 and 2010 for the Newry HMA by dwelling type. The Northern Ireland peak to trough price pattern has been replicated across all dwelling types. Between 2007 and 2010, the average non-adjusted house price fell by some 23% to £229,000 for detached houses, and semi-detached properties experienced a 50% drop to £120,000. Due to there being no recorded sales in other property types in 2010, further comparison is not possible.

Figure 12: Average Annual House Price Newry HMA, price by dwelling type



Source: University of Ulster House Price Index (based on outputs supplied for this study) NB: No information was available for 2009. Some figures are based on low number of sales.

As expected, detached dwellings were the most expensive through the period from 2005 to 2010. The average price of a detached house throughout this time was

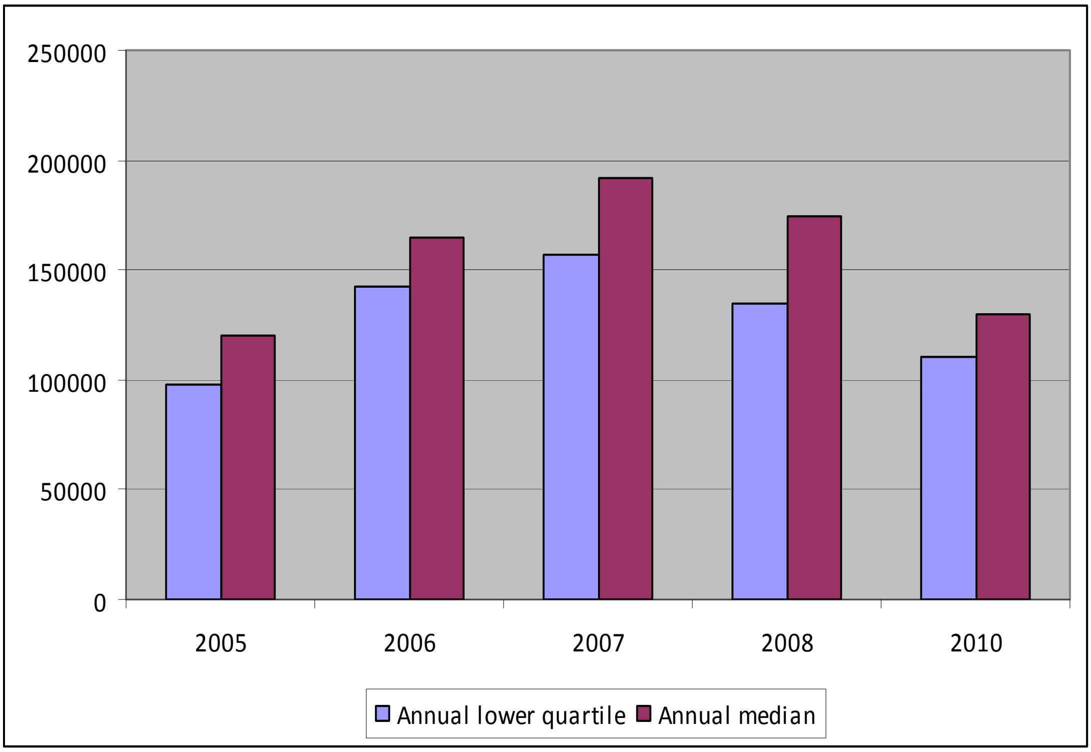
[13] The low sample in rural areas is indicative of the fact that sales volumes in these volumes in these areas are low and that neither survey is designed to monitor price movements at the small area level.

approximately double the average price of a semi-detached property. In 2005, semi-detached bungalows and apartments provided the least expensive dwelling types, but in 2007, terrace properties replaced them as the lowest priced dwellings.

Median and lower quartile prices for 2/3 bedroom properties

Any analysis of the affordability of the housing market requires a judgement about the appropriate house price threshold that equates to being affordable. The Department for Communities (DCLG 2007) and Scottish Government (2008) guidance on the assessment of housing markets suggest that lower quartile house prices provide a reasonable indication of the price threshold that households looking to enter the owner occupied sector could pay. In other words, the lower quartile price point provides an indication of the price threshold above which access to housing for first time buyers becomes unaffordable.

Figure 13: Lower quartile and Median House Prices for 2/3 bedroom properties Newry HMA, 2005-10



Source: University of Ulster House Price Index (based on outputs supplied for this study) NB: No information was available for 2009. Some figures are based on low number of sales

Although not always apparent at the regional and national level, local house price trends can be 'distorted' by changes in the type and size mix of dwellings transacted from one point in time to another. This is particularly the case in smaller and rural areas where the volumes of sales are low. To allow for this, the lower quartile price for two or three bedroom properties has been used as an approximation for the entry level price threshold above which access to housing for prospective first time buyers is likely to become unaffordable. This measure is broadly consistent with the affordability measure adopted by Wilcox (2007, 2008).[14]

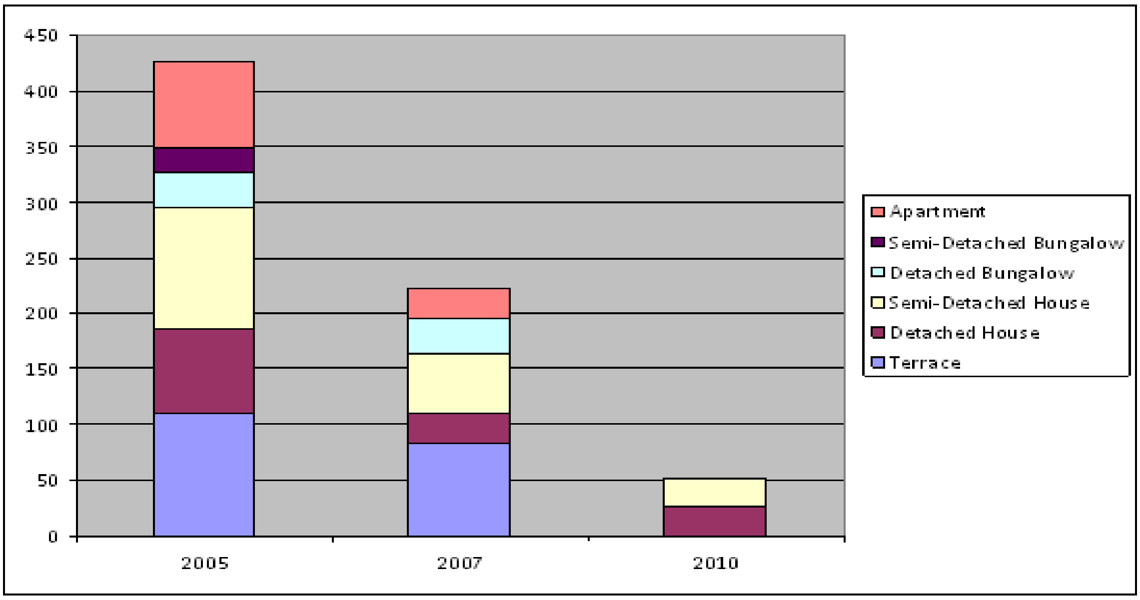
Despite generally reduced house prices in 2010 the lower quartile threshold price for 2/3 bedroom dwellings in Northern Ireland was £95,500, in the Newry HMA it was £110,000. This was £82,000 below the median for a 2/3 bedroom property of £192,000 in 2007 and £12,000 more than the comparable lower quartile price in 2005. Given such differentials between lower quartile and median house prices for Newry HMA, affordability, especially when coupled with more restrictive finance, will continue to be an issue that results in many being unable to enter owner occupation.

Volume of Sales Transactions

The fall in house prices has been accompanied by an even starker fall in the numbers of properties being sold. Although prices tend to grab the headlines, it has been the reduction in house sales, which has highlighted the ongoing housing market recession most plainly.

Figure 14 indicates that in the Newry HMA the drop in transactions has been high at around 78%, dropping from 232 sales in 2007 to just 51 in 2010. In Northern Ireland there was a 58% drop during this same period.

Figure 14: Sample of sales volumes across Newry HMA, 2005 to 2010



Source: University of Ulster House Price Index (based on outputs supplied for this study) NB: No information was available for 2009

14 As part of this exercise we explored alterative entry-level price thresholds. The 2/3 bedroom option was preferred partly because it produced the largest sample from the University of Ulster database. More importantly, the Ulster University LGD level lower quartile 2/3 bedroom prices for 2006 were broadly comparable to those from the RMS. In 3 out of the 13 LGDs we checked, the price variation was in excess of £10,000 but in two of these cases the Ulster University sample was considerably larger.

In 2010, there were no recorded sales of apartments and terrace properties, which were considered popular with first time buyers and the investment market earlier in the decade. The sales in semi-detached properties and detached houses suggest that only those in the second hand market, or those with sufficient personal capital are taking advantage of the current lower house prices, to gain access to, or move up the housing ladder. The evidence in Newry HMA supports widely reported difficulties faced by first time buyers throughout Northern Ireland because of the decline in the availability of mortgage finance discussed later in this chapter. The fall in sales could also reflect reluctance on the part of existing homeowners (unless obliged to do so) and other potential buyers (including buy to let investors) to enter the market while house prices have looked likely to continue to fall.

Affordability of owner occupation

Recent trends

Rapid increases in house prices in the decade to 2007 relative to wage growth resulted in a reduction in the affordability of the owner occupied sector across the Newry HMA and the rest of Northern Ireland.

In 2007, the three LGDs with wards in the Newry HMA had higher average house prices than the Northern Ireland figure of £233,415, with Banbridge average being the highest at £250,009.

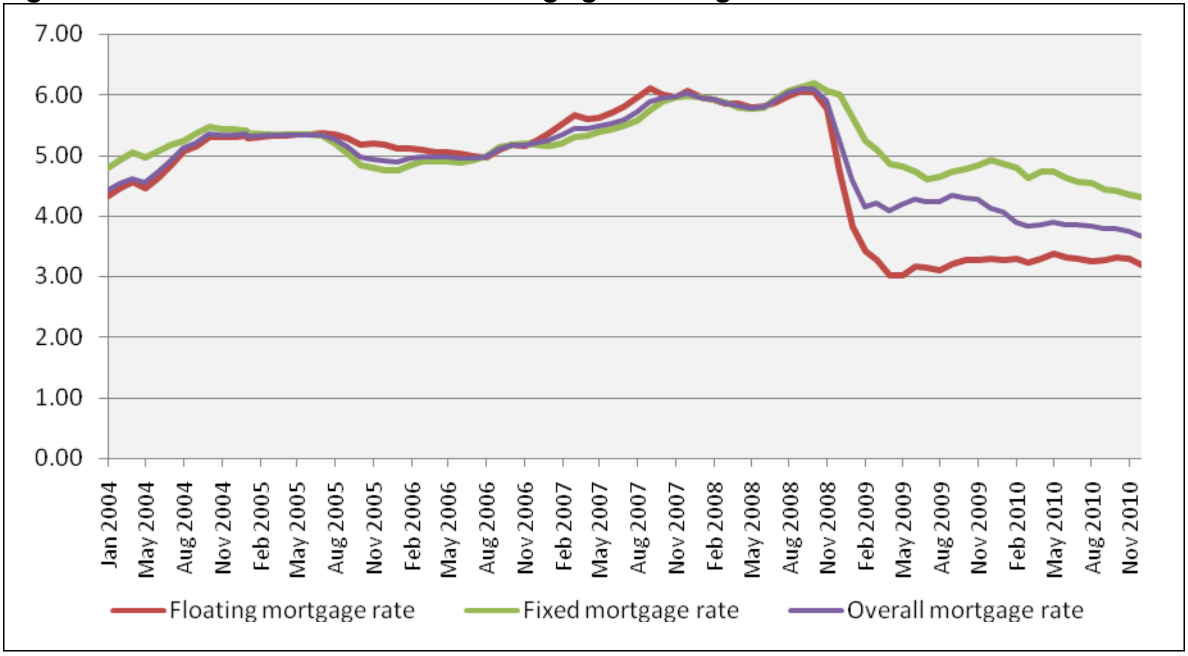
In 2010, despite reduced house prices generally, prices in Down and Banbridge LGDs continued to remain above the Northern Ireland average of £156,746, with Down LGD demonstrating the highest average property price of £168,513. The average house price in the Newry & Mourne LGD was £155,008, only slightly lower than that of Northern Ireland. House prices in the three LGDs incorporated within the Newry HMA were higher in 2010 than in 2009. Qualitative data from estate agents in Newry City confirm that most transactions during the year where at the higher end of the market, and this will certainly be a contributing factor towards the reported higher average prices.

New build prices have traditionally commanded a premium relative to second hand properties. University of Ulster (Adair et al 2009b) identified that one effect of the housing market downturn has been a narrowing of this gap. This was mainly due to deep discounting of new house prices by developers, although a tendency for some mortgage providers to instruct valuers to exercise conservatism in their approach to valuing properties may also have affected prices. Low sales volumes make it difficult to draw firm conclusions but it appears that the value of new build units may have fallen more steeply than second-hand dwellings.

However, the ability of households to purchase a property is not driven solely by the relationship between income and price. As recent market conditions have highlighted, other key factors include cost and availability of credit finance.

Since the Bank of England cut interest rates to less than 1% in early 2009 the effective mortgage rate has declined (see Figure 15). 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 15: 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 as lenders sought to minimise their risk of exposure to mortgage default. In 2009 and 2010 most first time buyers continued to require a deposit of 20% to 30% to access mortgage products. As the Bank of England Credit Conditions Survey Q4 2010 confirms, most available mortgage products have a LTV of 75% or less. This is a major barrier for first time buyers who have to save a deposit from their own earnings and cannot rely on support from their family. Finally, uncertainties about jobs, pensions and the economy generally have an adverse impact on all buyers' decisions to enter the market and many will hold off or rent.

In addition, negative equity is a constraint on a household's ability to secure mortgage finance and therefore their ability to move home. In April 2009, CML (2009) estimated that some 5% of homeowners across Northern Ireland had negative equity, in line with the UK average. It is possible the proportion has increased slightly since then. Negative equity may have contributed to the fall in second-hand properties coming onto the market for resale.

Relative to the housing market downturn at the start of the 1990s repossessions have remained low, possibly assisted by the introduction of various preventative measures by the UK Government such as changes to the rules relating to Income Support for mortgage interest. Although there has been some upturn in mortgage arrears and repossessions in 2010 and 2011, this matter will require careful monitoring going forward.

Affordability ratios across the Newry HMA

An affordability ratio measures the relationship between the lower quartile price for an area and the incomes of households at the lower point of the income distribution. This is a useful measure for illustrating the variability of affordability pressures across the Newry HMA.

We have used CACI Paycheck income probability estimates for 2010 to approximate lower quartile and median gross annual household incomes.

At the Northern Ireland level in 2007, the average income for a young single earner under 40 years of age was £20,413 whilst the average income for all younger working households was £31,088. Keeping this is mind and the fact that some younger households will not be in employment, it seems plausible that the CACI PayCheck 2009 estimates of lower quartile (£18,597) and median incomes (£29,421) provide a reasonable approximation of the distribution of incomes amongst single and dual income households aged under 40 years.

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 18 compares the lower quartile and median house price for a 2/3 bedroom property in 2010 with the lower quartile and median CACI PayCheck income point for Newry HMA.

Table 18: Newry HMA affordability ratios for 2/3 bedroom properties, 2010

Area	lower quartile price	median price	lower quartile income	median household income	lower quartile ratio	median ratio	LQ price to median income
Newry HMA	110,000	130,000	16,784	28,248	5.2	3.9	3.1
Northern Ireland	95,500	124,950	16,810	28,780	5.7	4.3	3.3

Source: Non adjusted simple price data supplied by Ulster University (22 July) and CACI Paycheck, 2009 used to deduce incomes

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 findings in Table 17 suggest that in 2010:

- The lower quartile price of £110,000 in the Newry HMA, in spite of the scale of recent falls, remains well above affordable levels for both younger single and dual income households. The figures suggest that with prices 5.2 times gross annual income younger households would struggle to purchase a home unless they had considerable savings or access to other sources of funds. This is very similar to the situation at Northern Ireland level;
- Median house price to median income ratios exceed the 3.5 affordability benchmark in the Newry HMA and Northern Ireland;
- Young single income households on median income, could access the housing market at the lower quartile price. For a dual household on median income however, the 2.9 times gross income benchmark means even at the lower quartile prices properties are still not affordable.

Alternative affordability measures

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 18, 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 2010 with a mortgage equivalent to 80% or 95% of the purchase price;
- The median rent payable for a two bedroom private flat in 2010. These figures are derived from the private rental index database prepared by University of Ulster, which is discussed in more detail in Chapter 6;
- 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.

Table 19: Comparison of the cost of owning and private renting

	Northern Ireland	Newry HMA
Estimated number of households under 40 years	199,456	11,276
Lower quartile purchase price (2/3 bed lower quartile)		
95% mortgage	£90,725	£ 104,500
80% mortgage	£76,400	£ 88,000
Weekly cost of option (25 year repayment mortgage at 4.7% interest)		
95% mortgage	£120	£ 138
80% mortgage	£101	£ 116
Private median rent for a 2 bedroom dwelling	£91.87	£94.27
Gross income required to access open market		
3.0 multiplier and 95% mortgage	£30,242	£34,833
3.0 multiplier and 80% mortgage	£25,467	£29,333
Rent equals 25% gross income	£19,109	£19,608
Affordability test 1: Lower quartile purchase: 95% mortgage & 3.0 multiplier		
No unable to buy	105,113	6,980
% unable to buy	52.7	61.9
Affordability test 2: Lower quartile purchase: 80% mortgage & 3.0 multiplier		
No unable to buy	87,162	5886
% unable to buy	43.7	52.2
Affordability test 3: private rent 2 bedroom dwelling (not exceeding 25% gross income)		
No unable to afford	60,036	3,552
% unable to afford	30.1	31.5

Sources: CACI PayCheck, Ulster University Price Index and published Rental Index dataset 2010
Note: HCS 2006 percent of householders aged 17-39 years applied to NISRA projections to derive household count for younger households for each sub-market.

The findings presented in Table 19 suggest that:

- Almost 62% of younger households in the Newry HMA could not afford to purchase a dwelling of the value of £110,000 (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 52% of younger households in the Newry HMA could not afford to purchase a dwelling of the value of £110,000. At Northern Ireland level, almost 44% could not afford to buy a property at the lower quartile price;
- Some 32% of younger households in the Newry HMA have an income below the level that would see rents exceeding 25% of gross household income. The sharp fall in house prices has therefore seen a narrowing of the gap between the cost of purchase and the cost of private renting with more households being able to afford private rented properties.

It should be noted these estimates are sensitive to the price threshold and mortgage multiplier adopted. For example, if the multiplier was increased to 3.5, the proportion of households in the Newry HMA unable to afford a dwelling to the value of £110,000 with a 95% mortgage would fall to just under 41%. If the price increased to £120,000, the proportion would increase to almost 67%. A price threshold of £120,000 and a multiplier of 3.5 would suggest 58% would be unable to buy in the Newry HMA as a whole.

Potential for intermediate housing

For the reasons outlined above, it seems there may be potential for intermediate housing tenures in Newry 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 – 4,296 in the case of Newry HMA.

This approach is broadly comparable with that adopted by Wilcox (2007, 2008). The findings suggest that at the Newry HMA level:

- 34.7% of younger households are unlikely to be able to pay a social rent without recourse to full or partial housing benefit. For these younger households social housing provision may be a more appropriate long-term housing option.
- Consistent with affordability test 1 outlined in table 5.4, over 51% could afford to purchase on the open market with a 95% mortgage and would not require some form of intermediate tenure option.
- 74% of younger households could afford to pay a social sector rent without recourse to housing benefit but could not afford to buy locally. This suggests that there may be a potential for intermediate housing tenure in Newry HMA.

Co-ownership housing

The Northern Ireland Co-ownership Housing Association (NICHA) plays a key bridging role in the local housing market through its Do-it-Yourself-Shared-Ownership Scheme.

In 2009/10, the average purchase price for Northern Ireland as a whole was £127,310. Whilst below the prevailing average open market purchase price, the figure is above the lower quartile price for two or three bedroom properties.

Despite this, in the Newry & Mourne LGD, more than 500 properties have been purchased via the Co-ownership scheme (750+ in Down LGD and around 400 in Banbridge).

Over the past decade, an increasing share of those purchasing through Co-ownership have been single person and single income households. In 2009/10, the average single income of those purchasing through Co-ownership was £19,600, which is very similar to our estimated income for younger single income households. This suggests that the scheme is playing a valuable role in assisting new and recently formed households with modest incomes to purchase housing that is consistent with their preferences and aspirations.

Owner occupation in Newry Rural

Newry Rural in this analysis consists of a number of towns and villages as well as open countryside. In general, housing market trends have not proven significantly different to those in Newry City. That said there are some issues worth highlighting.

There is a higher level of owner occupation in Newry Rural than in Newry City. Evidence from estate agents and local housing professionals suggests that owner occupied stock in the rural area tends to consist of larger three and four bed properties, and a higher proportion of bungalows than in the city. It would appear that opportunities to purchase smaller properties in the rural areas of the HMA might be limited at present.

Chapter 2 has highlighted the demographic projections of a continued upward trend in the numbers of older households over the next 15 years and beyond. The large majority of these will be home owners and Newry Rural will be home to significant numbers. This may require an increase in provision of services and property adaptations to help older households remain in their own homes for as long as possible.

The rural and scenic nature of many parts of the Newry Rural contains significant numbers of second homes and holiday lets and may explain the higher than average vacancy rates. Following the economic downturn in 2008, the number of vacant dwellings dropped within the Newry HMA, however the proportion of vacant dwellings remained higher than the Northern Ireland average. Affects of changes to the rating system introduced in October 2011 remain to be seen, but it is likely the vacancy rate will continue to reduce.

Evidence suggests that Warrenpoint, Crossmaglen and Camlough have become very popular locations generally and particularly for migrant workers and families due to locational and employment opportunities. Because of this, there is increased demand for housing across all tenures in these locations and a high level of unmet need. As such, these areas may warrant further research and analysis.

Grant Replacement Dwelling, Newry HMA

Future prospects

By the end of 2010, there was little evidence that house prices in Northern Ireland had stabilised. In the Newry area, house prices were marginally up on the previous year, though limited new housing supply may have contributed to this, and most estate agents remain cautious about the future direction of the housing market in the area.

The general impression is that a sustained rise in real house prices will only occur once unemployment levels decline, wages rise and credit constraints have eased for consumers and developers alike. Reductions in public sector spending, heightened uncertainty over future employment prospects and work in hand by the EU and Financial Service Authority (FSA) to tighten regulation of the mortgage market are likely to dampen the pace of economic and housing market recovery.

One plausible scenario is that nominal house prices in the Newry HMA may gradually stabilise over the short/medium term but a return to sustained real house price growth may not occur before 2015. If economic recovery occurs, it may take to 2020 or beyond before house prices climb back to intersect with the long-term trend level. The upside is that this would allow house price to income ratios to return to long-term trend levels. A more prudent lending environment may also help to counteract a potential threat of another housing bubble emerging.

The sharp fall in new build starts in Northern Ireland since 2008 demonstrates that the economic recession hit the house building industry hard, indeed in Newry & Mourne LGD anecdotal evidence suggests that building almost ceased. Without knowing when a return to real house price growth may occur, it is not possible to predict when private sector construction rates will climb back to those levels seen in the early part of the last decade.

The housing slump has forced house-builders and developers into receivership, to land bank, mothball developments and take measures to reduce costs such as cutting back on staff. There are fears that this may have reduced the industry’s capacity to respond promptly to any recovery in demand. The impact of surplus stock in the ROI may also adversely impact on house price recovery within the Newry HMA.

Recessions tend to make housing developers risk averse and they often prefer to focus on sites that pose the least challenge. For the same reasons they often prefer to build traditional three to five bedroom family houses as opposed to apartments as demand for the former tends to be more stable.

On balance, the continuation of modest private house-building rates during 2011 and 2012 may be manageable because of a possible short-term moderation in household growth noted in Chapter 2.

On the other hand, continued modest house building rates for 5 or more years would pose a risk that the level of new housing would fall substantially below the current RDS housing growth indicators and the lower housing growth indicators proposed in the RDS 2035 (see Appendix 2). In effect, as time progresses, it would become more difficult for the construction sector to ‘catch up’. Whether this would create a gap between supply and demand, and therefore push up prices and increase affordability problems is highly uncertain. Ultimately, the outcomes of a myriad of demographic, economic and policy processes on the long-term direction of the owner occupied sector and the building industry will only become clear as events unfold.

Summary

Owner occupation dominates the Newry HMA, and is much higher than the Northern Ireland average. The highest ratio of home ownership is in the rural remainder with much of the stock outside of Newry City comprising of larger houses and bungalows. Even allowing for generally higher turnover of smaller dwellings, this does raise questions as to whether there are reasonable opportunities to purchase smaller properties in the rural submarket.

More generally, demographic projections presented in Chapter 2 illustrate that there will be a continued upward trend in the numbers of older households over the next 15 years and beyond. The majority of these older households will be homeowners. This implies that there may be an increased demand for property adaptations or services to allow older homeowners to continue to live independently. Building suitable housing across all tenures that presents few barriers to mobility will entice older households to move from their family home, and may help ease pressure on adaptation and equipment budgets.

Whilst overall vacancy rates in the Newry HMA suggest there may be some potential to make better use of the existing housing stock to meet housing demands and needs, it is considered the scope for this is limited.

In the decade to 2007, the Newry HMA recorded steep rises in house prices. Over this period, rates of housing construction were lower than RDS targets, and did not keep pace with average household growth. Supply shortfalls therefore could have been a factor in the steep price rises, with increased competition for individual properties leading potential purchasers into ‘bidding wars’. Generally the rapid expansion of the numbers of ‘buy to let’ investors, second homes and other speculative investors entering the housing market will also have contributed to the overly optimistic house price expectations that underpinned the housing bubble witnessed in the three years to 2007.

Private housing in Newry

The housing market has been at the forefront of the economic recession. By 2009, the housing market slump had lead to extraordinary declines in the levels of new construction, house transaction numbers and house prices. The sharp decline of first time buyers and 'buy to let' investors in response to the imposition of tighter lending criteria had a knock on impact across the housing market. The economic recession and the resulting contraction of the labour market, particularly in construction and cross border trade further weakened the housing market within the Newry HMA.

The rapid decline in prices has improved affordability ratios across Newry HMA. If sustained over the long term, this should lead to an upturn in the numbers of first time buyers. In the short term however, continuing uncertainty regarding the housing market and labour market and tight mortgage lending criteria, have collectively undermined the affordability benefits arising from falling prices.

Most existing homeowners have benefited from lower mortgage interest rates. On the downside, the scale of price decline means that negative equity will remain a continuing risk for homeowners that purchased their home in the last few years. This, together with continuing difficult wider economic conditions and lack of renewed consumer confidence in the housing market is likely to suppress sales and turnover in the sector for some time.

There is also little prospect of consumer confidence in the housing market recovering to any significant extent until the availability of mortgage finance improves, employment rates increase and earnings begin to rise. Public sector reduced spending plans and pay restraint polices and are therefore likely to have a dampening effect on housing demand.

Overall, most commentators judge that the economic conditions required to secure a return to stable but modest real house price growth and to secure sustained expansion in private housing construction are unlikely to reappear in the near future.

The lack of a sustained recovery in the owner occupied sector is likely to increase demand for private renting and/or social housing over the period to 2015 and possibly beyond. Whilst the total numbers and share of the housing stock in private hands is therefore likely to remain high, it is possible that the tenure share of owner occupation will either remain static or decline slightly.

Continued weak economic conditions point to the possibility that house building rates may not recover for several years. If this were to happen, new house building rates will fall further below the RDS housing growth indicators, including the somewhat lower proposed HGI set out in the RDS 2035 as outlined in Appendix 2.

To militate against this risk will require close alignment and co-ordination of key stakeholders in the economic, planning and housing sectors.

Although land values are reported to have fallen back, this may be a mixed blessing depending on the scale of developer land banks. In response to falling land prices, landowners may prefer to wait and see if prices recover. This could limit the availability of land and thus stall new housing development.

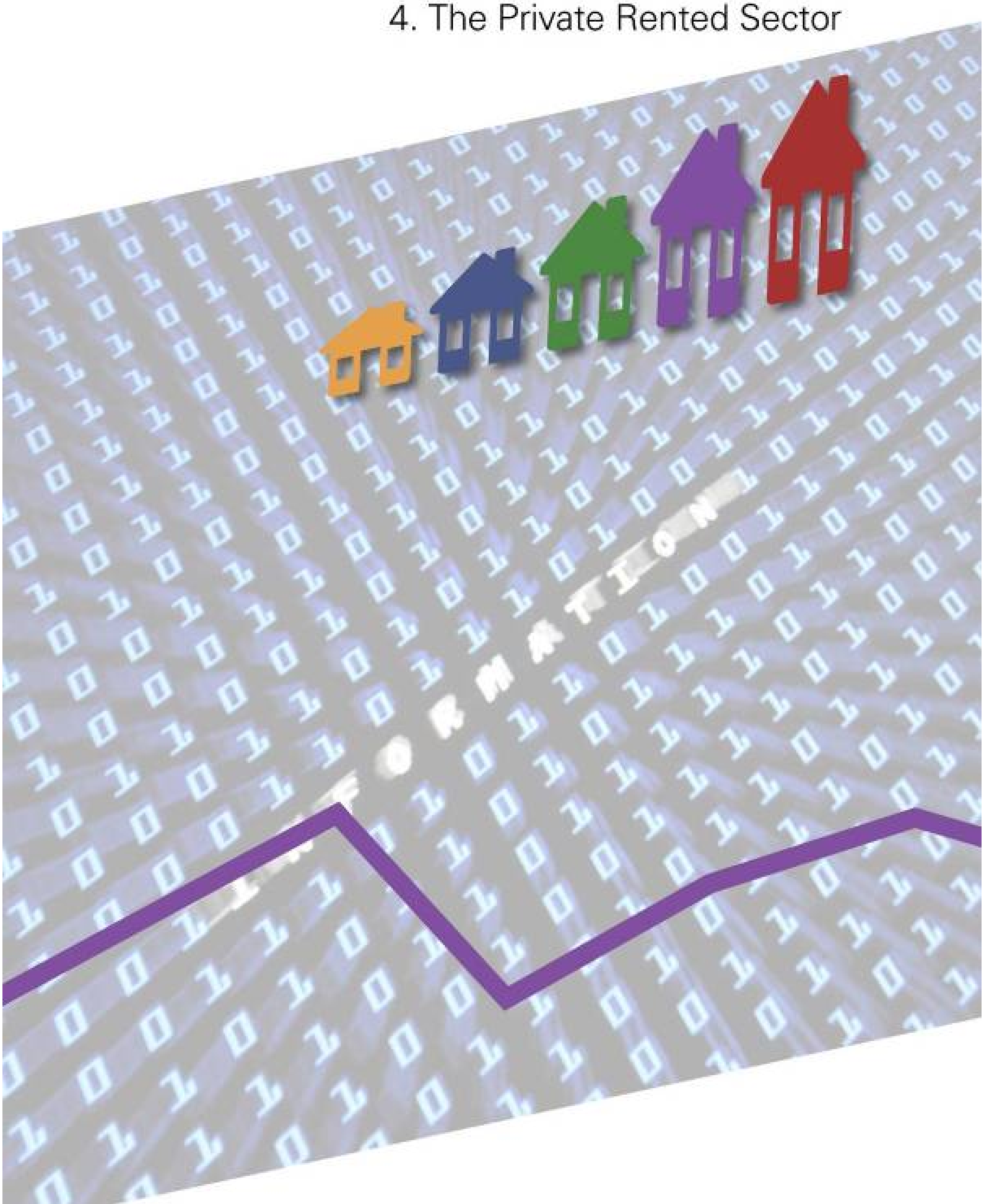
Finally, with very low levels of turnover in the property market across the Newry HMA, the value of price data as a pointer of market change is likely to be limited until the housing market recovers. In such instances, it would be beneficial to develop specific research and seek input from local experts on market activity trends and development.

Key issues

- Owner occupation remains the tenure of choice in Newry HMA with higher rates than the Northern Ireland average;
- There is a higher level of owner occupation in Newry Rural than in Newry City;
- The economic downturn has hit the construction sector hard and led to a dramatic fall in levels of new build dwellings for sale;
- Whilst the affordability gap has narrowed, tighter lending criteria and a lack of consumer confidence means that transactions are still very low;
- 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 Newry HMA and across the country;
- Reductions in public sector spending are likely to have a dampening effect on the housing market;
- 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’.

Housing Executive

4. The Private Rented Sector



4. Newry HMA: THE PRIVATE RENTED SECTOR

Introduction

This chapter explores the dynamics of the PRS in the Newry HMA. It highlights the distinctive features of the different segments found within the sector. It also looks at a number of key issues, including affordability, and inter-tenure flows, and the significance of private renting for the wider housing system. The chapter concludes by considering future prospects for the sector.

This chapter draws upon evidence from the Northern Ireland House Condition Survey (HCS)[15] to augment analysis from the 2001 Census data[16]. This information has been supplemented by direct discussions with local estate/letting agents and other stakeholders.

Expansion of private renting

In Newry LGD, the proportion of the total housing stock in the PRS remained fairly static during the period 2001 to 2006, rising only slightly from 6.8% to 7%. In comparison, Down LGD saw an increase of 2% to 8.8%, whilst in Banbridge LGD the PRS rose from 3.6% to 9.7%.

Regionally the PRS has experienced a major revival. 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 indicates 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[17]. The 2009 HCS figures suggest that in the Newry and Down area, the PRS represented around 20% of total housing stock.

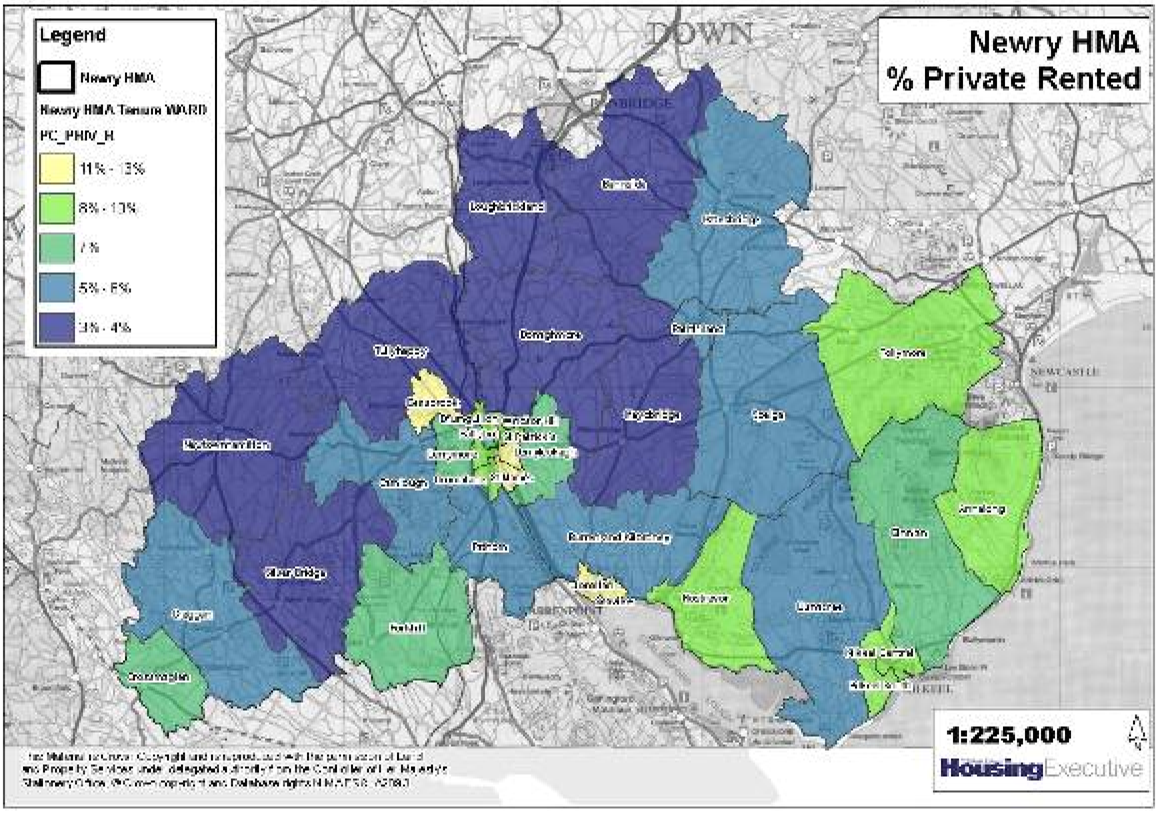
There has been an increase in the number of private Housing Benefit claimants, with the number of claimants increasing by 37% between 2007 and 2011 in Newry & Mourne LGD. Although this is a notable increase, it is less than most LGDs. The comparable rates in Banbridge and Down LGDs were 43% and 58% respectively. Lisburn City Council, within the neighbouring Belfast HMA, experienced a 113% increase over the same time period; indicating much higher increases in the PRS elsewhere in Northern Ireland.

15 It should be noted that information from 2009 HCS is not comparable with previous versions. In the 2009 report data is reported by LGDs as proposed under the Review of Public Administration rather than by existing LGDs.
16 The House Condition Survey sample size is sufficient to report evidence at Newry Local Government Level but not a ward level where in is often necessary to draw on Census 2001 data.
17 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.

Nevertheless, the expansion of PRS stock numbers in Newry HMA since 2001 is consistent with the following:

- There has been considerable investment in the PRS, including a substantial inflow of funds from the ROI and UK 'buy to let' investors;
- Since the downturn in the housing market, there has been a marked increase in the share of newly constructed housing taken up by PRS and housing association landlords. In addition, there has been an increase in PRS supply from homeowners unable to sell their properties on the open market.

Map 4: Proportion of the stock in the private rented sector, 2001



Source: Census, 2001

Map 4 shows that in 2001 the highest concentrations of households in the PRS within the Newry HMA were located in Newry City, and in rural wards situated along the coast.

Housing Executive research and information from local estate agents suggests there were relatively low levels of vacant private new build available in Newry HMA following the crash in the housing market in 2007. This may account for the lower increase in the market share of the PRS in Newry HMA as compared with other LGDs in Northern Ireland where higher numbers of vacant private new build dwellings were unable to be sold on the open market for owner occupation. In addition, new build development in the three years to 2010 remained minimal due to the onset of the economic downturn and uncertainty relating to the publication details of the

Banbridge, Newry & Mourne Area Plan. Undoubtedly, such uncertainties in new housing building have suppressed the potential supply of housing for private renting also. Discussions with agents and local housing stakeholder confirm that the Newry housing market did not witness an oversupply of new housing for owner occupation, similar to other areas in Northern Ireland.

In the year to March 2011, there has been a reported small upturn in the new build housing market in Newry (DSD Housing Bulletin), with several developments experiencing higher levels of sales compared with the previous two years. Estate agents report that many of these sales have had a good first time buyer uptake and some properties were being purchased as 'buy to let' investments. Most agents however, remain cautious and confirm that the market for additional new build dwellings entering the PRS is still slow, especially with difficult lending conditions continuing. Letting agents confirm they would welcome a further increase in the housing supply for private renting, especially new build as demand continues to outstrip supply.

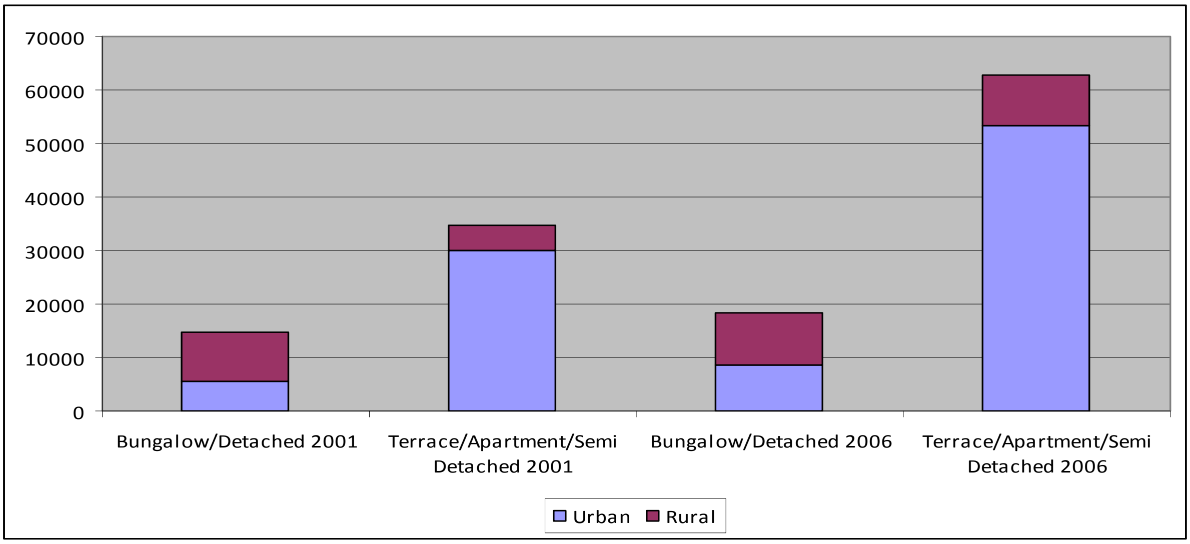
Profile of the private rented sector stock

Dwelling type

The expansion of the PRS in Northern Ireland has been accompanied by a change in the composition of its housing stock.

Figure 16 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 Newry HMA:

Figure 16: 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 overall number of terrace/apartment/semi-detached properties has increased by 81%. This would support suggestions that these types of properties are the most popular in the PRS;
- In 2001, there were approximately 29,900 terrace/apartment/semi-detached type properties in urban Northern Ireland; by 2006 a 78% increase saw this figure rise to approximately 53,400;
- In rural Northern Ireland, the numbers of terrace/apartment/semi-detached type properties almost doubled from 4,700 in 2001 to 9,300 in 2006;
- Numbers of bungalows and detached houses have increased by a more modest 23%. The most notable rise was in urban Northern Ireland with numbers rising by 55%; there was a small increase of only 4% for rural Northern Ireland;
- Information from property websites, and knowledge gained from local estate agents, suggests that terraced and semi-detached properties are the most common dwelling type in the PRS in both Newry City and its rural sub area. Newer apartments and larger detached dwellings are fewer in number and tend to be in rural and seaside locations such as Rostrevor.

Vacancies

Vacancy rates for Newry HMA have varied between 7% and 10% since 1996, as discussed in Chapter 3. There was a noticeable drop in 2008, and it is considered that this was due to second homes and vacant private stock being utilized for private renting in the face of the downturn in the economy.

Dwelling age and condition

The House Condition Survey includes the age of construction of the properties – see Table 20. In 2001, pre 1945 properties represented 58% of PRS stock. Of the 29,100 properties, 20,700 (71%) were located in urban areas, with the remainder being in rural sites. By 2006, even though additional older stock had entered the PRS, its share had decreased to 31% of total PRS stock. Post 1945 stock experienced a 125% increase over the same period, suggesting that many new build properties entered the PRS through buy to let investment, in both urban and rural locations throughout Northern Ireland.

Table 20: PRS by Dwelling Age by Urban and Rural breakdown, Northern Ireland

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

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 2006 HCS provides information at Newry & Mourne, Banbridge and Down LGD level on Decent Homes Standards within the PRS. Almost 31% of all properties in the Newry & Mourne LGD were classified as not meeting the decent homes standard, the highest level in Northern Ireland. Comparable figures for Down and Banbridge LGDs showed 16% and 28% respectively.

The PRS in Northern Ireland has been typically associated with poor housing conditions and a legacy of poor tenant-landlord relationships along with wider tenancy management issues. In Northern Ireland, the highest rate of failure to meet the Decent Homes Standard within occupied stock in 2006 was found in the PRS, at almost 27%. A 'decent' home is one that is wind and weather tight, warm and has modern facilities. This is measured by level of fitness standard, state of repair, level of modern facilities and degree of thermal comfort. Of the 21,430 homes that did not meet the Decent Homes Standard, 78% failed on the grounds of thermal comfort, one quarter because of disrepair and 17% on modern facilities and services. A breakdown in tenure is not available at the Newry HMA level. However, it would be reasonable to assume that a significant proportion of the properties failing Decent Homes Standards would be in the PRS, given the overall Northern Ireland patterns. This is reflected by the fact that the 2009 HCS reported that for the Newry and Down area, 49.1% of households were in fuel poverty, the second highest level in Northern Ireland.

Households

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 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 Newry 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 Newry 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 21 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 21: PRS by Household Type by Urban and Rural breakdown, Northern Ireland

	HCS 2001		HCS 2006		HCS 2009	
	Urban	**Rural**	**Urban**	**Rural**	**Urban**	**Rural**
Small Adult HH	16,500	5,000	24,200	7,600	42,600	13,100
Family HH	12,300	5,400	27,200	6,400	37,800	17,000
Older HH	6,000	3,400	10,000	4,400	9,600	3,300
Total	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 Newry 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 are choosing 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 22: 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**
Urban	13,200	12,500	14,000	10,500	17,300	12,500
Rural	13,500	12,500	14,700	12,500	15,500	12,500
N. Ireland	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.

Landlords

The Housing Executive has commissioned research on the PRS in Northern Ireland, re-analysing and in some cases augmenting HCS data. One such study concerns landlords and involves a follow up survey of 191 landlords conducted in 2009 for Northern Ireland as a whole.[18]

The interim findings included the following points. Firstly,

- The majority of landlords operate on a small scale (two thirds have five or less properties), though their portfolios are increasing;
- Many entered the market during the period of rapidly rising prices and stated financial reasons as the main explanation for their choice;
- Nonetheless, there is an important tail to the distribution showing a small number of landlords with large portfolios in Northern Ireland.

Secondly, the survey also confirms that

- Many landlords are new to the sector, being active for less than five years;
- The vast majority of those surveyed said they became a landlord for financial reasons; about 15% said, they were accidental landlords;
- Others identified pension income, investment and long-term reasons that combined both rental and capital growth returns.

Thirdly,

- Approximately 30% own their portfolio outright, whereas the rest have borrowed in different ways including buy to let, etc;
- A substantial proportion had quite low Loan to Value (LTV) borrowing outstanding, suggesting scope to lever in more finance if required. However, the Council of Mortgage Lenders noted that the LTV borrowing by NI landlords was higher than that of UK landlords;

[18] NIHE has released the draft findings only. The work was carried out by the University of Ulster and will be the sixth in a series of short studies on the Northern Ireland PRS.

- The majority of landlords do not use a letting agent but manage directly and approximately two thirds would be interested in leasing schemes.

The spectacular growth of the sector in Northern Ireland appeared to have ended in the aftermath of the 2007 credit crunch. The 'buy to let' market is currently flat and is not expected to pick up soon, for a number of reasons. Rents are relatively low compared to other UK markets; there is an oversupply of new or recent stock in some areas of Northern Ireland, particularly apartments. There has also been a tightening of specific 'buy to let' lending rules, namely large deposits of 40% plus, credit and income checks, a lease/tenant in place and minimum requirements that rents cover at least 125% of mortgage repayments. As a consequence new supply is limited.[19]

Affordability

PRS rents are deemed affordable if the market rent is less than or equal to 25% of gross household income (based on CACI income analysis).

In 2010, the median rent for two bed accommodation in Newry HMA was £94.27, similar to the mean. Table 23 indicates that this was unaffordable for 31.5% of households. The mode rent of £75.40 indicates that this was the most frequently occurring charge in the PRS in the Newry HMA, and was unaffordable to 22.5% of households.

Table 23: Two Bed Rental Affordability, 2010

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
Newry HMA				
	Median	94.27	68.5	31.5
	Mean	94.43	68.4	31.6
	Mode	75.40	77.5	22.5
	Lower quartile	82.07	74.7	25.3

Source: NIHE and CACI

Table 24 shows the same information as Table 23 but for three bed properties. The median rent of £98.22 per week is unaffordable to around 33% of households; a similar percentage is unaffordable for the mean rent. The most commonly requested rental value of £90.80 remains unaffordable to 29.8% of households.

[19] It should be noted that key interviewees disagreed about current market dynamics and whether or not we might expect market tightening to lead to rising rents and vacancies.

Table 24: Three Bed Rental Affordability, 2010

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
Newry HMA				
	Median	98.22	66.7	33.3
	Mean	99.05	66.3	33.7
	Mode	90.80	70.2	29.8
	Lower quartile	90.16	71.1	28.9

Source: NIHE and CACI

These findings suggest that the levels of rents and gross incomes in the Newry HMA PRS represent affordability problems for those not able to access Housing Benefit through the Local Housing Allowance (LHA). On the face of it, this might imply that the PRS would be less suitable for low-income households as an alternative to social housing; but we must take account of the mitigating impact of LHA. Between 2001 and 2006, PRS households in Northern Ireland, receiving HB, grew from 37% to 45%. Of tenants paying rent in full, or where HB did not cover the market rent in full, 45% said they found it very or fairly difficult and 5% were at least two weeks in arrears. Table 25 repeats the affordability analysis above but uses the estimated levels of LHA that would apply at the same geographies (for two bed properties).

Looking at 2010 data, Table 25 contrasts the two bed Local Housing Allowance level of rent in the PRS with the actual mode and median rents quoted in Table 23 for two bed properties. It shows that the LHA rent level of £90.16 is not affordable for 29.5% of households in the Newry HMA.

Table 25: Local Housing Allowance Affordability (2 bed)

Market	LHA (£)	cannot afford (%)	PRS mode rent (£)	% cannot afford (%)	PRS median rent (£)	cannot afford (%)
Newry HMA	90.16	29.5	75.40	22.5	94.27	31.5

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 £90.16 of £94.27 (95.6%) met if living in the Newry HMA. This equates to around £213.72 per year, £17.81 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.

Since April 2011, housing benefit LHA rates have been reduced from that used previously. At November 2011, the Local Housing Allowances for the wider Newry area were £84.27 for a two bed property (around £6 less than the time of the study) and £91.33 for a three bed property. This now means 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. It also means that for many the amount of Housing Benefit they receive has reduced.

Estate agents in Newry report (Nov 2011) that rental amounts being requested are around £95 to £100 per week for two bed properties in the area, with city centre rents, being slightly higher than those in rural locations. There is also a reported shortage in supply and some consider this to be driving rents up. Three bed properties attract rents of around £115, to £120 per week again, depending on location. Certainly, for those on Housing Benefit this would suggest that the shortfall between rental values and Housing Benefit (LHA) assistance is widening.

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. Unlike in the rest of the UK there were no changes to rent direct when the LHA was introduced, meaning that most landlords still receive their rent LHA payments from the Social Security Agency rather than the tenant. They argued that consequently any future cuts in HB as part of wider fiscal austerity measures will be serious for the sector's future. This may impact on the capacity of the sector to take on long term leasing for homeless households if landlords are not guaranteed rents paid direct.

Impact of welfare reform on the PRS

The changes to LHA and Housing Benefit first announced in the 2010 budget are being implemented in Northern Ireland. The most significant changes for tenants in the PRS in Newry HMA and across the province are as follows:

- Change in Rate Calculation

  Up to April 2011, the rate of LHA was set at the median rent value for properties in the broad market rental area where a property was located. This meant that about half of the properties in the area would have rents at or below the LHA rate. After April, the LHA rate has been set at the 30th percentile value. This means that approximately three out of 10 properties in the area will be at or below the LHA rate;

- Introduction of Caps and Excess Entitlement

  Since April 2011, there have also been caps placed on the amount of LHA that can be received, with the maximum rate based on no bigger than a four bed property. The entitlement to keep up to £15 excess payment of LHA has also been removed;

- Sharing Rate

  From January 2012, single people aged from 25 to 34 who rent from a private landlord will only be entitled to the Housing Benefit shared accommodation rate, irrespective of the size of accommodation actually rented. Depending on where the private tenant lives, this could see a reduction in benefit of up to £40 per week.

These changes could mean:

- Low-income households having to give up their existing properties as they can no longer afford to rent, or the shortfall between rent and LHA benefit received;
- Seek accommodation in the limited numbers of cheaper/shared properties, or give up their independence and return to the family home;
- Social housing waiting lists are likely to increase with people turning to them as the only option as the supply of affordable private rental declines;
- A significant potential for a rise in homelessness;
- Investment opportunities for landlords to respond to the affordable PRS. This may prove difficult in the current lending environment.

Issues for the PRS in Newry Rural

In 2001, the highest levels of private rental accommodation in Newry Rural tended to coincide with areas that are traditionally considered holiday destinations in Northern Ireland, due to their coastal and scenic nature (Kilkeel, Tollymore and Rostrevor). Qualitative data from estate agents suggest that this is still the case, with many new properties built in these areas in the past ten years being purchased as second homes, and holiday lets.

Rural dwelling in Newry HMA

It was suggested, that in the main, it is only local people who are interested in establishing roots in these areas, and certainly with younger people experiencing difficulties purchasing, there is increasing demand for more private rental accommodation. In addition, employment opportunities in Kilkeel's commercial fishing industry as well as a British Aerospace factory is also likely to have fuelled the PRS as migrant workers in particular have been attracted to the area. Many of those attracted to the better paid jobs will certainly be looking to purchase if intending to remain in the area longer term.

Estate agents confirm that many of the properties scattered through the smaller more remote areas within Newry Rural, tend to be larger four and five bed detached homes, and attract limited/specific interest. For example, families moving to the area for work reasons are unable to secure mortgages for the size of property they require and choose to rent as an interim option. For these more remote rural areas demand for private rental is relatively low.

Local housing management confirm that towns located in the Newry Rural remainder like Kilkeel and Crossmaglen are very popular and social housing demand is high and largely unmet. Within these towns, available private rental is limited, and not assisting the social sector to the same extent as other towns in Northern Ireland. Kilkeel, as stated earlier, has become popular with the migrant workforce due to the job opportunities in the area. This is placing further demand not only on private rental supply but social supply in the area as well.

Estate agents and housing management alike confirm that Newry City has the greater supply of private rental accommodation within the Newry HMA, and is not sufficient to meet potential demand. Certainly, they agree that more supply of private rental stock or indeed new intermediate housing, is required throughout the HMA as affordability problems are expected to continue for some time to come.

Tenancy management issues

The Northern Ireland Housing Market Review and Perspectives 2011-2014 indicates that there are approximately 10,000 HMOs in Northern Ireland, playing a key role in meeting the housing needs of single people in temporary work, on low incomes, students and increasingly, since 2004, migrant workers. In Newry & Mourne LGD there are 23 HMOs, mainly found in Newry City. HMOs are now within a statutory registration scheme which will ensure management standards improve. The 2006 HCS suggested that 89% of tenants said they had a good relationship with their landlord/letting agent and 56% were very satisfied (27% were satisfied) with the overall service provided.

Welfare reform will potentially see the increase in HMOs as landlords convert larger properties into single room lets to meet the likely increase in demand from younger single households and the capping of housing and other benefits.

Inter-tenure flows

The PRS is making a contribution to meeting unmet housing need as it accommodates households who would previously have been buying in the open market, or would have been traditionally reliant on the social rented sector.

The PRS in Northern Ireland is making a contribution to meeting unmet housing need as it accommodates households who would previously have been buying in the open market, or would have been traditionally reliant on the social rented sector.

Within Newry HMA however, evidence from key stakeholders and the data presented in this chapter suggests that the PRS is not meeting unmet needs to the same extent as in the rest of the country. It has certainly increased its tenure share but not to the same extent as in other locations. The generally low level of available surplus stock suggests that landlords are also currently risk averse and new supply is not coming forward in significant numbers.

In Northern Ireland as a whole, there is evidence, particularly since 2007, that the buy to let market has outpaced owner occupation in terms of persons purchasing properties coming on the market for sale. This has largely been stimulated in response to the demand generated by first time buyers who are increasingly unable to access owner occupation; are waiting until the market/economy improves before committing to purchase or are finding it difficult to secure social renting tenancies.

The relationship between the PRS and social renting therefore is potentially very important if the PRS can contribute to addressing unmet social housing need. Social housing managers clearly feel that the PRS is substituting for social renting in many areas in Northern Ireland, despite the lack of security of tenure. It is argued that the PRS offers greater flexibility as well as a number of rental opportunities in new housing developments and avoidance of the perceived stigma of social housing. There is also potential for new models of provision within the PRS such as Assured Tenancies or other new leasing arrangements that could usefully be explored.

However, in a separate study for the Housing Executive, Newhaven Research (2010) suggested that the rapid growth in the PRS since 2000 has been accompanied by an increase in the number of households assessed to be in housing stress (approximately 10,000 in 2001 and 20,000 in 2008). This was likely because of insecurity of tenure and resulting homelessness but also lack of amenities and disrepair. This would suggest that whilst the PRS may provide easier access to housing, many private renters do not perceive this tenure as a permanent or satisfactory long term solution.

In summary, the evidence suggests that the PRS is perceived by a significant and growing number of landlords as an investment vehicle primarily rather than a long term going concern. Increasing numbers of tenants also see it as a staging post, as they take steps to secure social renting, or are saving to buy. On this basis, trends in PRS are a reflection of the current economy and housing market in Northern Ireland.

Given the lack of flexibility of social housing to respond quickly to demand and lack of finance availability for owner occupation more households will continue to look to the PRS for housing solutions. However, it is clear that in Northern Ireland and Newry HMA the aspiration is still for owner occupation where possible. This is likely due, in some part, to the fact that there are no significant alternatives to the current tenures. There is evidence to suggest that there is an 'intermediate' market potentially for those who are social renting or on the margins of buying. This group would welcome a wider range of private or below market rent products.

Future prospects

In the Newry HMA, new build in the area has not kept up with household formation, and there is an apparent shortage of housing across all tenures. If current market conditions continue, owner occupation will remain largely inaccessible in the Newry HMA; social housing budgetary constraints will see a reduction in new social stock and available relets, therefore an affordable PRS will have an increasingly important role to play in Newry HMA. This would be the case, especially if innovations such as long-term leasing, assured tenancies etc were developed as letting models.

Despite the apparent levelling-off of growth and the stalling of new investment throughout Northern Ireland, the prospects for the PRS remain good, not least because of continuing affordability problems in respect of home ownership. While there is some evidence to suggest some investors are leaving the market, most trends indicate that the risk of large-scale disinvestment is low.

Low cost private sector housing, Newry HMA

Stakeholders point to the importance of the future direction taken by the Northern Ireland economy in shaping the PRS (and other tenures). There does seem to be strong demand for the PRS but little sense of a supply recovery, not least until mortgage lending conditions in the buy to let market ease. We remain sceptical about the scope for the sector to make a major contribution to meeting the needs of those most vulnerable and in greatest housing need. It is also important to recognise that there are large proportions of households who would find unsubsidised private rents unaffordable, and for whom the PRS is not an option, leaving social housing the only affordable housing choice. The upcoming welfare reforms will impact significantly on the PRS.

As the sector approaches a fifth of all housing in Northern Ireland, it is clear that it has, and will continue to play, a vital role in the housing market within Newry HMA and Northern Ireland. It will increasingly service that proportion of the population who are not major housing stress (and so qualify for social housing allocations) and those who can readily afford to buy within the more stringent lending arrangements. A well managed and good quality PRS combined with a range of new 'intermediate housing' solutions at less than market rents, together with expanded Co-ownership style arrangements can all provide such households with choice that currently is lacking.

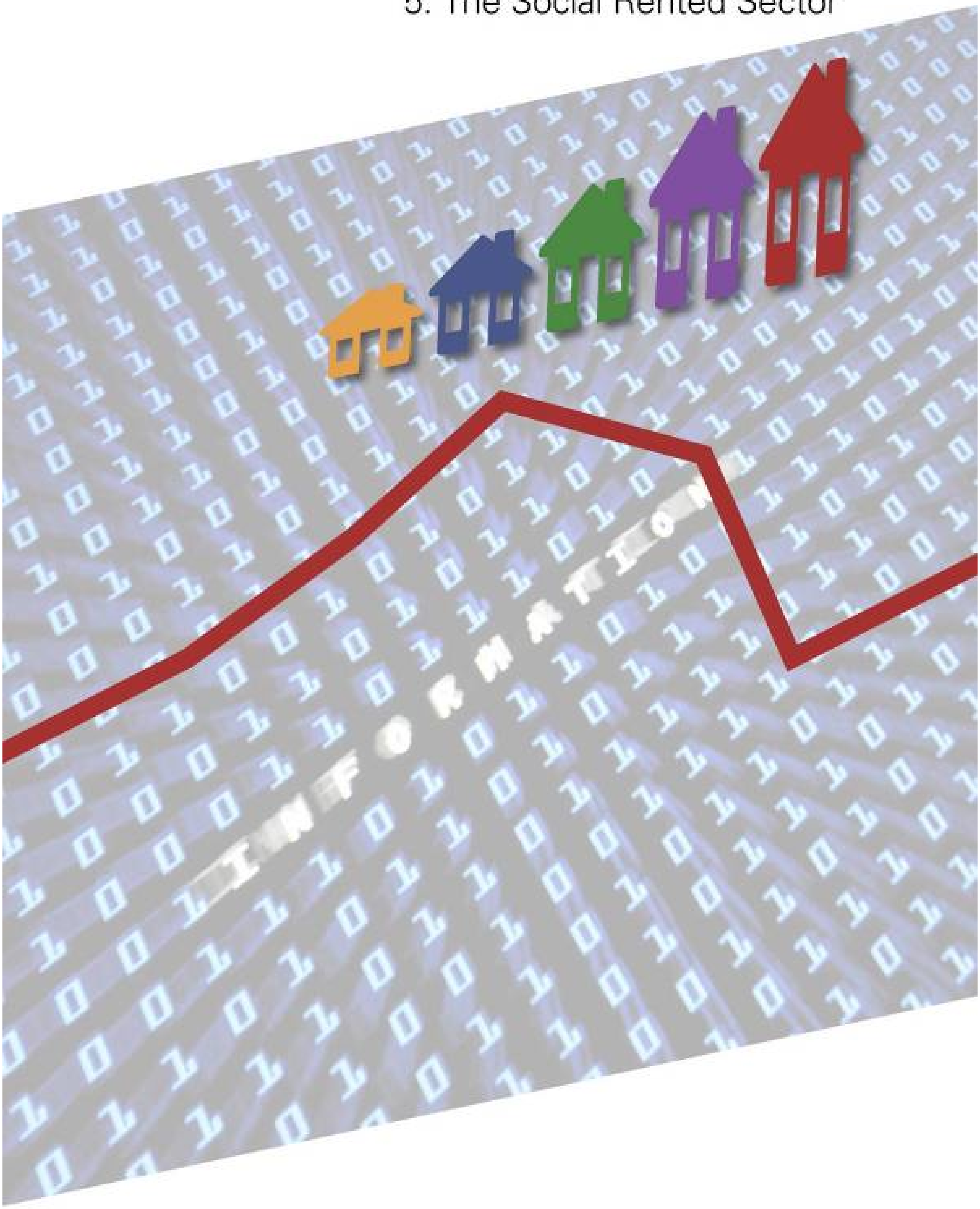
In order to inform such investment and policy making decisions further research into the nature and operation of the PRS at the HMA level, and below, is considered necessary.

Key Issues

- In Newry HMA whilst the PRS has increased its tenure share in the market, it is not considered to be making as much of a contribution to meeting housing need as elsewhere in Northern Ireland;
- The majority of private rented properties are located in Newry City with relatively few in Newry Rural;
- This sector is unaffordable to significant numbers of households in this HMA;
- Welfare Reform is likely to impact on the ability of households to access suitable private rental accommodation;
- There are indications that while households are content to dwell in this sector temporarily, many do not see it as a long term housing option. This is mainly due to insecurity of tenure and the quality of housing. The sector needs to adapt accordingly if it is to be seen as more than a stop gap;
- Further research into the nature and operation of the PRS at the HMA level and below is considered necessary.

Housing Executive

5. The Social Rented Sector



5. Newry HMA: The SOCIAL RENTED SECTOR

Introduction

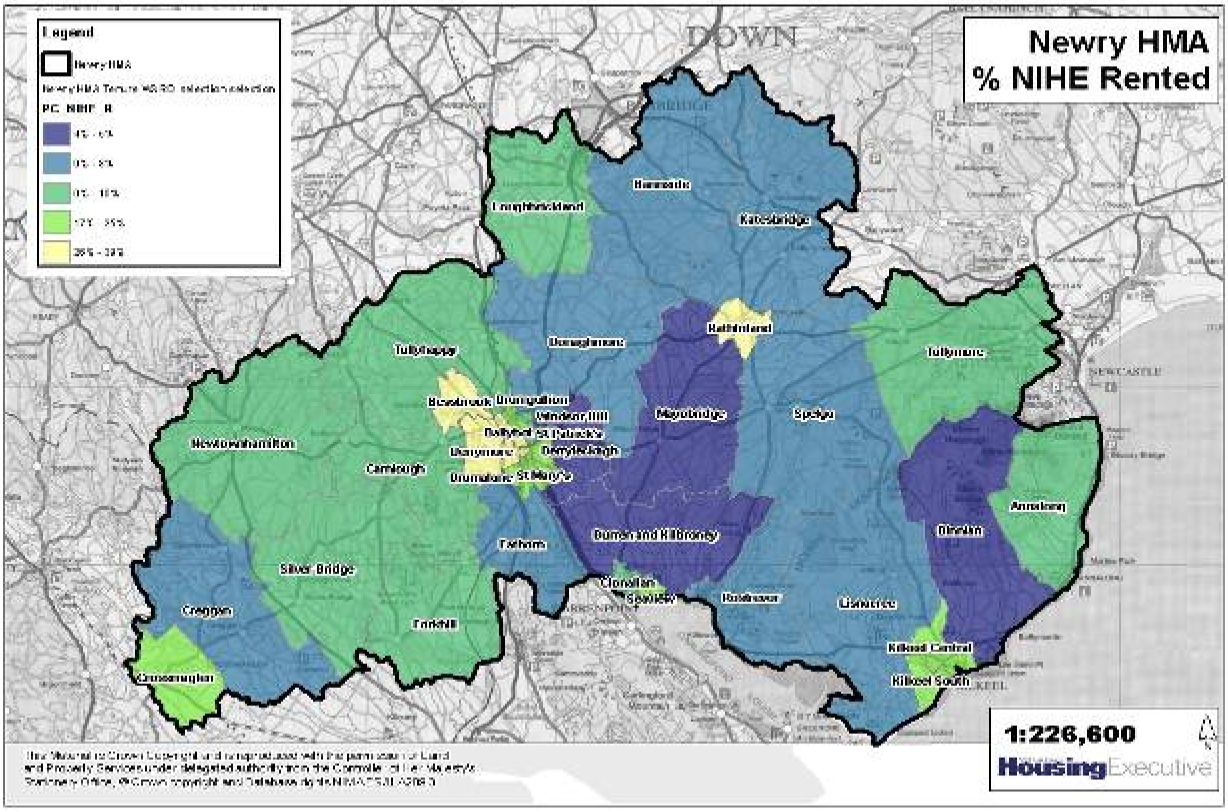
This chapter examines the social rented sector (Housing Executive and registered housing associations). It looks at the changing profile of social housing provision and its occupants as well as highlighting key issues for the sector.

Profile of the social housing stock

Numbers and spatial distribution of social housing

At March 2010 the Northern Ireland Housing Executive (NIHE) owned 89,300 dwellings across Northern Ireland, whilst housing associations managed 26,800 self-contained dwellings and a further 4,500 non-self-contained units.

Map 5: Percent of households living in social rented sector in 2001, by ward



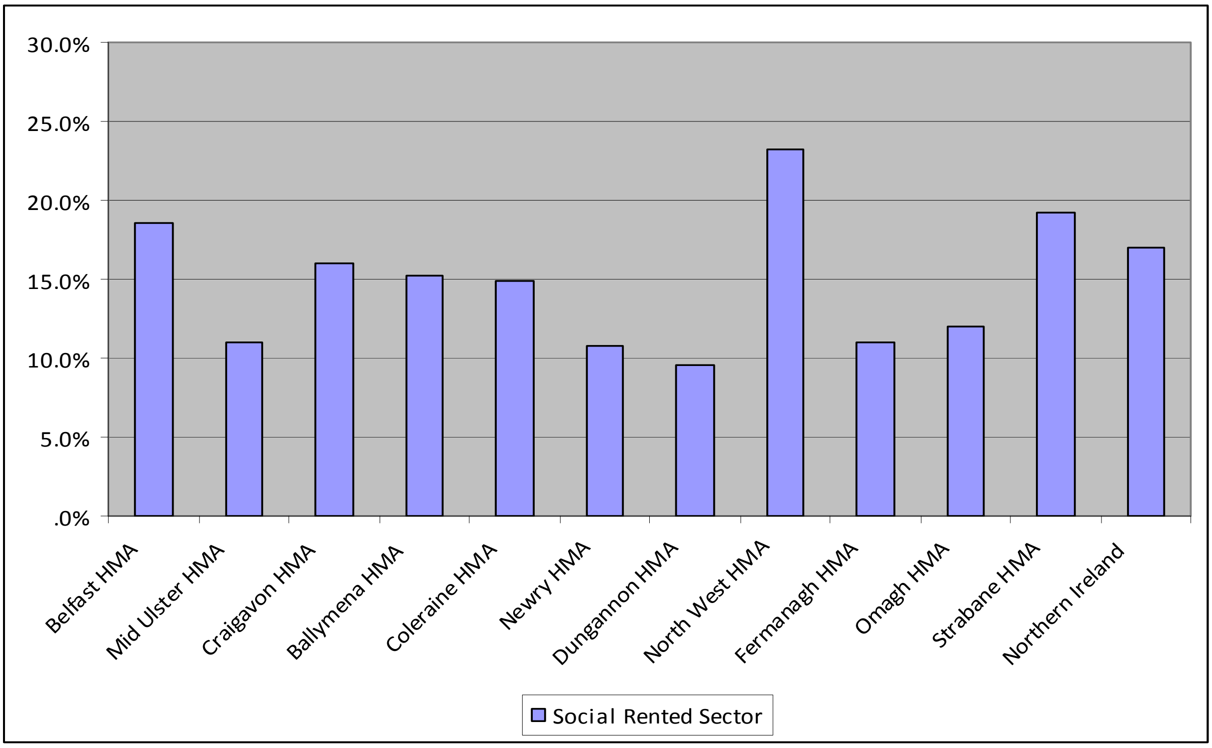
Source: Census, 2001

Within Newry HMA, the number of households renting from a social landlord has steadily declined over the last decade largely as a result of the impact of the house sales programme. Between 2001/2 and 2009/10 some 14,462 Housing Executive dwellings were sold in Northern Ireland. In common with the rest of the UK, sales began to fall away in 2005/6. In the three years to March 2010, there was an average of 217 each year compared to an average of 3,192 sales in the three years to March 2004. Aside from modifications 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[20]. Within Newry HMA LGDs, there have been 3,290 sales during the period 2001 to 2010.

Map 5 and Figure 17 show that:

- In 2001, some 16% of households in Newry HMA rented from NIHE/Housing Associations. By 2006 this had declined to around 11%;
- Newry HMA has the second lowest percentage of social renting as a tenure share, with only Dungannon HMA lower;
- Within Newry HMA, the greatest concentration of social housing tenants at 2001 census was contained within Newry City. Wards with particularly high levels of social renting include Rathfriland, Bessbrook, Ballybot, Derrymore and Drumalane.

Figure 17: Households in the Social Rented Sector by HMA



Source: House Condition Survey, 2006

20 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%.

Changes in stock numbers over time

The decline in numbers of social rented stock driven largely by the house sales policy has outpaced construction of new social rented dwellings.

Table 26: 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
Newry & Mourne	365	1,558	23
Down	219	1,071	20
Banbridge	156	661	24
Northern Ireland	10,350	31,811	33

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.

Within Newry HMA LGDs, there have been 3,290 sales and only 740 new social housing completions during the period 2001 to 2010 (see Table 26). This table shows that in the nine years to March 2010, 4% of social housing completions in Northern Ireland were located within the Newry & Mourne LGD. On average 41 new social rented dwellings were constructed each year in the Newry & Mourne LGD, which is only 23% of the number of dwellings lost to the sector as a result of Housing Executive sales. This 'replacement ratio' is considerably lower than Northern Ireland average (33%)[21] which is influenced by the fact that the majority of new social housing completions would be within the Belfast HMA which has the most concentrated levels of housing stress.

Most of the Social Housing Development Programme comprises projects that involve less than 100 units. All of the Social Housing Development Programme schemes in Newry City involve less than 35 units. In Newry Rural, all schemes have provided less than 20 units.

Dwelling attributes

Size and dwelling type

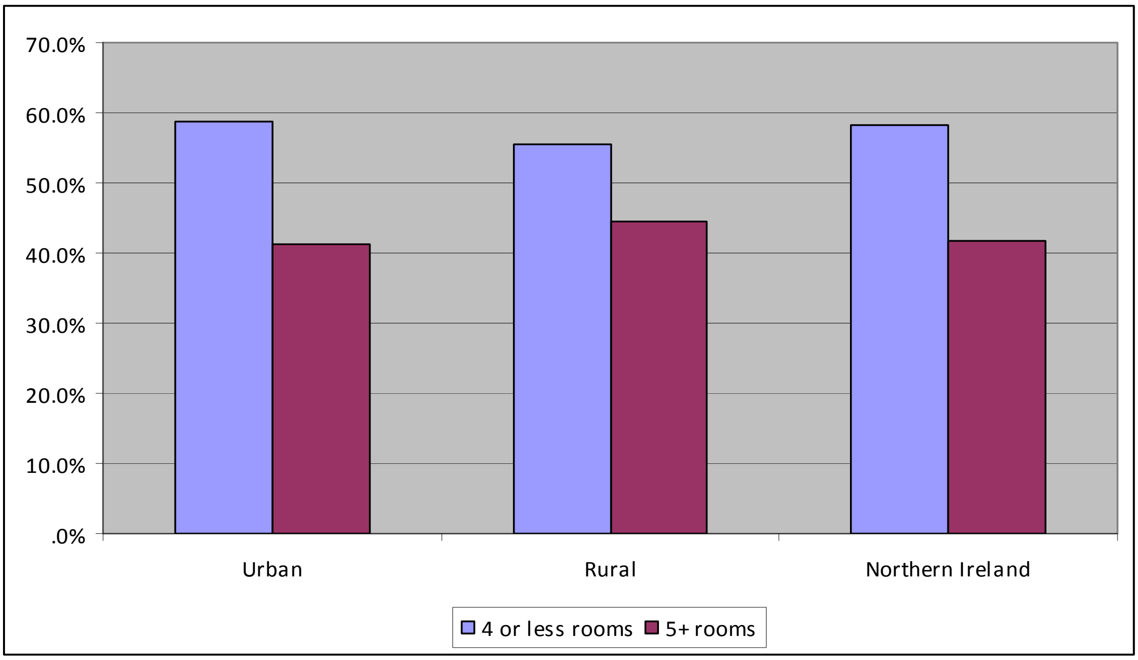
Figure 18 shows that almost 60% of social rented stock in Northern Ireland comprises four rooms (two bedrooms) or less. This smaller dwelling size also reflects the existing and projected demographic profile of the population.

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 19 shows that since the introduction of the House Sales Scheme in 1979, houses and

[21] Housing associations also acquire existing dwellings, including some in need of modernisation. Numbers of such dwellings are low (200-250 pa for Northern Ireland). Acquisitions increased prior to 2007 but have fallen back as cheaper land and construction costs have made new build more affordable.

cottages have been the most attractive to buyers in both rural and city areas. For example, only 5% of the original numbers of cottages remain within Housing Executive ownership, and 22% of houses. These dwellings tend to be larger and occupied by older working families who can afford to purchase. Flats on the other hand have been less popular with around 68% of the original stock numbers remaining.

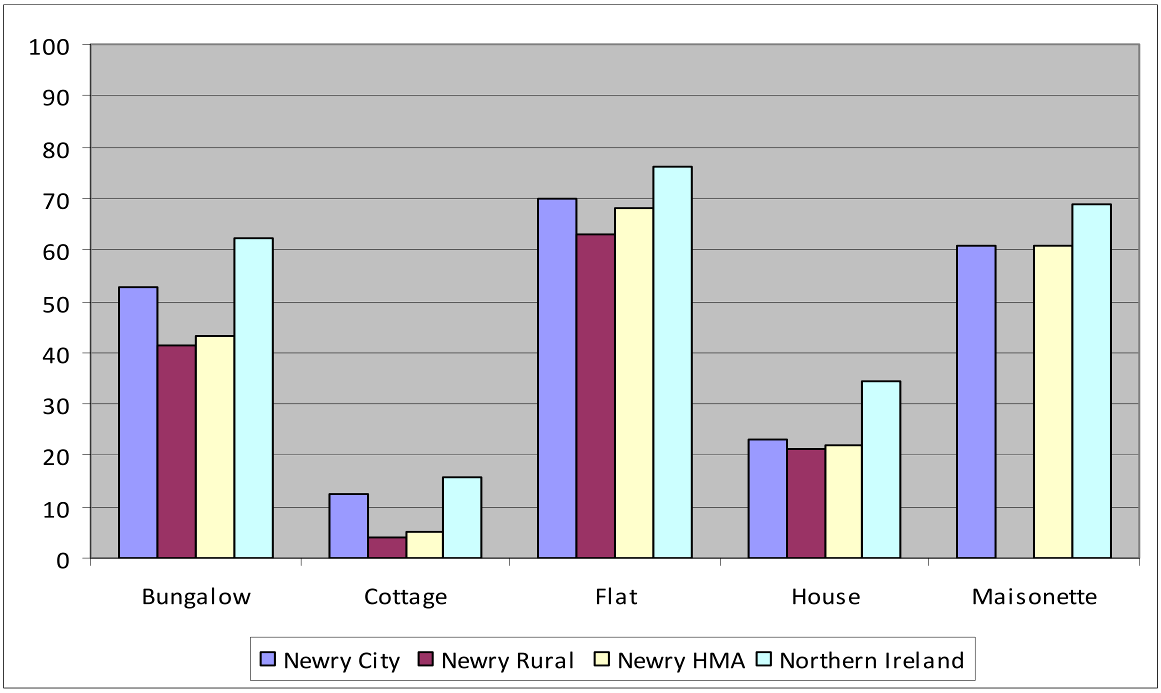
Figure 18: Breakdown of Social Rented households by Urban/Rural by no. of rooms



Source (2006) HCS

Sales in Newry Rural were greater (around 72% of stock) with around 28% of the original stock remaining in 2011. It should be noted, however, that in 1979, the majority (63%) of Newry HMA stock was situated in rural locations. In Newry City 70% of the stock was sold with only 30% of stock remaining in 2011. These figures equate to less than 3,500 Housing Executive properties remaining available for letting.

Figure 19: Housing Executive Stock Remaining for letting @ 2011 as a percentage of 1979 Stock by house type



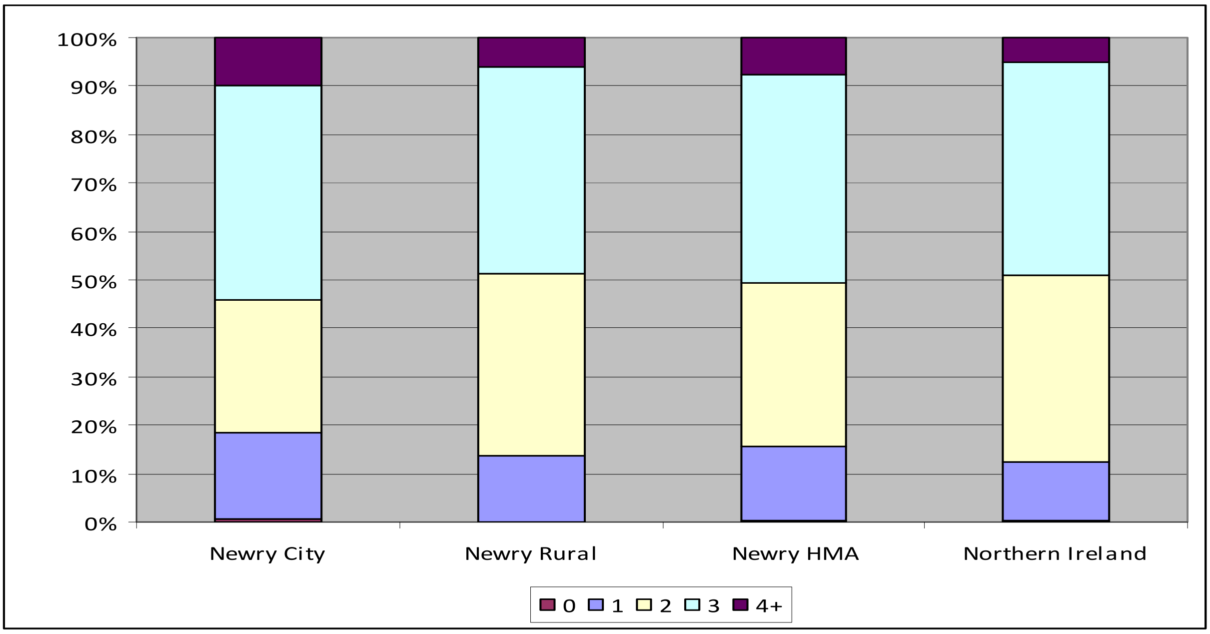
Source: NIHE stock data, April 2011

In terms of dwelling size, social sector housing in the Newry HMA is largely made up of two and three bed properties (Figure 20), accounting for around 34% and 43% respectively of total Housing Executive stock in 2011 within the HMA as a whole.

Newry Rural also comprises 38% two bed dwellings and 43% three bed. This compares to Newry City which has 28% two bed and 45% three bed dwellings. Newry City also contains a greater proportion of one and four bed stock.

Housing Executive

Figure 20: Housing Executive 2011 stock distribution by number of bedrooms (%)



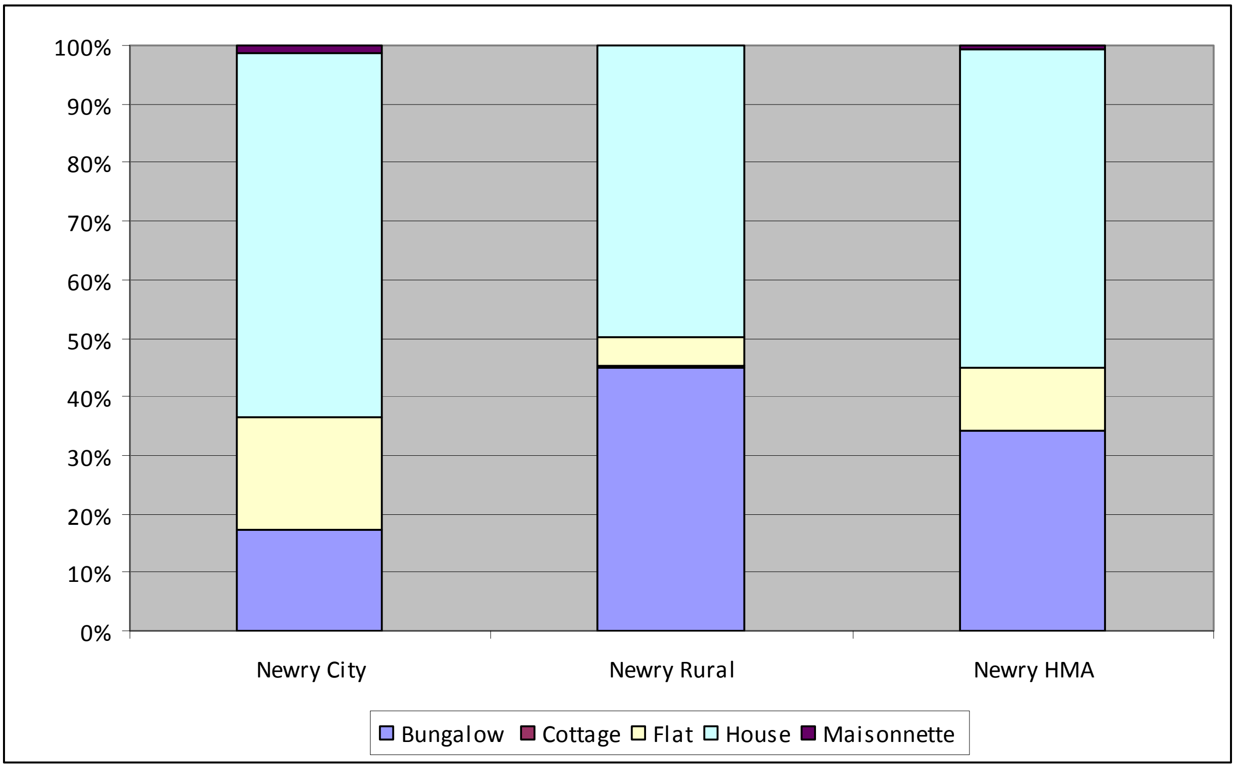
Source: NIHE stock data, April 2011 - NB: 0 bed refers to 8, 1 person bedsits in Newry City

From Figure 21, it is clear that the most popular dwelling type remaining in stock is still the traditional family house, as opposed to flats and maisonettes. Housing association stock figures are currently not available by dwelling type and bedroom numbers, but historically, in the Newry & Mourne area, house types built and acquired over the past number of years have also been two and three bed houses.

Given the pressures to achieve financial savings and the impact of welfare reform, there will likely be an increasing number of one bed properties introduced to combat under occupation and increase density of schemes. Traditionally being less popular, such one bedroom dwellings in the form of apartments will require a 'culture change' on the part of applicants. This drive for smaller social units within schemes can also be argued in light of the projected trend of smaller household formation.

While this may seem logical and cost effective, unless there is general public acceptance of smaller apartment style living, such dwelling complexes may give rise to management issues. Difficulty letting and managing young singles in the same space as families and older residents have historically been problematic. It is important therefore that such issues and potential problems are considered by social housing providers and new schemes designed and managed with such issues in mind.

Figure 21: Current Housing Executive Stock (2011) distribution by dwelling type (%)



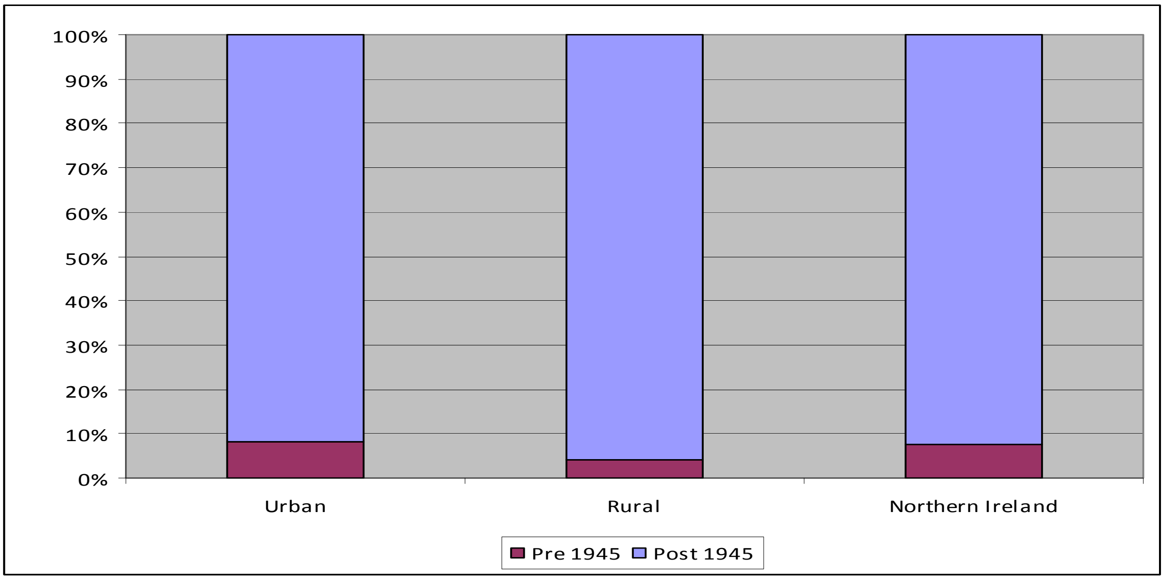
Source: NIHE stock data, April 2011

Dwelling age

Statistics for dwelling age are only readily available at Northern Ireland level. It is considered that Newry HMA has a broadly similar profile. More than half of stock (51%) was constructed after 1970, 25% between 1961 and 1970 and 18% between 1945 and 1960. Only 5% of dwellings were built before 1945. Housing association stock largely comprises dwellings constructed post 1980.

Figure 22 shows social housing stock built pre and post 1945. It shows that in urban Northern Ireland there is a slightly larger proportion of pre 1945 stock than in rural Northern Ireland.

Figure 22: Social rented stock distribution by year of construction (pre/post 1945)



Source: Northern Ireland HCS, 2006

Rents

Over the past decade, the average public sector rent in Scotland and Northern Ireland has remained below the comparable rent for England and Wales. Between 2001-02 and 2009-10, the average annual Housing Executive rent increase was 3.4%.[22]

In 2010/11, the average Housing Executive weekly rent was £52.76, which was lower than the average weekly housing association rent of £81.69 in 2010/11.

Housing Executive rents are 'pooled' and reflect the type, size and age of dwellings and (where applicable) the provision of certain amenities or services. Any variation in the average rent between one area and another is therefore simply a reflection of variations of the Housing Executive housing stock. It is understood that housing associations do not generally 'rent pool' in the same way with individual rents being set for each development based on costs to provide/construct.

Profile of existing social rented tenants

Household composition at 2006

Over time, there has been a decline in the number and proportion of adult couple households and families within the social rented sector. Single person households

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[22] This was above the average annual increase in the retail price index (RPI of 3%) and consumer price index (CPI of 2%) for this period, but below the annual average UK public sector rent increase of 4.1%.

are increasingly the highest percentage of the waiting list applicants with small families second and elderly households third.

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. These long-term trends reflect the fact that the social rented sector now mainly accommodates households who cannot afford to secure private rented or owned housing.

As discussed in Chapter 2, there has been a continued trend across Northern Ireland towards smaller household formation. This tendency is also evident in the social sector with 49% of tenancies occupied by single person households. This is due to reasons such as relationship breakdown, young people leaving the family home and longer life expectancy.

More than three quarters of social tenants fall within the income band of £7,000 - £29,999 with 20% having an income of less than £7,000. This suggests that tenants who live in social housing accommodation have insufficient income to access owner occupation and much of the private rented tenures independently.

The proposed welfare reforms will further affect households' ability to pay rent even in the social sector, possibly increasing the level of homelessness. The Housing Executive is currently working to confirm how the issues raised by welfare reform and the implications for tenants such as arrears and homelessness will be minimized as well as developing approaches to minimize the adverse impacts. This issue will need to be monitored closely in the future.

Economic status and incomes

Less than 20% of social housing tenants in Northern Ireland are in employment. Although families and couples have higher rates of employment than single people or single parents, rates of employment amongst all working age households are very low.

At March 2011 some 2,561 (approximately two thirds) of all social housing tenants in Newry & Mourne LGD were claiming Housing Benefit. This level of uptake has remained fairly static over the last few years. Furthermore, it is estimated that 80% of social tenants are economically inactive.

According to the 2006 HCS, the average income for a social housing tenant was £11,700. The average income in the owner occupied sector was £19,800 representing an annual difference of £8,100. Evidence from the Continuous Tenant Omnibus Survey indicates that this proportion remained much the same in 2008.

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. The fact that the majority of tenants report incomes of around £10,000 or less, along with very substantial rises in fuel costs, has increased concerns regarding fuel poverty, within the social rented sector. This is a serious problem that remains difficult to resolve.

Annual supply of social housing

Lettings from 2003 to 2011

In terms of the ability of the social rented sector to respond to those looking to be re-housed in the sector, the level of annual lettings is of much greater significance than stock numbers or indeed the numbers of new build completions. Table 27 shows the numbers of annual social housing (Housing Executive and Housing Association) lettings including new build allocations plus relets of existing stock from 2003 to 2011 inclusive in Newry HMA and Northern Ireland (the term relet excludes the households transferring from one house to another within the social rented sector). Table 28 presents comparable information for Housing Executive relets of existing stock only from 2005 to 2011.

Despite a large increase in applicants in housing stress between 2005 and 2007 (775 to 1,125), allocations have remained relatively stable. This has resulted in significant increases in housing stress waiting lists that in turn has led to applicants waiting longer to be re-housed. In 2003, housing stress applicants made up 42% of the total waiting list in Newry HMA. This increased to 53% in 2011.

Relets have been slightly higher in the rural areas of Newry HMA. This is due to the relets occurring in several local towns within the Newry Rural submarket. Towns such as Crossmaglen, Kilkeel, Newtownhamilton and Warrenpoint all fall within the Newry Rural boundary. It is not therefore the case that isolated rural villages are presenting greater turnover than similar sized villages elsewhere.

From Tables 27 and 28 we can conclude that in Northern Ireland and the Newry HMA:

- Housing stress waiting lists peaked in 2008. Although this has dropped slightly over the last few years, housing stress remains around 35% higher than in 2005;
- These notable increases in housing stress up to 2008 correspond to when the private sector was booming and housing associations were finding it very difficult to secure new build sites due to high land cost and inability to compete with private developers. Consequently, allocations significantly reduced;
- This sharp reduction in allocations from 2006 to 2008 reflects the fact that there were insufficient new build completions for social housing during that period. In addition, tenants during this time were reluctant to seek alternative tenures due to financial constraints, meaning there were fewer existing social properties available for relet. This trend was evident in both urban and rural areas.

In Northern Ireland generally, stock turnover and relets have largely increased since 2008 with Newry HMA following a similar trend. It is difficult to discern if this upturn is simply a one off event or an emerging trend. However, some of the increase in relets is due to the number of:

- Newly constructed social housing being let for the first time in line with increased housing association new build activity. This totalled 295 units in the Newry and Mourne LGD since 2008;
- Tenants transferring to another dwelling. This includes Housing Executive tenants transferring to housing association dwellings. Many of these moves appear to be associated with tenants moving to a larger or smaller property better suited to their needs.

Riverview – Housing Association Development 2001 – Newry HMA

Housing Executive

Table 27: Newry HMA social rented sector All ALLOCATIONS by applicant type and sub area, 2003-11

Area	NI				Newry HMA				Newry City				Newry Rural			
Year	All	Wait List	Transfer	% Wait List	All	Wait List	Transfer	% Wait List	All	Wait List	Transfer	% Wait List	All	Wait List	Transfer	% Wait List
2003	11,298	8,258	3,040	73	413	311	102	75	139	95	44	68	274	216	58	79
2004	10,665	7,899	2,766	74	409	334	75	82	168	142	26	85	241	192	49	80
2005	9,568	7153	2415	75	362	296	66	82	144	114	30	79	218	182	36	84
2006	9,802	7472	2330	76	340	293	47	86	121	100	21	83	219	193	26	88
2007	8,978	6916	2062	77	257	214	43	83	78	60	18	77	179	154	25	86
2008	8,194	6370	1824	78	243	203	40	84	83	69	14	83	160	134	26	84
2009	9,418	7318	2100	78	364	304	60	84	140	112	28	80	224	192	32	86
2010	10,751	8,278	2,473	77	439	357	82	81	186	156	30	84	253	201	52	79
2011	9,531	7,266	2,265	77	387	318	69	82	165	131	34	79	222	187	35	84
2003-5 ave	10,510	7,770	2,740	-	395	314	81	-	150	117	33	-	244	197	48	-
2006-8 ave	8,991	6,919	2,072	-	280	237	43	-	94	76	18	-	186	160	26	-
2009-11 ave	9,900	7,621	2,279	-	397	326	70	-	164	133	31	-	233	193	40	-

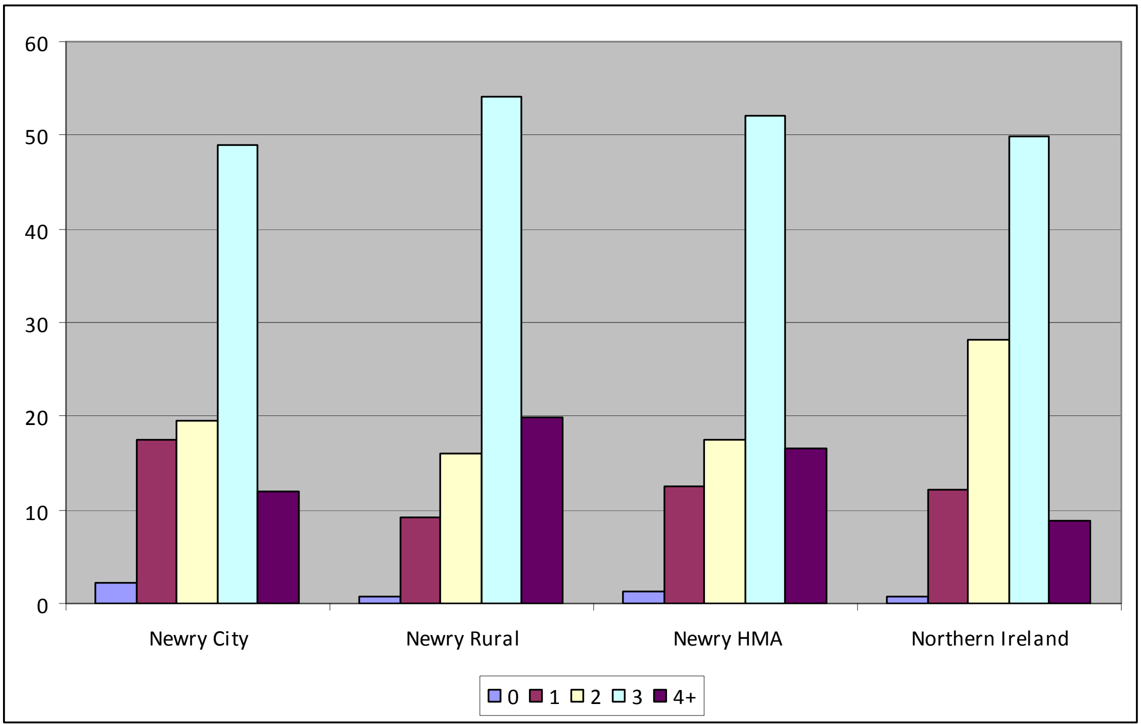
Source: NIHE: All NIHE and HA allocations to social sector in year to 30 September each year; Newry HMA and sub-markets based on aggregation of CLA and LHA figures

Table 28: Newry HMA HOUSING EXECUTIVE RELETS ONLY, by applicant type and by sub-area 2005-11

Area	NI		Newry HMA		Newry City		Newry Rural	
Year	Applicants in Housing Stress	Relets	Applicants in Housing Stress	Relets	Applicants in Housing Stress	Relets	Applicants in Housing Stress	Relets
2005	15,534	7,248	775	263	332	104	443	159
2006	17,228	6,842	965	277	434	98	531	179
2007	19,707	6,223	1,125	167	499	54	626	113
2008	21,364	6,664	1,166	194	506	69	660	125
2009	20,499	7,264	1,150	253	537	85	613	168
2010	19,716	7,729	1,069	245	493	87	576	158
2011	20,967	7,468	1,002	282	472	111	530	171
2005-6 ave	16,381	7,045	870	270	383	101	487	169
2007-9 ave	20,523	6,717	1,147	205	514	69	633	135
2010-11 ave	20,342	7,599	1,036	264	483	99	553	165

It is evident from these figures, however, that allocations have consistently failed to meet housing stress demand, and the shortfall is likely to increase due to reduced funding for new build social housing for the foreseeable future.

Figure 23: Housing Executive % Allocations by no. of bedrooms Apr 10 – March 11



Source: NIHE Prawl, March 2011

Figure 23 shows the distribution of Housing Executive relets by dwelling size from April 2010-March 2011. It indicates that:

- The largest percentage (52%) of relets in the Newry HMA was of three bed properties. At the sub area level the proportion was higher in Newry Rural at 54% compared to 49% of urban stock in Newry City being three bedroom dwellings;
- 14% of relets in Newry HMA were of small one bed/bedsits, with such relets being higher in the Newry City area where such stock is predominantly located;
- The percentage of relets of two and four bedroom properties in the Newry HMA was very similar at around 17% each. This is in stark contrast to the Northern Ireland figures where only 9% of relets were to four bedroom properties, and 28% to two bedroom properties.

Applications for social housing

Changes in total applicant numbers

The potential 'demand' for social housing can be assessed in different ways but the simplest is by reference to the total number of households that have applied for social housing. Table 29 therefore shows trends in the total numbers of applicants recorded on the Common Waiting List (CWL) at the end of September each year.

Table 29: Total number of applicants on Common Housing Waiting List at September, 2003-11

Area	Year									Change 2003 to 2011	Average Allocations 2003-2011	Stock 2011	W list Applicants as % relevant to NIHE Stock
	2003	2004	2005	2006	2007	2008	2009	2010	2011				
Newry HMA	1,288	1,379	1,447	1,642	1,828	1,913	1,887	1,932	1,919	631	358	3,395	57%
Newry City	521	540	597	700	762	804	868	882	897	376	136	1,329	67%
Newry Rural	767	839	850	942	1,066	1,109	1,019	1,050	1,022	255	222	2,066	49%
NI	26,819	27,581	29,674	31,967	36,217	39,688	39,013	38,120	39,891	13,072	9,801	90,028	44%

Source: NIHE Common Waiting List- figures relate to 30 September each year
Notes: Figures exclude 200 to 250 cases each year that could not be assigned to any geography

In 2011, there were 1,919 applicants who wished to be considered for housing in the Newry HMA. Between 2003 and 2008, the level of applicants rose by 49%. This corresponds 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. Since 2008, applications have levelled off, possibly due to the PRS increased tenure share in the market.

From 2003 to 2011, a significant difference in the number of applicants for Newry City and Newry Rural submarkets was noted, with Newry Rural maintaining a consistently higher number of applicants. It is significant to note, however, that Warrenpoint, Crossmaglen, Rostrevor and Camlough are included in Newry Rural remainder. These settlements have proven to have consistently high demand. This inflates the overall waiting list for Newry Rural. Most rural settlements have, however, lower levels of applications and relets, possibly because available supply may be limited. This may be indicative of unrecorded 'hidden' demand (Latent Demand Testing discussed later in this chapter).

Total numbers of waiting list applicants in Newry HMA have increased at the same rate as Northern Ireland, both 49% between 2003 and 2011; the sharpest increase between 2003 and 2008. Insufficient available relets to meet such levels of waiting list demand has resulted in waiting times increasing, as well as the number of households living in housing stress.

Social rented pressure ratios

Social rented pressure ratios refer to the ratio of the total number of waiting list applicants (at a given point in time) relative to the amount of properties that become available to let (in the previous 12 months).

Table 30: New applicant to let ratios annual average 2003 to 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total numbers of waiting list applicants									
Newry HMA	1,288	1,379	1,447	1,642	1,828	1,913	1,887	1,932	1,919
Newry City	521	540	597	700	762	804	868	882	897
Newry Rural	767	839	850	942	1,066	1,109	1,019	1,050	1,022
Northern Ireland	26,819	27,581	29,674	31,967	36,217	39,688	39,013	38,120	39,981
Total numbers of social rented lettings (excluding transfers)									
Newry HMA	311	334	296	293	214	203	304	357	318
Newry City	95	142	114	100	60	69	112	156	131
Newry Rural	216	192	182	193	154	134	192	201	187
Northern Ireland	9,191	8,765	7,920	8,355	7,780	7,289	8,144	9,192	8,071
Ratio of new applicants (excluding transfers) to all (non transfer) lettings									
Newry HMA	4.1	4.1	4.9	5.6	8.5	9.4	6.2	5.4	6.0
Newry City	5.5	3.8	5.2	7.0	12.7	11.7	7.8	5.7	6.8
Newry Rural	3.6	4.4	4.7	4.9	6.9	8.3	5.3	5.2	5.5
Northern Ireland	2.9	3.1	3.7	3.8	4.7	5.4	4.8	4.1	5.0

Source: NIHE common waiting list and NIHE all allocations in year to 30 September each year

This measure is sometimes used to look at the relative popularity of different areas. Ratios that approach one or two tend to be regarded as a potential indicator that a low demand problem may be emerging such as anti-social behaviour. The higher the ratio the longer applicants may expect to wait for any offer.

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.

Looking at waiting list to letting ratios for the period from 2003 to 2011, Table 30 shows:

- The new applicant to let ratio rose steadily to a peak of 9.4 in 2008 within Newry HMA. This is substantially higher than the Northern Ireland peak of 5.4 indicating a greater need for new social housing properties in Newry HMA;
- Newry City experienced a sharper growth in the new applicant to let ratio with a peak of 12.7 in 2007 compared to a peak of 8.3 in Newry Rural. In the past few years the completion of a greater number of new build schemes has contributed to the ratio dipping;
- The ratio has significantly increased in Newry HMA and both sub areas from 2003 to 2011.

Waiting List applicants assessed to be in housing stress

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 'points based' criteria include insecurity of tenure, housing conditions, overcrowding, intimidation and health & social well-being. Applicants with 30 points or more are assessed to be in housing stress.[23] It is this proportion of the waiting list that we plan for in terms of drafting targets for new build requirements.

Table 30 summarises the number of households on the waiting list assessed to be in housing stress from 2003 to 2011 and shows that:

- Between 2003 and 2011, the HMA showed an increase in housing stress of 85%;
- By March 2011, the waiting list in Newry City had increased at almost twice the rate of Newry Rural since 2003. The implication of these figures suggests that demand for Newry City is exceeding current stock to a greater extent than Newry Rural.

[23] As O'Sullivan (2010) notes, these criteria are similar to the housing need indicators outlined in the Strategic Housing Market Assessment Guidance (DCLG, 2007).

Table 31: Waiting List applicants in Housing Stress

Area	Year									change 2003-11
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Waiting list applicants in HOUSING STRESS (30+ points and applied in last 5 years)										
Newry City	218	274	332	434	499	506	537	493	472	264 (122%)
Newry Rural	324	389	443	531	626	660	613	576	530	206 (64%)
Newry HMA	542	663	775	965	1,125	1,166	1,150	1,069	1,002	460 (85%)
Northern Ireland	13,047	14,163	15,574	17,228	19,707	21,364	20,496	19,716	20,967	7,920 (61%)

Source: NIHE Common Waiting List - figures relate to 31 March each year

Comparisons with other evidence

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.

In 2010/11, for example, a Latent Demand Test was carried out in Mayobridge, a village located five miles to the east of Newry City. During this process, it was determined that a greater need existed than was evident from waiting lists. This will be reflected in the future assessment of new build requirement. Currently tests are underway in Glassdrumman and Attical to ascertain if latent need exists.

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 flow of new (waiting list) applicants

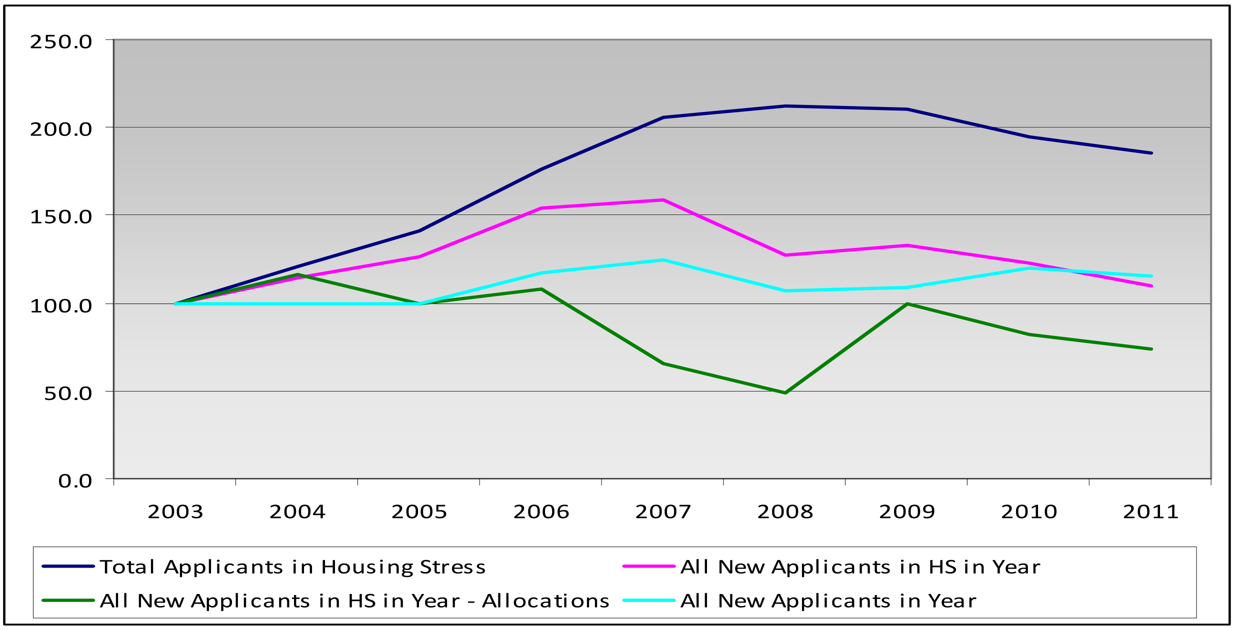
The upward trend in the total numbers of waiting list applicants in housing stress clearly shows there has been an accumulated build up of pressure for social housing.

To provide some insight in relation to the extent to which this accumulated pressure has been due to a growth in the numbers of new applicants assessed to be in stress over time, we examined the annual flow of new waiting list applicants. The annual number of new waiting list applicants for each year from 2003 to 2009 was identified by adding together:

- All waiting list applicants who had registered for re-housing in the 12 months to September each year, plus;
- All (non-transfer) applicants who applied for and were re-housed in the 12 months to 30 September.

Figure 24 shows the numbers of applicants for each year split by whether the new applicant was assessed to be in housing stress or not. In order to examine change over time, the number of new applicants was calculated as a percentage of the number of applicants for the year to September 2003.

Figure 24: Change in annual numbers of new waiting list applicants in Newry HMA, 2003-11



Available data in Figure 24 suggests that:

- There has been a steady increase in new applicants in housing stress from 2003 to 2007/08. From 2009, new applicants in housing stress have steadily declined but still remain almost double that of 2003;
- The dip in new housing stress applicants from 2007/08 to 2011 suggests that applicants availed of new private rental developments during the housing boom. It may also be as a result of applicants accessing housing in Belfast or further a field for economic reasons;
- New applications for social housing from households in housing stress are anticipated as the supply of new private rented stock is limited and issues surrounding the security of this tenure emerge.

The level of allocations declined between 2006 and 2008, resulting in an increase in the numbers of housing stress. There was limited social new build housing during the same period. Since 2008, allocations have since increased reflecting the growth of social new build completions and stock available for relet.

Profile of new applicants in housing stress

The profile of applicants in housing stress can be broken down as follows:

- Those between the ages of 16 and 44: This group mainly comprises single person or lone parent households who are living in shared accommodation (including those looking to move out of the family home), in the PRS, or temporary accommodation;
- Those between the ages of 45 to 64: This group of established households tend to be seeking social housing due to a change in personal circumstances. Many are applying from privately owned or rented accommodation into the social rented sector, with a few living in temporary or shared accommodation;
- Those aged over the age of 65: Older established households tend to be seeking more suitable or supported accommodation, perhaps to move nearer their family. Most are older lone households, and are generally seeking to move from the owner occupied sector.

Moreover, anecdotal evidence shows that a greater proportion of new applicants have been applying from more affluent backgrounds. This is an indication of the financial difficulties younger people are faced with, trying to access owner occupation.

Capacity of applicants to access private rental or owner occupied market

The economic evidence discussed earlier, together with the 2006 and 2008 CTOS results, indicates that there are significant numbers of social housing applicants that are unlikely to be able to access the private housing market without some form of financial assistance.

The CTOS 2008 results suggest that less than 10% of households that had moved to their present home in the previous 12 months have an annual income in excess of £15,000. The CTOS also indicated that upwards of 64% of recent entrants are in receipt of full Housing Benefit.

Welfare Reform

There is a clear body of opinion across the United Kingdom that the Government's proposed reforms of Housing Benefit for social housing tenants will have very significant impacts on individual claimants, social housing providers and local strategic housing authorities.

The government's intended changes to Housing Benefit for social housing tenants are as follows.

- From April 2013, working age tenants in the social sector will have their Housing Benefit reduced if they live in a home which has more bedrooms than they require;
- The level of deductions applied for non-dependents living in the claimant's household will increase significantly;
- Limiting the total level of out-of-work benefits support to any one household to £500 per week (from April 2013) and paying help with housing costs as part of Universal Credit for working age households and as part of pension credit for non-working age households.

Government is providing some additional resources to help mitigate any negative impacts of the Housing Benefit changes. In Northern Ireland, these are focused on increasing the level of funding for discretionary housing payments, which can be made for a time-limited period to a particular household in recognition of special circumstances.

At the time of writing Westminster was considering the proposed legislation with a view to restricting additional public expenditure to address those issues that may arise as a result of the reforms i.e. homelessness and increased rent arrears. The Housing Executive is also examining how it can address these issues.

Housing Executive assessment of housing need

Annual housing need assessments based on the March 2011 waiting lists have recently been carried out on all LGDs in Northern Ireland. These assessments highlight that in Newry and Mourne LGD, 205 new social housing units may be required annually over the next five years. 137 units and 30 units may be required in Down and Banbridge LGDs respectively. 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.

Social housing issues in Newry Rural

In Newry Rural, similar to Newry City, demand for social housing has continued to increase year on year. There have similarly been an increasing number of applicants assessed to be in housing stress. Relets have been consistently higher than Newry City, partly due to the lower stock levels in the rural remainder. The main urban centres within Newry HMA, namely Newry City and Warrenpoint, demonstrate particularly high unmet demand. Relatively low levels of new schemes for social housing new build in rural areas means that the requirement for social housing to address unmet need is an issue that will not subside in the foreseeable future.

As discussed in the previous chapter, private rental is unable to absorb the increased shortfall between demand for social housing and its supply and the numbers of new households unable to access owner occupation. This is of more significance in Newry Rural, where private rental opportunities are at a greater premium. In addition, the increased migrant workforce who have secured employment in the local industries initially sought housing in the PRS. This demand has started to spill into the social sector since the rules for the European Union and A8 population have been relaxed.

In order to address this imbalance in supply, it may be opportune to develop mixed tenure housing schemes which could include a mix of social, intermediate and new private rented models for housing. This may also provide a welcome boost to the construction industry and to the housing market as a whole and help to reduce the ongoing increases in social housing waiting lists.

It is clear that the settlements of Warrenpoint, Crossmaglen, Rostrevor and Camlough have demonstrated social housing need over a sustained period. These areas may require further analysis of waiting list and affordable housing trends to identify if intervention and additional housing is required.

Traditionally, there are significant difficulties in rural villages with low stock levels and minimal turnover rates. Also, since the introduction of the House Sales Scheme, a large proportion of rural stock has been sold. Housing need and development opportunities are assessed in rural locations through Latent Demand Testing. As previously stated, the settlements of Attical and Glassdrummond are currently being tested and may result in development in the future.

Welfare reform will impact on the scale and nature of demand in rural areas also and will require close monitoring.

Housing Executive

Helm Housing Association – Supported Housing Scheme, Bessbrook - Newry HMA

Summary

The proportion of households living in the social rented sector across Newry HMA, in common with the rest of Northern Ireland and the UK, has been declining for many years. The rate of this downward trend however, has slowed greatly in recent years. This has been because of a slow down in house sales to sitting tenants due to economic conditions, and policy changes in the past ten years. To a certain degree, increased social new build will also have had some effect in recent years. The rate of new build however, has not kept a pace with sales and other stock loss through demolition and with reduced funding this is a situation that is not going to improve in the foreseeable future.

Whereas the social rented sector has declined in size, the proportions of unemployed and economically inactive households have increased. Approximately two thirds of social tenants in Newry HMA currently rely on full or partial Housing Benefit to meet the cost of their rent and approximately 80% of tenants are retired, unemployed or economically inactive.

The downward trend in the annual supply of social housing had been partly compensated by some recent expansion of the PRS. Analysis of the annual flow of new applicants suggests the expansion of the private rental market has, in the short term at least, dampened the numbers of new applicants that have applied for social housing and the overall trend for increasing levels of housing stress.

Unsold new properties built for sale and/or potential additional private rental supply have now largely been utilised according to local agents and it is anticipated that an increasing number of households will apply for social housing as a result. Alternatively many younger households may choose to live at home longer. In addition, due to the insecurity of private renting tenancies generally, households

may also increasingly apply for social housing as a safety net or as a result of threats of eviction due to increasing rent arrears, especially with the expected welfare reforms and Housing Benefit changes coming into effect.

There is a high risk that the amendments to Housing Benefit and LHA announced in the UK Government budget may lead to a fall in demand for private renting and a corresponding increase in the numbers of new applicants seeking social housing in Newry HMA and across Northern Ireland.

The limiting of Housing Benefit for working age tenants, to the rent payable for properties they are judged to require, from April 2013 (a one bed unit for a single person etc), is likely to result in many tenants, who are under occupying, to seek smaller accommodation if they cannot afford to make up the Housing Benefit shortfall. It may be opportune to re-evaluate what potential incentives and measures might be required to address this issue.

The interaction between private renting and social renting will require careful monitoring by the Housing Executive in the short to medium term given the fluid/rapid transitions that can occur between the two tenures.

There are also mounting problems in terms of fuel poverty. Resolution of fuel poverty remains a challenging and difficult problem due to the low incomes of tenants and current high fuel prices. Fuel poverty directly impacts on a household's ability to access other tenures by deflecting income that could otherwise service rent or mortgages.

The future for social housing therefore appears to be increasingly one of a residual tenure of 'last resort' catering mostly for those in greatest need, generally with low incomes and higher levels of vulnerability. Housing stress is expected to increase in the coming years as households are finding other tenures too expensive or difficult to access.

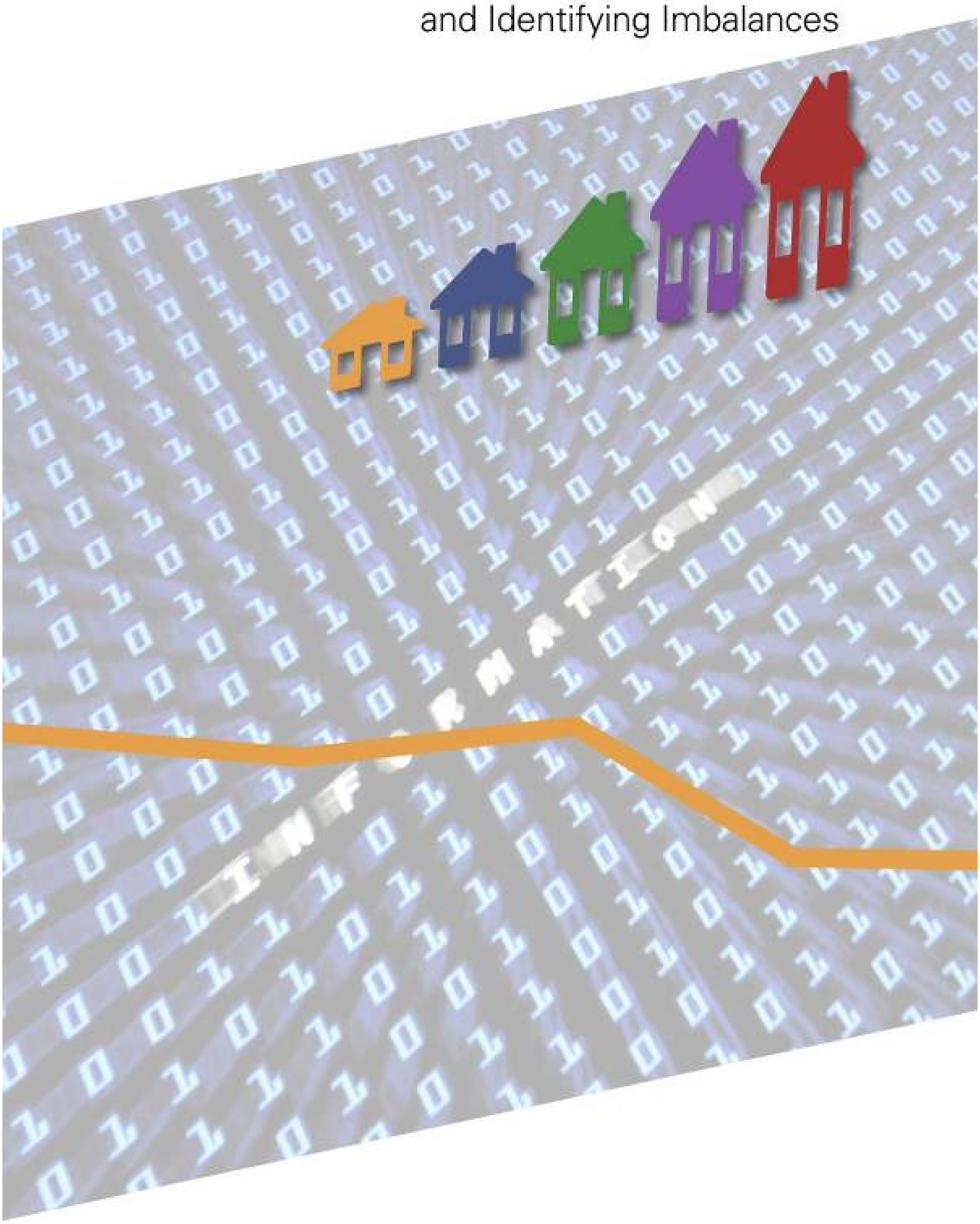
Key issues

- The social rented sector's tenure share of the market in Newry 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 Newry HMA (80%) are unemployed, retired or economically inactive;
- The number of applicants in housing stress on the waiting list has almost doubled since 2003;
- There has been a dip in the number of new applicants in housing stress in this HMA since 2008 suggesting more are applying from either home or reasonably good

standard private rented accommodation; or are applying as a "safety net" in the event of possible future illness or loss of tenure;

- Welfare reforms are likely to result in rising waiting lists for social housing due to unaffordable rents. They may also see a desire among existing tenants who are under-occupying their properties to downsize;
- Fuel poverty continues as a significant issue for many households in the social rented sector;
- We anticipate sustained growth in waiting lists for social housing and in levels of housing stress in the future as other tenures become increasingly inaccessible to households. Relets will also likely reduce in the face of growing demand and continued (albeit reduced) loss of stock to house sales as the economy recovers;
- 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 two to five to identify the main housing market imbalances and issues arising in the Newry 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.

Economics and demographics in Newry HMA

The economy and housing market are highly cyclical and intertwined. These close links and the interaction between Newry City and the surrounding area have been recognised in the Banbridge/Newry & Mourne Area Plan (draft), which relates to the administrative boundaries of Banbridge and Newry & Mourne LGDs. It aims to facilitate sustainable growth and a high quality of development in the Banbridge and Newry & Mourne Districts whilst protecting and, where appropriate, enhancing the natural and man-made environment. The Ards & Down Area Plan has similar objectives.

The Newry HMA borders Counties Louth and Monaghan in the ROI. The RDS encourages cross border co-operation, particularly with regard to improving communications, developing economic and enterprise networks, and protecting and managing the environment. This is also encouraged in the ROI where a planning framework is provided by development plans and guidance at national, regional, county and local level.

The ROI's National Spatial Strategy provides a 20 year planning framework aimed at achieving a better balance of social, economic and physical development across the ROI. It is concerned with building upon the existing network of gateways and hubs with Dundalk being a major gateway and Monaghan a hub. This Strategy is developed further in the 'Regional Planning Guidelines for the Border Region' which presents a vision that, by 2020, the Border Region will be a competitive area and prospering from, its unique interface between the two economies.

In the decade to 2008, a dynamic economy and strong employment growth led to rapid demographic change across Northern Ireland. There was a significant increase in the number of migrants coming from Britain, the ROI and overseas to Northern Ireland along with an increase in residential mobility among existing residents. Consequently, the number of people and households living in the Newry HMA increased at a faster rate than in the 1990s. This household growth was supported by the continuing trend towards the formation of one and two person households and an increased life expectancy which has seen growing numbers of older households remain in their homes for longer.

The greatest population growth within the Newry HMA occurred in Newry & Mourne and Down LGDs and was supported by increased rates of private housing construction in both these areas.

The combination of strong demographic and economic growth alongside the expansion of lending policy and the willingness of financial institutions to offer consumers and businesses credit at low interest rates and generous lending terms also shaped housing demand and inter-tenure dynamics in the period to 2008.

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 Newry 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 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 growth in the numbers of terraced houses and flats in the PRS (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 Newry 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.

The underlying economic conditions required to pull the housing market out of recession are not in place and may not be in place for some considerable period. As such it may be for the public sector to lead the way.

The planned public expenditure cuts in Northern Ireland in the wake of the UK Comprehensive Spending Review will result in a considerable cut in financial resources available to the Northern Ireland Executive over the next four years. For example, over £1.4 billion will be lost from the NI capital expenditure programme which may result in public housing construction projects will be deferred or cancelled. The scale of the cuts suggests that they will have lasting implications for the Newry HMA for the next decade and possibly beyond. As the Northern Ireland Executive (2010) Draft Budget 2011-15 observes:

> "The public expenditure reductions from the UK Spending Review will have a negative impact on economic prospects going forward. In addition, the impact of these public expenditure cuts will be felt more severely in Northern Ireland given our relatively higher dependence on the public sector ---- In fact, public expenditure in Northern Ireland represents 62.6 per cent of total output. This is significantly higher than the 39.8 per cent for the UK as a whole. It is clear that public expenditure reduction of the magnitude outlined previously will have significant negative consequences for economic growth and employment"

An Ageing Population

The population of Newry HMA and Northern Ireland in general, 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, and 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 Newry 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 generally prefer to remain in their own homes. Nevertheless, an ageing and more vulnerable population will have policy and funding implications not only for housing providers but health and social care providers as well.

Looking across the UK, older people often experience a reduction in income on retirement. In the case of older homeowners a decline in incomes 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 there will be a potential important role for care and repair style services.

There may also be merit in investigating the housing aspirations of those in their 50s to 60s in Newry HMA 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 to 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 Newry HMA suggests 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 Newry 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 Newry 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 Newry 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 halted in Newry 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 slightly.

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 Newry 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. For those unfortunate to have seen a fall in income due to a reduction or loss in earnings, UK wide policy measures, such as the changes to the rules relating to Income Support for mortgage interest have helped to protect them from the more extreme effects of the recession.

Nonetheless, Northern Ireland has witnessed an increase in mortgage arrears and repossessions in recent months. Figures from CML also suggest that at least 5% of owners are faced with negative equity. This suggests that some lower income homeowners in the Newry HMA and the rest of Northern Ireland may continue to face affordability related problems for some time.

In Great Britain incentives to encourage sitting tenants of social housing to purchase their homes are under review with the possibility of increased discounts being offered. Should similar incentives be introduced in Northern Ireland there is 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

Increases in private Housing Benefit claimants in all three LGDs since 2007 would suggest that more people are now renting their homes from private landlords. However, evidence from local estate agents suggests that growth of the PRS has been more modest in Newry HMA than elsewhere in Northern Ireland.

Although the rise in private renting tends to be discussed solely in terms of rising house prices and speculative investment, other factors have been at play. Faced with the burden of student debt and less employment security, growing numbers of individuals appear to be delaying entering into the long-term commitments associated with forming a partnership, child rearing, and house purchase. Some of these individuals are availing of accommodation in the PRS as an interim option.

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 Newry HMA. Imminent 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, for example, as the Local Housing Allowance entitlement for those under the age of 35 shifts 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. In this HMA, since there is no over-supply of accommodation in the PRS, it would seem unlikely that welfare reforms will lead to any significant reduction in rent charges. If, however, there is a sudden and significant exodus from the sector post-reforms, landlords may be forced to consider this.

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.

Ulidia Housing Association New Build Scheme - Woodside Park, Loughbrickland

The social rented sector

The changes in the private housing market have had spill over effects on the social rented sector. Since 2000 there has been a significant rise in the number of applicants registered in housing stress on the social housing waiting list. Between 2000 and 2008 the number of households on the waiting list assessed to be in housing stress increased by over 40% in Newry 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 within Newry HMA remains high despite the number of new applicants in housing stress decreasing by approximately 14% since 2008. This is perhaps due to increasing proportions of new applicants residing in the owner occupied and private rented sectors but have applied for social housing as a type of ‘insurance plan’. It may also be because the private rented sector is playing a growing and vital role in providing accessible, affordable housing. The PRS however is not necessarily seen as providing a satisfactory long term or permanent housing solution by a sizeable proportion of existing tenants.

Changing demographics and reduced funding for social housing are likely to drive change within this sector. The continued trend toward smaller households and an ageing population may see new construction concentrated on 1 and 2 bed units rather than 3 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 will require social landlords to take action to tackle under occupation of existing stock so that best use may be made of what is available. It is likely that additional single unit accommodation will be required to allow flexibility of stock to meet social housing need without under occupation. It is unclear as to the level of under-occupation in three bed dwellings in Newry HMA and will welfare reform require medication of such dwellings to avoid high levels of vacant dwellings.

The reservation of land for approximately eleven hundred units through the draft Banbridge, Newry and Mourne Area Plan seeks to give greater certainty to Housing Associations, landowners and developers regarding the delivery of social housing through the planning system in the Newry HMA.

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 annual assessment of housing need indicates that at the Newry HMA the requirement for additional social housing has been well in excess of social housing construction rates for most of the past decade. Annualised average estimates from the latest assessments suggest that somewhere between 1,130 and 1,510 additional social units may be required in the Newry & Mourne LGD in the period to 2015 and possibly beyond.

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. Evidence presented in Chapter 3 indicates that on paper there appears to be potential to introduce some form of intermediate housing in Newry HMA and across Northern Ireland. Co-ownership has proved a very successful and popular model. It has recently been over subscribed which suggests a need for other similar models. In practice, however, any new products may displace consumer demand from the PRS.

The Rural Perspective

Newry HMA is a predominantly rural area. In general the housing market trends do not appear to be significantly different in the rural parts of the HMA when compared with Newry City. There are, however, some issues of note:

- There is a high level of owner occupied stock in Newry Rural, much of which is three and four bed properties. Evidence from estate agents suggests that there are relatively few small properties in rural areas available for purchase. This coupled with the fact that opportunities in the private rental market are limited, and come at a premium in much of this area, along with limited opportunities to develop new social housing, growing waiting lists, and an ever reducing social housing stock, means that there may be an appetite for 'intermediate' housing options;

- Demographic projections of increasing numbers of older households over the next 15 – 20 years will require policy and practical interventions in terms of housing and services. Many older homeowners will wish to remain in their homes for as long as possible and in order to do so adaptations may be required along with improved transport options and opportunities to take part in social activities. Others may wish to downsize or move to supported or sheltered housing. There is a need to plan for this demographic shift if we are to adequately meet the housing and other needs of our rural older population;

Lislea Rural Settlement

- Newry Rural includes a number of towns. Warrenpoint, Crossmaglen and Camlough have become popular locations. There is increasing demand for housing across all tenures in these towns and a high level of unmet need. These are areas which may warrant further investigation in order to get a fuller understanding of the market dynamics.

Key issues

Economic & Demographic

- Newry HMA has benefited economically from, and will continue to benefit from, its border location on the Belfast/Dublin corridor and the joint co-operation between the two jurisdictions;
- Household growth up to 2008 was shaped by the increased trend towards one and two person households and people generally living longer;
- Private housing construction increased in Newry HMA in the decade to 2008. This was in response to this household growth, and the ready availability of credit and finance;

- The global credit crunch has led to a significant reduction in new construction, falling house prices, a severe drop in house sales, rising unemployment and a lack of consumer confidence in the housing market in Newry HMA;
- Regular monitoring of household growth, housing supply, housing need and market imbalances along with revised demographic projections will be required in order to respond appropriately to changes;
- Planning and innovation in terms of housing, health and social care will be necessary to meet the needs of the ageing population in Newry HMA.

Owner occupation
- Newry HMA experienced sharp rises in house prices in the decade to 2007. Indeed by 2005, the cheapest housing types were unaffordable to most first time buyers;
- Whilst owner occupation is still the tenure of choice, its share in the housing market as a whole has decreased slightly since 2006 in Newry HMA. We anticipate this trend will continue in the short to medium term;
- Falling house prices have improved affordability to some degree. However, tighter lending criteria and a lack of confidence in the market has meant that demand remains stifled;
- Mortgage arrears, repossession, and negative equity are a persisting risk for households in Newry HMA and across Northern Ireland.

Private rented sector
- The PRS has grown in Newry HMA but to a lesser degree than in Northern Ireland generally;
- The PRS is making a contribution to meeting housing need but many households do not see it as a long term housing option. This is due mainly to insecurity of tenure and quality of housing stock in the sector. The sector needs to respond to these issues if it is to be considered more than a ‘stop gap’ for households;
- Welfare reforms are likely to drive households out of the PRS towards social housing or change the type of housing sought in the private sector.

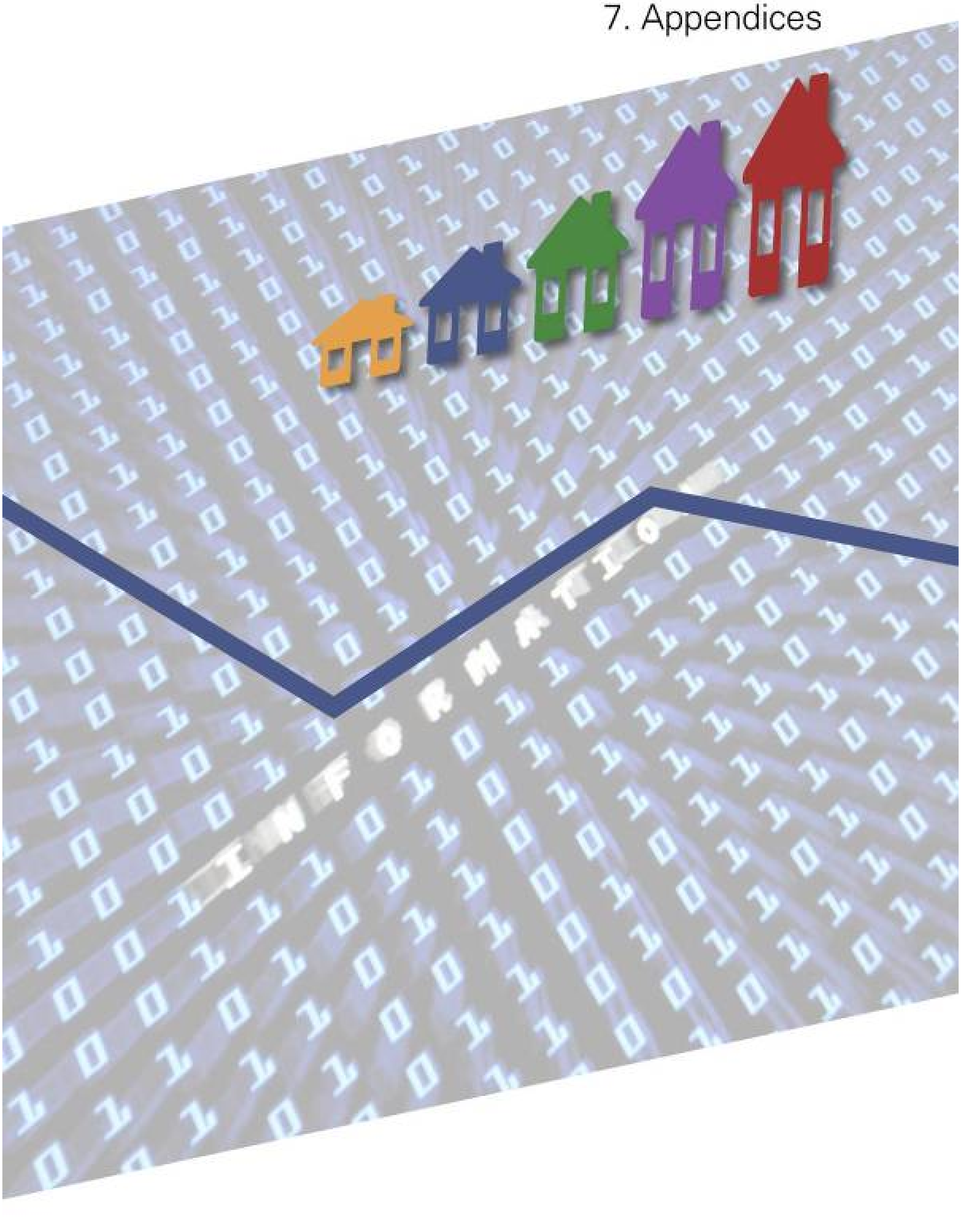
Social housing
- Between 2003 and 2011, the number of applicants in housing stress on the waiting list increased by 85%;
- Surprisingly, however, there has been no sustained upward trend in new applicants or applicants in housing stress on the waiting list. This may be because, to date, the PRS has taken up the slack. It is anticipated that levels of new applicants and applicants in housing stress will now begin to rise;
- There is a need for ‘intermediate housing’ options to be developed in Newry HMA to cater for ‘the squeezed middle’ i.e. those who are unable to access owner occupation and not eligible for Housing Benefit or social housing.

The rural perspective
- Evidence points to a need for intermediate housing options in Newry Rural particularly to increase supply of smaller dwellings;

- Innovations for older homeowners in Newry Rural will be required to assist them to remain living in their own homes;
- With high levels of unmet need Warrenpoint, Crossmaglen, and Camlough (which fall under Newry Rural) warrant further investigation of housing dynamics.

Housing Executive

7. Appendices



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Appendix 2: The Policy Context

This chapter describes the strategic housing and planning policy context within which the Newry housing system functions. This chapter has been revised to take account of budget and policy developments subsequent to the election of the UK Coalition Government. This includes ongoing reform of the Northern Ireland planning system and local government reform.

UK Government Spending

In October 2010, the UK Government's Comprehensive Spending Review (CSR) set out its spending plans for the 4 years from 2011/12 to 2014/15. This includes the block allocation to the Northern Ireland Executive. The spending plans will require Whitehall and the devolved administrations make the deepest cuts for over 65 years. The budget also confirmed measures to reduce housing benefit and other welfare benefit expenditure by some £18 billion over four years. The Government believe the cuts, together with tax changes and welfare benefit reforms, will reduce the UK deficit and provide the stability the private sector needs to expand and create new jobs.

In November 2011, the Chancellors Autumn Statement stated that UK growth forecasts have been revised down and projected public borrowing has been increased. Consequently, the Government has announced new measures including further cuts in public spending, the raising of state pension age to 67 and increased funding for infrastructure.

The Northern Ireland Budget

In March 2011, the NI Executive published a budget setting out proposed spending plans for 2011 to 2015. The Spending Review set an 8% reduction in NI Executive's Department Expenditure Limit (DEL) from 2011/12 to 2014/15 Capital funding provided by the UK Government will also reduce by 40% over the same period. The NI Executive proposes to transfer resources from current expenditure into capital investment to support infrastructure and the construction industry.

The Budget's allocation to the Department of Social Development from 2010/11 to 2014/15 will increase current expenditure by 0.4% to £523.4 million. Capital investment is to decrease from £269.6m in 2010/11 to £120.3m in 2014/15, a decrease of 55%.

Projected expenditure for the Housing Executive and Housing Associations is to reduce by 21% from £211.8m in 2010/11 to £165.5m in 2014/15 and, over the same period, capital investment for this sector is to decrease by 30% from £130.1m to £90m.

Welfare Reform and Housing

On 11 November 2010, UK Government announced plans to introduce a 'Universal Credit' from 2013 to replace most in work and out of work benefits[24] for people of working age, including Housing Benefit. The aim is to transfer all existing claimants onto the new system by October 2017. The UK Government's Welfare Reform Bill was introduced to Parliament in February 2011. This Bill includes proposals for changes to other Social Security Benefits in advance of the introduction of Universal Credit. The key features of the proposed Universal Credit are:

- The introduction of a single 'taper' for the withdrawal of the Credit. This is intended to remove the need for most people to transfer from one set of benefits to another as their employment situation changes;
- The amount of Credit, when combined with Child Benefit and other benefits including assistance with housing related costs would be subject to an upper limit. The purpose of the cap is to ensure that no household could receive more in welfare than net median earnings.

The budget also confirmed measures to reduce housing benefit in 2011 / 2012. For private tenants these changes include calculating housing benefit entitlement with reference to local rents at the 30th percentile instead of the 50th percentile and a rise in the age threshold for the shared room rate from 25 to 35 years. Social and private tenants will also be subject to an increase in non-dependency reductions. The Government has also announced the following longer-term measures that will require primary legislation:

- Restriction of housing benefit to working age social rented tenants that under-occupy their home from April 2013;
- Local Housing Allowance rates will be up rated using the lower Consumer Price Index (CPI) measure as opposed to the Retail Price Index (RPI) from 2013/14.

It is difficult to assess in detail the effect of this in Northern Ireland but given there are some 50,000 private tenants who have their housing benefit assessed on the basis of Local Housing Allowance and that each of them would lose on average over £7 per week, almost £260 million would be removed annually from the Governments support to the PRS; inevitably more private tenants would lose their home and landlords would experience greater difficulties trying to collect a viable rent.

[24] UC will replace Working Tax Credit, Child Tax Credit, housing benefit, Income Support, Jobseekers' Allowance (income based) and Employment and Support Allowance. In mainland UK, it will also replace Council Tax Benefit, although details remain vague. Contributory JSA plus Employment and Support would continue to exist but the treatment of earnings would be aligned with the way earnings are treated within UC. Other Benefits that would continue include Disability Living Allowance, Child Benefit, Statutory Sick Pay, Bereavement Payments, Statutory Sick Pay, Statutory Maternity/Paternity Pay and Industrial Injuries Disablement Allowance.

Local Government Reform

Reform of local government is ongoing and involves a reduction in the number of LGDs 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, with piloting arrangements, including planning functions, to take place in 2014.

It is intended that the new councils will receive powers of well being and community planning. It is proposed that LGDs 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. It is anticipated the housing sector will be a major contributor to the community planning process.

Review of the Housing Executive

In October 2010 the Minister for Social Development announced his intention to examine all functions of the Housing Executive in detail, with a view to providing a comprehensive assessment of their contribution to housing and other departmental and Government policy objectives. PWC completed the review for the Department in March 2011 examining the effectiveness of Housing Executive operations, including the appropriateness of existing structures and making recommendations for improving performance and delivery of housing policy and objectives.

Minister McCausland is currently considering the reports recommendations before setting out his own proposals for the way forward.

Planning Context

Planning Reform

Reform of the Planning System culminated in the Planning Act 2011. A main aim of this legislation is to transfer the majority of planning powers from the DOE to new councils, scheduled to be in place by 2015. The Planning Act provides legislation to allow:

- The councils to take responsibility for Local Development Plans. These will include a Plan Strategy and a Local Policies Plan (LPP). The former will set out the strategic objectives for the area that are aligned to the RDS whilst the LPP will provide site-specific plans for the area;
- The councils will determine applications for local and major developments;
- The DOE will retain responsibility for regionally significant development and Planning Policy;
- DOE will have powers to monitor and intervene in the LDP process, including powers to direct councils to prepare joint LDPs and powers to prescribe the form and content of the Plan Strategy and the LLP.

In preparation for the transfer of planning functions, the DOE has established two divisions, one comprising of Local Area Planning Offices, which have responsibility for the functions transferring to the councils, and a Strategic Planning Division, whose functions will remain with the DOE.

The Regional Development Strategy (RDS)

The RDS was published in 2001. It has played an important role in shaping the housing market. The RDS 2035 published in 2012 proposes a changed spatial framework. It is intended that a sub-regional approach should replace the 2001 HUB based Spatial Development Strategy (SDS) so that:

- Development would continue to be directed towards the principle cities of Belfast and Derry;
- There would be 9 sub-regional centres which would 'perform higher service centre roles' and development would be directed to these towns. This geographical spread is designed to ensure most households would live within 15 miles of a sub-regional centre. There would be settlement clusters based around the 9 sub-regional centres;
- There would be Gateways and Economic Corridors based around transport interchanges.

In terms of the Newry HMA, Newry forms the South East Gateway with strategic links to Belfast and Dublin.

The RDS 2035 provides an indication of the net additional housing requirement for 2008 to 2025. At 190,000, the figure is lower than the comparable figure for the 18 years from 1998 to 2015. This is largely because, as discussed in Chapter 2, the NISRA 2008-based household projections suggest household growth will slow in the period to 2025. The RDS 2035 also emphasises that there should be a minimum of 5 years supply of housing land within LGDs.

RDS Housing Requirements for Newry HMA

Newry HMA, as noted in Chapter 1, extends across Newry LGD, and includes an area of Banbridge and Down LGDs. The 2001 RDS regional allocation of 160,000 dwellings was shared according to the SDS, with 77,500 dwellings apportioned to the Belfast Metropolitan Area and hinterland and 82,500 dwellings assigned to the North, South and West of the Region.

Table 32 summarises the original spatial distribution of HGI for 1998-2015. It also shows how the HGI allocations have changed over time. The equivalent figures from the RDS 2035 for the period from 2008 to 2025 are also summarised. The most recent assessment confirms that whilst the projected net additional housing requirement has fallen at the Newry HMA level, as at the Northern Ireland level, the share of net additional requirements allocated to the Newry HMA has not been changed.

Table 32: Housing requirement spatial allocation (housing growth indicators) 1998 to 2025.

Area	Original allocation RDS 2001 1998-2015		DRD Revised allocation 2008 1998 - 2015		DRD Revised allocation RDS 2035 2008-2025	
	No	**%**	**No**	**%**	**No**	**%**
Newry and Mourne	8,500	5	12,250	6	11,200	6
Banbridge	4,000	3	6,000	3	5,500	3
Down	7,750	5	10,500	5	9,600	5
Northern Ireland	160,000	100	208,000	100	190,000	100

Source: DRD (2001, 2008 and 2011)

Planning Policy Statements and Development Plans

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

Planning Policy Statements 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:

- PPS 12 confirms the importance of containing 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 of new social housing development predicated on the findings from Housing Needs Assessments prepared by the NIHE. 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;
- 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 of PPS 21 also allows the development of up to 14 social and/or intermediate dwellings outside but close to settlement limits or within Dispersed Rural Communities where a need has been established by the Housing Executive, and where there are no readily available sites within settlement limits.

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 Newry HMA, include the Banbridge Newry and Mourne Area Plan 2015, and the Ards and Down Area Plan 2015, adopted in 2009.

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Housing Market Assessment

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 housing market area 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 Newry 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 Newry 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.

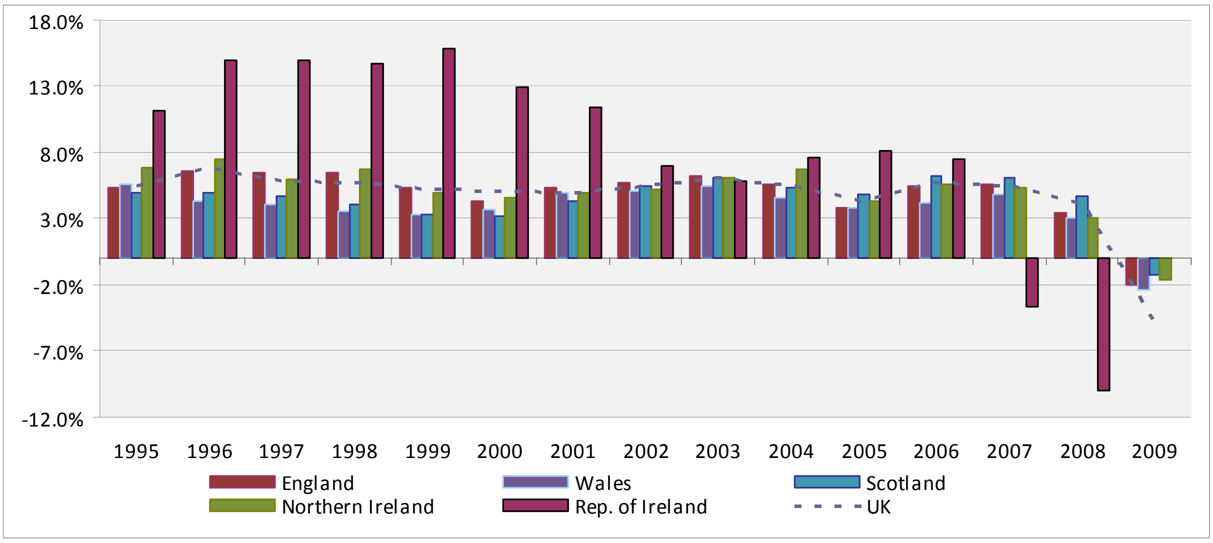
Reform of the planning system and local government will also have potentially far-reaching implications. The reforms will necessitate the creation of new intra-government relationships. It will require individual departments, agencies and LGDs to adopt a more integrated approach to spatial planning and to find new ways to ensure that local plans align with the community plan ambitions as well as the ambitions of the RDS.

In terms of the proposed revisions to the spatial framework underpinning the RDS 2035, it remains to be seen whether the sub-regional centre and cluster approach will prove acceptable to citizens and LGDs and whether the use of Housing Growth Indicators will be taken forward. In the case of the Newry HMA it will be important to maintain a watching brief in terms of future development in respect of Newry City which is identified as a Sub Regional centre.

Appendix 3: Northern Ireland's Economic Performance

Relative economic performance of any area is an important factor in attracting households to move to or remain within an area. In turn, this results in the required level and demand for housing. Gross Value Added (GVA) is an agreed measure of the value of the goods and services produced within the economy. It is the Office for National Statistics (ONS) preferred measure for monitoring economic performance at a sub–national level. Using this measure, Figure 25 shows how Northern Ireland's economy performed in the years from 1995 to 2009.

Figure 25: Total GVA (current prices) annual rate of growth, UK and ROI, 1995-2009

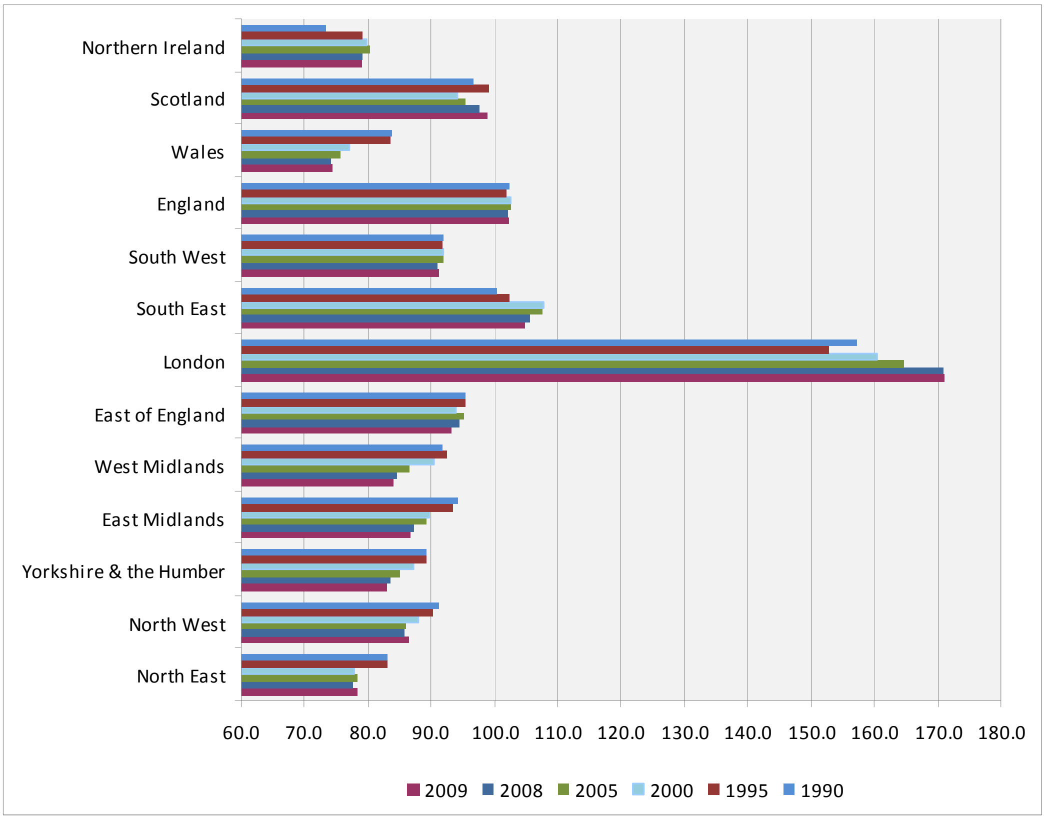


Source: ONS (December 2010) total annual workplace based GVA 1990-2009 per head at current prices. Note: UK figures are Extra- Region and exclude statistical discrepancy and offshore contribution that ONS do not assign to any region. Also, the estimates presented are current prices and do not take account of inflation.

For much of this period Northern Ireland's economy grew at a faster rate than the UK economy as a whole. A combination of increased political and social stability, significant levels of UK and EU public funding, a favourable global economy and positive spill over effects from the ROI economy all ensured strong economic growth.

In spite of this growth, Northern Ireland remained amongst the less prosperous regions of the UK to 2008. Figure 26 shows that in 2009 Northern Ireland was ranked eleventh lowest of the UK regions in terms of GVA per head.

Figure 26: GVA per head indices compared to UK average (100), 1990-2009



Source: ONS (2010) GVA per head of population index in 2008, where UK Extra-Region =100.

As Barnett (2009) observed, Northern Ireland's GVA per head remained around 80% of the UK average from the mid 1990s to 2009. In part, this reflects the fact that the annual growth in GVA per head for the UK has been influenced by the high rates of growth achieved in London and the South East. Outside of these two regions, GVA per head indices in most regions have decreased or remained static. Nonetheless, as the NI Executive's 2011 consultative economic strategy highlights, low economic activity rates amongst the working age population have negatively affected productivity. This is one reason why the consultative document's promotion of improving productivity and increasing employment, remain imperative.

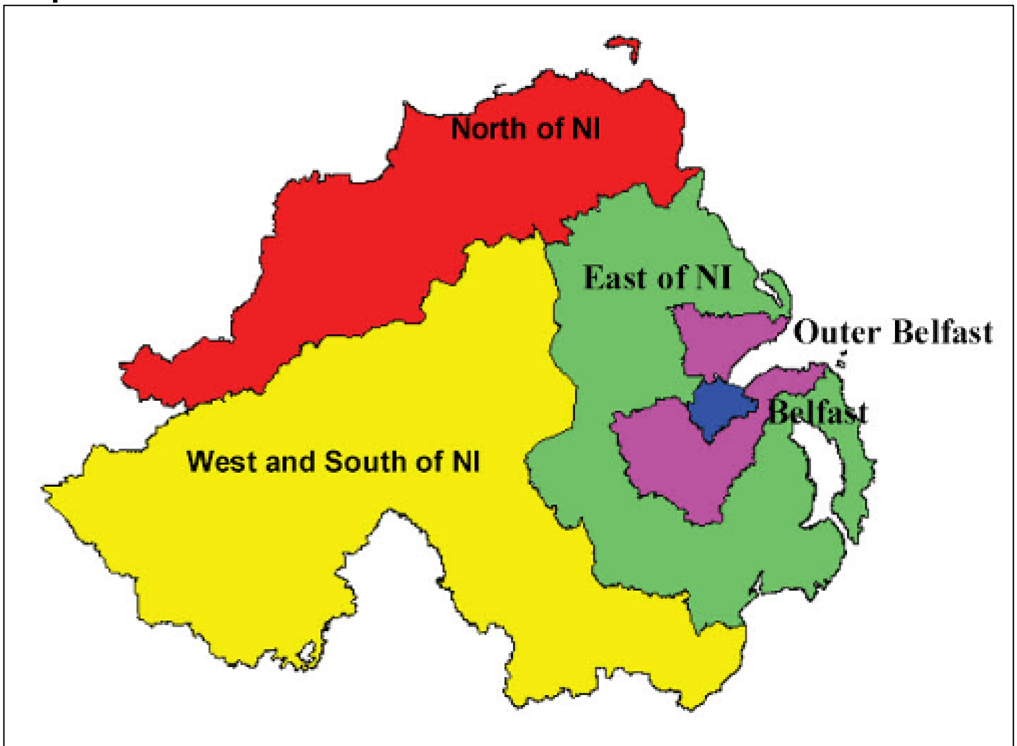
In 2009, total GVA contracted in Northern Ireland and the rest of the UK. This was a direct consequence of the abrupt downturn in the economy in the latter half of 2008 in the wake of the global financial crisis also known as the 'credit crunch'. During 2009, the economic recession deepened in spite of a series of moves to bolster the economy. This included the reduction in interest rates from 5%, to less than 1% in the six months to February 2009. Falling house prices and faltering labour market conditions led households to scale back spending which reduced demand for housing and other goods and services. Lending became even tighter as banks sought to rebuild their balance sheets. This exerted further downward pressure on GVA as companies found it difficult to secure finance to help them adjust to the downturn in demand. The construction industry has been particularly affected by this issue.

During 2010, the UK economy gradually eased out of the recession but the fallout from the recession and public expenditure constraints discussed in Chapter 2 will shape economic, labour market and housing market conditions for several years to come. Moreover, the pace of recovery in the Newry HMA and elsewhere in Northern Ireland will be shaped by the underlying strength and structure of the local economy. Future prospects for the economy and their potential implications for the housing system are discussed towards the end of this chapter.

Economic performance of the wider Newry HMA economy

It is reasonable to state that the local economy is linked very closely to that of the Northern Ireland and UK economy. It is not possible however, to compare GVA growth of Newry HMA directly with either Northern Ireland or the UK, as data for the study area is not available. Figures for GVA are broken down to a sub-regional level at the Nomenclature of Units for Territorial Statistics 3 (NUTS 3) areas. Map 6 below shows the geographical dispersion of the NUTS areas.

Map 6: Northern Ireland NUTS 3 Areas



The Newry HMA falls under the coverage of two NUTS 3 sub regional areas. **East of NI** NUTS 3 area incorporates the parts of the HMA that fall into the Banbridge and Down LGDs. The **South & West of NI** NUTS 3 area covers Newry & Mourne LGD but extends to the rural counties of Tyrone and Fermanagh. It is nevertheless possible to use data from the NUTS 3 areas to highlight issues affecting the HMA study area.

Table 33: GVA Growth for Northern Ireland split by area 1995 - 2008

NUTS 3 Area	1995	2008	Share NI GVA 1995 (%)	Share NI GVA 2008 (%)	Average Annual Growth %	GVA per head 1995	GVA per head 2008	GVA per head % UK 1995	GVA per head % UK 2008
Belfast	4,058	8,657	28	30	6.0	14,044	32,264	127.1	157.1
Outer Belfast	2,401	5,004	17	17	5.8	6,658	13,079	60.3	63.7
East of Northern Ireland	3,380	6,284	23	22	4.9	8,862	14,528	80.2	70.7
North of Northern Ireland	1,951	3,530	14	12	4.7	7,403	12,309	67	59.9
West and South of Northern Ireland	2,603	5,351	18	19	5.7	7,343	13,222	66.5	64.4
Northern Ireland	14,394	28,827	100	100	5.5	8,728	16,240	79	79.1
UK	640,915	1,261,162			5.4	11,046	20,541	100	100
Cardiff and Vale of Glamorgan	4,941	10,108			5.7	11,846	22,234	107.2	108.2
Glasgow City	8,312	16,888			5.6	13,760	28,906	124.6	140.7
Republic of Ireland (ROI)	49,412	129,755			8.5	13,277	29,098	-	-

Using the NUTS 3 data for the sub regional areas it is possible to make assumptions about the relative GVA growth within the Newry HMA based on the relative figures for East and West/South NUTS areas as follows:

- From 1995 to 2008, the average annual growth rate for East of NI was 4.9%. In South & West NI, it was 5.7%. This compares to a Northern Ireland figure of 5.5% and UK figure of 5.4%;
- While growth has occurred, it has been at a lower rate than for Belfast and Northern Ireland as a whole. This is indicative of the fact that service sectors together with retail and public services tend to gravitate towards urban centres;
- The growth experienced in Newry HMA has been characterised by expansion of the financial and business services sectors, public administration, education, health & other services, construction, the availability of office accommodation and availability of skilled workers in the surrounding area. It is also indicative of the areas location along the Belfast/Dublin corridor and the Twin City Region status it enjoys in conjunction with Dundalk.

Table 34: GVA for Northern Ireland and the Newry economy by NUTS 3 area, 1995-2008

Northern Ireland				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of NI GVA 1995**	**As % of NI GVA 2008**
Agriculture, forestry and fishing	£730	£407	5	1
Production	£3,365	£4,894	23	17
Construction	£792	£2,256	6	8
Distribution, transport and communication	£2,580	£5,912	18	21
Business services and finance	£1,988	£6,622	14	23
Public administration, education, health & other services	£4,939	£8,737	34	30
Total GVA	£14,393	£28,826	100	100
Newry (East of Northern Ireland NUTS 3 Area)				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of NI GVA 1995**	**As % of NI GVA 2008**
Agriculture, forestry and fishing	£216	£123	1.5	0.4
Production	£1,140	£1,671	7.9	5.8
Construction	£232	£586	1.6	2.0
Distribution, transport and communication	£583	£1,354	4.1	4.7
Business services and finance	£299	£1,030	2.1	3.6
Public administration, education, health & other services	£910	£1,520	6.3	5.3
Total GVA	£3,380	£6,284	23.5	21.8
Newry (South and West of Northern Ireland NUTS 3 Area)				
	Total GVA 1995 (million)	**Total GVA 2008 (million)**	**As % of NI GVA 1995**	**As % of NI GVA 2008**
Agriculture, forestry and fishing	£298	£170	2.1	0.6
Production	£585	£1,235	4.1	4.3
Construction	£203	£669	1.4	2.3
Distribution, transport and communication	£463	£1,186	3.2	4.1
Business services and finance	£226	£674	1.6	2.3
Public administration, education, health & other services	£828	£1,418	5.8	4.9
Total GVA	£2,603	£5,351	18.1	18.6

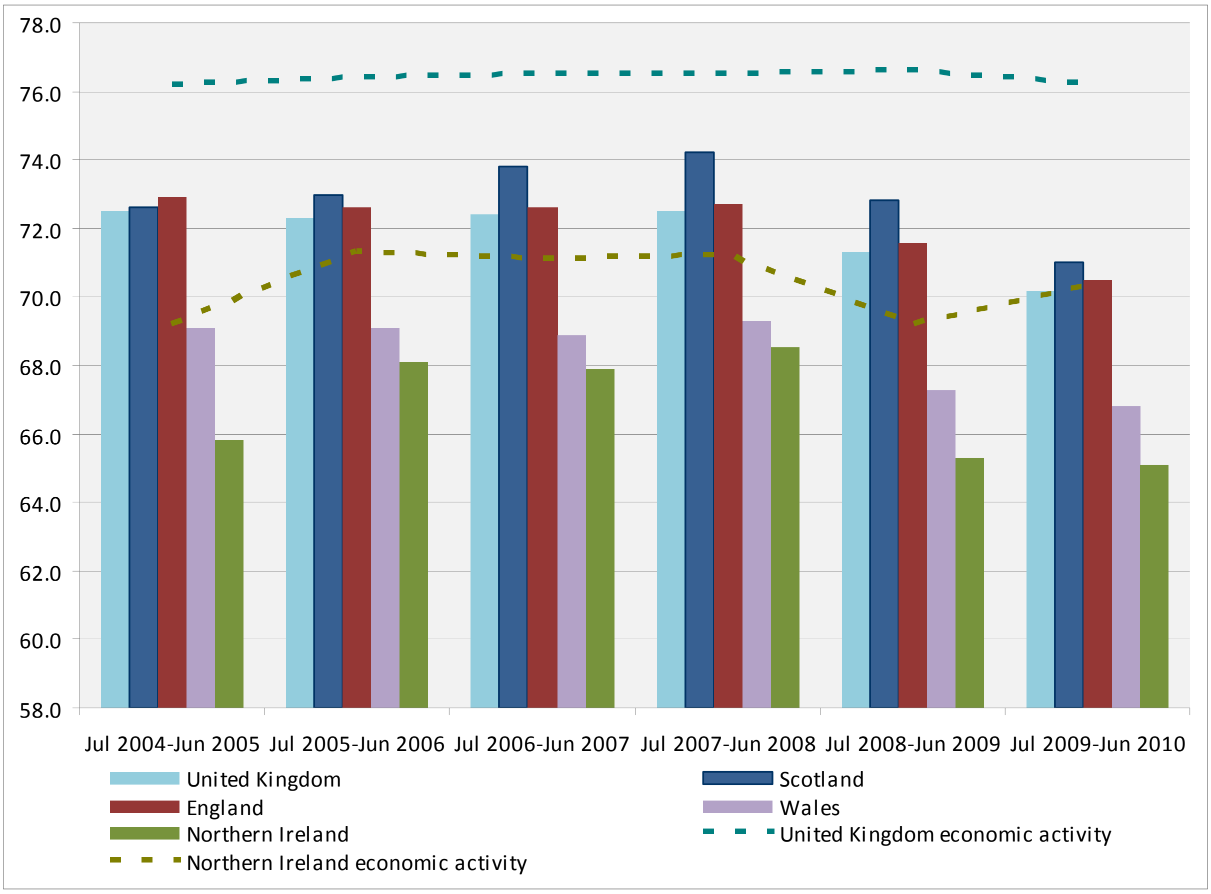
Source: ONS (2010) GVA headline figures by NUTS 3 area (current prices and workplace based).
Notes: Data have been smoothed by ONS using a 5 year moving average and may also not sum due to rounding
Distribution includes hotels and restaurants; wholesale and retail trade; repair of motor vehicles, motorcycles 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 4: Recent Employment Trends

Northern Ireland trends

Between 2004 and 2010 the proportion of the working age population aged 16 to 64 years in Northern Ireland classed as economically active increased by approximately 1% to 70%, although this proportion remained below the UK rate of approximately 76%. This upward trend was accompanied by a decrease in the proportions of working age adults in employment. The rate remained the lowest of all countries that make up the UK (see Figure 27). Official rates of unemployment also fell (see Figure 28).

Figure 27: Economically active and employment rates across UK 2004 -2010



Source: Labour Force Survey and Annual Population Survey (via Nomis, DETINI and NISRA)

In spite of the improved economic performance in the decade to 2010, economic inactivity rates remained persistently higher than in any other UK region. In the year to June 2008, 29% of the working age population of Northern Ireland were classified as economically inactive compared to the UK average of approximately 24%. In the year to June 2010, the proportion of economically inactive working age adults living in Northern Ireland climbed to 339,000, around 30% of the working age population. Looking at economic inactivity patterns over the past 5 years:

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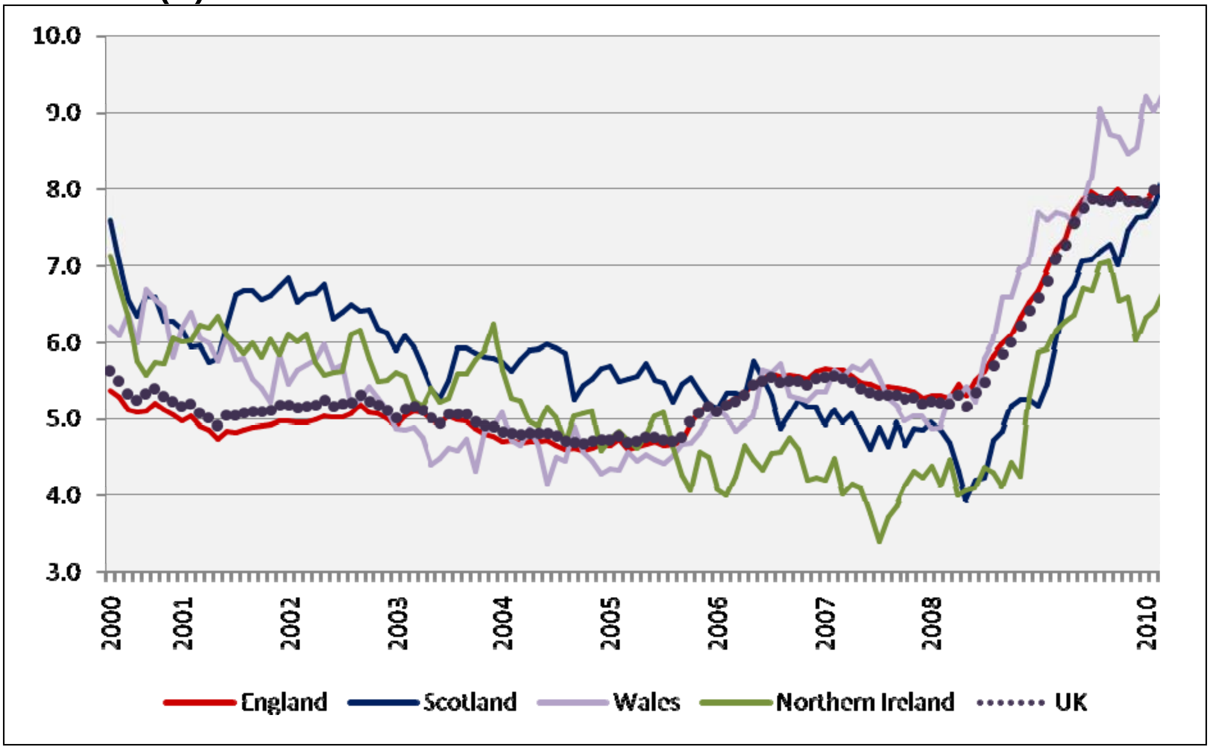
- Around one in six have retired before reaching the age of 65 and are unlikely to return to the labour market;
- Around one in four are students that are likely to enter or re-enter the labour market at some future point and one in 10 want a job but are either not actively seeking work and/or are not immediately available to start a job;
- Around one in five are adults looking after children or caring for a dependant adult and one in four are classed as long term sick and disabled.

Figure 28: International Labour Office (ILO) defined unemployment rates, 2001-2010 (%)



Source: ONS Annual Population Survey and Labour Force Survey (via Nomis, DETI and NISRA)

Appendix 5: Northern Ireland Level Population Projections

The latest NISRA population projections are based on the 2008 population estimates and trend-based assumptions regarding future birth, mortality and migration rates. External migration rates for Northern Ireland are agreed with ONS. These and other inputs assume underlying trends will continue largely unchanged and therefore make no allowance for planned policy changes and other social and economic factors which may influence future demographic trends.

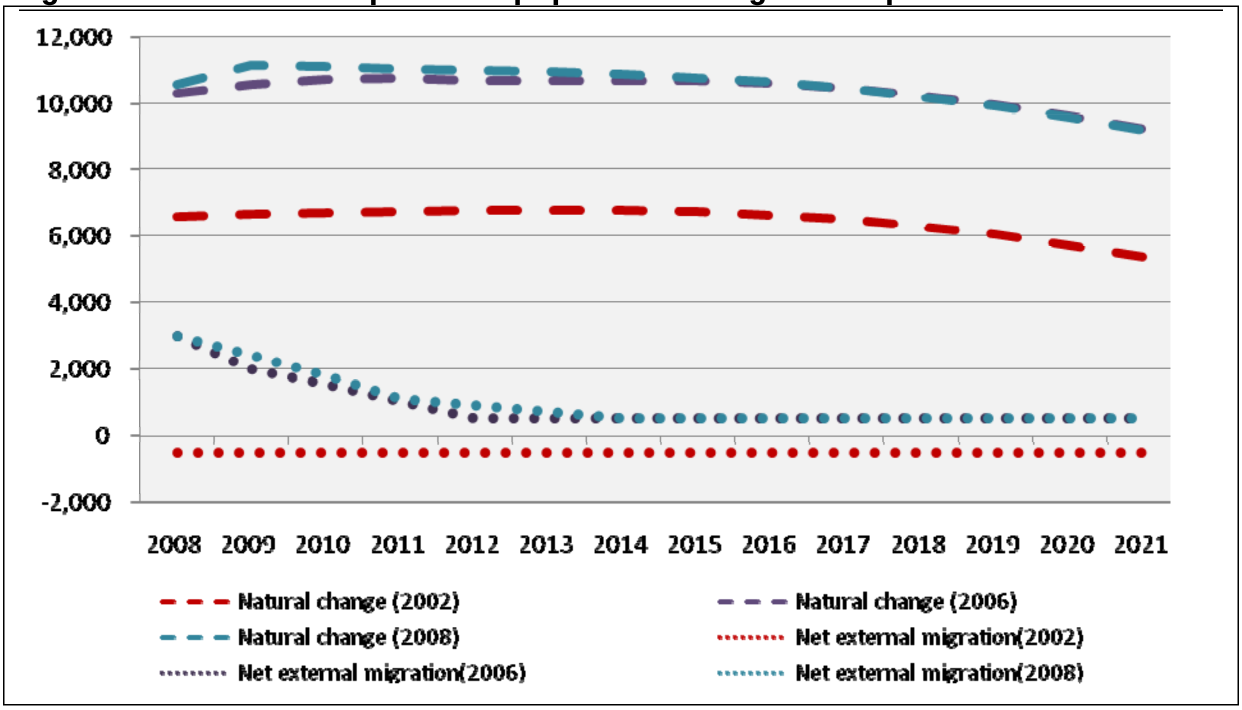
Table 35 summarises alternative NISRA population projections for Northern Ireland for the period from 2008 to 2021. Figure 29 summarises the natural change and migration assumptions that underpin these alternative projections. Together they show that:

- The 2006 and 2008-based population projections are based on similar assumptions over the longer term. The only significant difference is that the 2008-based projections assume higher rates of natural change and net-migration in the period to 2014;
- There is a big difference between the 2002-based and the 2008-based projections. The 2008-based projections suggest there could be over 1.9 million people living in Northern Ireland by 2021, some 116,000 more people than the 2002 projections indicated. This illustrates that the upturn in net external migration and natural population growth that occurred from 2001 to 2008 is expected to have a permanent upward impact on the numbers of people living in Northern Ireland in the long term.

Table 35: 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

Figure 29: NISRA component of population change assumptions



Source: NISRA population projections

The net external migration assumptions incorporated into the 2008-based projections are higher than those assumed in 2002[25]. Nonetheless, they are modest compared to the rates of external migration witnessed from 2004 to 2008. In particular, NISRA assume that the rate of net external migration will be very modest (around 500 pa) from 2014 onwards.

Oxford Economics (2009) have suggested that the 2004-8 period may prove to have been rather unusual and that weaker economic conditions will dampen inward migration for the foreseeable future. Others concur that migration will fall back. McVeigh et al (2009) and Bell et al (2009) suggest that whilst a mass exodus is unlikely, far fewer migrants will move to Northern Ireland in the coming years than in the four years to 2007 inclusive. We concur that Northern Ireland is unlikely to experience a return to net out-migration. However, the combined impact of continuing weak labour market conditions, tighter UK entry requirements for those outside the EU and a relaxation of employment rules for A8 migrants elsewhere in Europe means the rates of net external migration could more or less remain in balance for much of the coming decade.

25 The NISRA 2008-based projections assumed that in the six years to 2013 some 9,900 more people may come to Northern Ireland than leave but in the following six years this figure could fall to 3,000. By contrast, the 2002-based projections assumed that for both six year periods some 3,000 fewer people would come to Northern Ireland than leave each year.

Components of population change

The main components of population change are:

- Natural change (the difference between births and deaths);
- Internal migration, which refers to migration within Northern Ireland;
- External migration, which refers to migration from Britain, the ROI and the rest of the world. The term international migration refers to migration from outside the UK.

NISRA migration figures and assumptions used to inform population estimates and projections generally do not differentiate between internal and external migration at the local and small area level.

During the 1990s, natural change was the main contributor to population growth in Northern Ireland, although the rate of growth was tempered by net out-migration. This remained the case until 2004 when the increase in international migration lead to the emergence of net in-migration. NISRA (2009a) estimate in the decade to 2004 the population of Northern Ireland increased by an average of 7,000 persons each year (0.4%) but this figure more than doubled to 16,100 between 2004 and 2008 (0.95%).

Household Change

Northern Ireland projections

NISRA latest 2008-based household projections are summarised in Table 36 NISRA project there could be 810,400 households living in Northern Ireland by 2023 and that this figure could increase to 880,400 by 2033. Around half of the 104,000 additional households projected from 2010 to 2023 are a result of the projected increase in population. The other half flow from a combination of the changing age structure of the population and the continued trend towards single and smaller person households.

Table 36: NISRA 2008-based household projections for Northern Ireland, 2010-33

2008-based projections	2010	2015	2023	2033	change 2010-15	change 2010-33
Household size						
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
Household type						
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%
Comparison with 2006-based projection						
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

In terms of household composition, NISRA project that if underlying trends remain unchanged then:

- Most of the additional households will comprise single person or two person households. By 2023 therefore, over six out of 10 households living in Northern Ireland may comprise of one or two adults;
- The numbers of households with dependent children will continue to rise until 2023, after which the numbers of families and lone parents may begin to fall back;
- The number of households with three or more adults without dependent children (i.e. other households without children) is projected to decline, but the scale of decline is modest.

The 2008-based projections suggest there may be fewer households in the period to 2015 and (to a lesser extent) to 2023 compared with the 2006-based household projections. This is in spite of a higher starting population in 2008. The most likely explanation is that the household propensity rates applied to the 2008 population projections by NISRA assume a higher proportion of the population will live in larger households than for the 2006-based projections[26]. The corresponding rise in average household size reported by NISRA supports this assumption.

NISRA sub-national household projections and household composition

NISRA issued 2008-based regional household projections to 2023 for the Newry HMA, which are summarised in Table 37. It shows:

- NISRA project that 49,100 households may be living in the Newry HMA by 2023, which is a significantly higher rate of increase than for Northern Ireland.

Table 37: NISRA 2008-based household projections for Newry HMA 2010-23

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
Newry HMA	40,100	43,700	47,800	49,100	9%	19%	22%
Northern Ireland	706,200	749,200	794,300	810,600	6%	12%	15%

Source: NISRA 2008-based household projections (2010)
Figures rounded to be consistent with NISRA reporting conventions

- Newry and Mourne LGD is predicted to have the greatest increase in households within the Newry HMA. Between 2008 and 2023, households are predicted to increase by 27%. 2006-based projections suggested an increase of 35% between 2006 and 2021;
- Banbridge LGD is also forecast to increase significantly. 2008-based projections suggest a 25% increase between 2008 and 2023;
- Projections for Down LGD are more in line with the Northern Ireland average over the same period. It is predicted to rise by 19% compared to 18% for Northern Ireland.

26 To project household numbers, NISRA apply age-sex specific household membership probabilities to the population projections for the same base year. These probabilities are derived from changes in household composition between the 1991 and 2001 Census.

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Appendix 6: CACI PayCheck and Family Resources Survey Incomes Compared

Family Resources Survey

The Family Resources Survey (FRS) is the official source of information about income and poverty for the UK and its constituent countries. Northern Ireland was included in the survey for the first time in 2002/03. This specialised survey, which is sponsored by Department for Work and Pensions, collects detailed information about respondents' incomes from earnings and other sources. In 2007/08 there were 1,861 fully co-operative and 81 partially co-operative interviews with private households in Northern Ireland. Addresses are drawn from the Valuation and Lands Agency (VLA) property database.

The FRS is widely acknowledged as one of the best sources for understanding changes to the distribution of income over time. At the Northern Ireland and UK level the FRS income figures are considered to be among the most robust available from any source. These estimates however, are not available at Local Authority level. Responses are weighted and grossed up to be representative of all private households and benefit units.

The definition of a household used in the FRS is:

> ‘a single person or group of people living at the same address who either share one meal a day or share living accommodation such as a living room.‘

For example, a group of three adults living in a flat with a shared living room would be counted as a single household whereas three adults living in bedsit accommodation at the same address would not.

The term benefit unit refers to an adult plus their spouse (if applicable) plus any dependent children they are living with. Thus other adults living at the same address are classified as a separate benefit unit, even if they are related. For example, a young adult living with his or her parents would count as one 'household' but two 'benefit units'. Likewise the three adults living in a flat with a shared living room would be counted as three benefit units.

CACI PayCheck

PayCheck is a commercial dataset produced by CACI Limited. It is based on ‘probability estimates’ of gross household income from all sources, including earnings, investment income and social security benefits (including Housing Benefit). PayCheck provides modelled estimates of the probable mean, median and mode (i.e. the most common) gross household income. It also provides estimates of the proportion of households in each of the 21 income bands of £5,000, which range from £0 - £5,000 to £100,000 and over. It does not contain information relating to household composition or tenure. Although published at a number of geographic levels down to unit postcode level, most analysts report outputs at ward level and above.

CACI judge their modelling procedures to be commercially sensitive and do not publish details but we understand that the CACI Paycheck model draws upon government data sources as well as lifestyle survey records. More specifically:

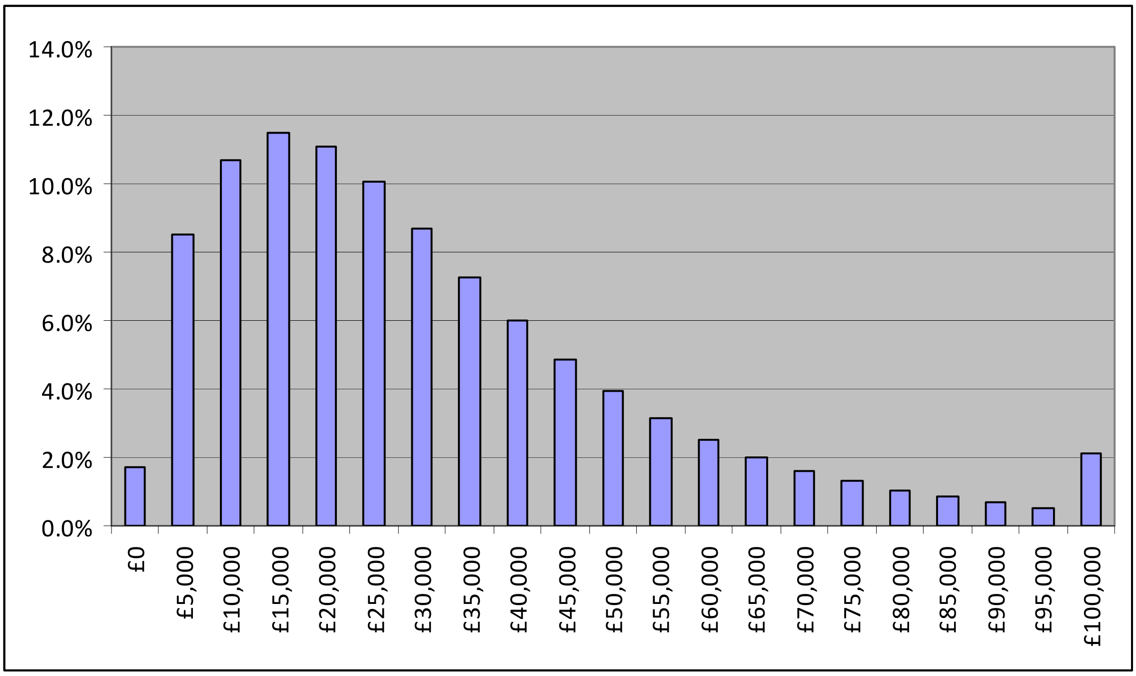
- The model draws on the most recent three years lifestyle data from Data Locator Group (DLG), which contains records on some eight million UK households. Estimates suggest that the DLG data contains information on at least 20% of households in each local authority area in Scotland. Comparable evidence for Northern Ireland is not available but there is no reason to think the pattern would be very different;
- Data from the most recent four years of Expenditure and Food Survey (EFS), which annually collects information on some 6,000 households' resident in the UK[27], is used to establish a reference control distribution. ONS time series data on changes in average earnings are used to 'inflate' survey and lifestyle data from earlier years;
- Statistics from the 2001 Census are used to model the association between income and other variables (demographic and socio-economic) to support and improve the estimates at small area level.

It is possible that for some small areas (such as postcode units) the model incorporates very few (if any) actual observations and instead relies solely on imputed data, which is created from the known relationship between income and household characteristics. CACI data is regularly updated but it is not designed to permit time series analysis because methodological changes typically limit year on year consistency.

Figure 30 shows the distribution of households in Newry HMA across the £5,000 bands of household income according to CACI Paycheck in 2009. Most households have a gross income in the range from £5,000 to £35,000. Just 2% of households had an income greater than £100,000 per annum.

[27] From 2008 the Living Costs and Food (LCF) module of the Integrated Household Survey (IHS), has replaced the EFS.

Figure 30: Distribution of gross annual income, Newry HMA, 2010

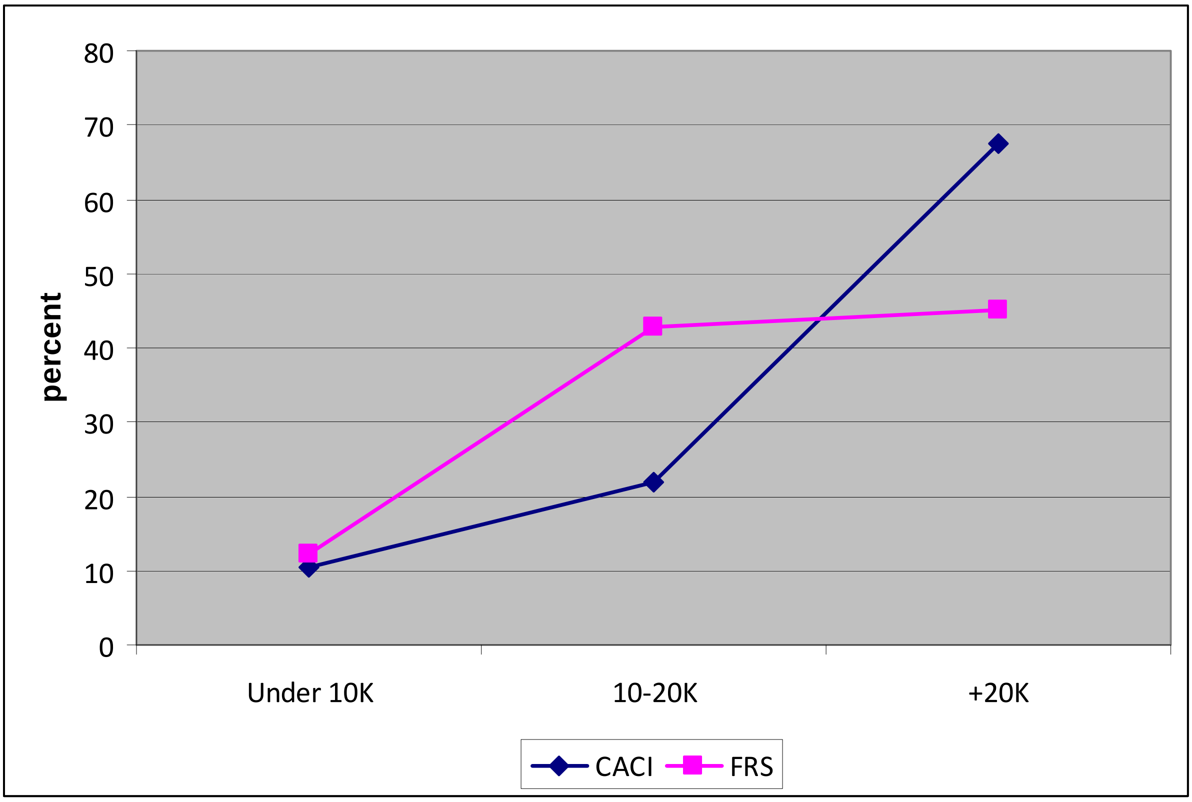


Source: CACI Paycheck 2010

Figure 31 compares the FRS 2009/10 gross income with the equivalent CACI Paycheck for 2010. It shows:

- CACI incomes are generally higher than those reported through the FRS but this is expected given the FRS data is less up to date;
- Both datasets estimated a similar percentage to have a gross income of under £10,000;
- Relative to the FRS, the CACI suggests that a much higher proportion of households have a gross income of over £20,000;
- Similarly, FRS suggests a much higher proportion of households to have a gross income of between £10,000 and £20,000 than CACI (42.8% and 21.8% respectively).

Figure 31: Comparison of FRS and CACI at Northern Ireland



Source: FRS 09/10 and CACI PayCheck 2010

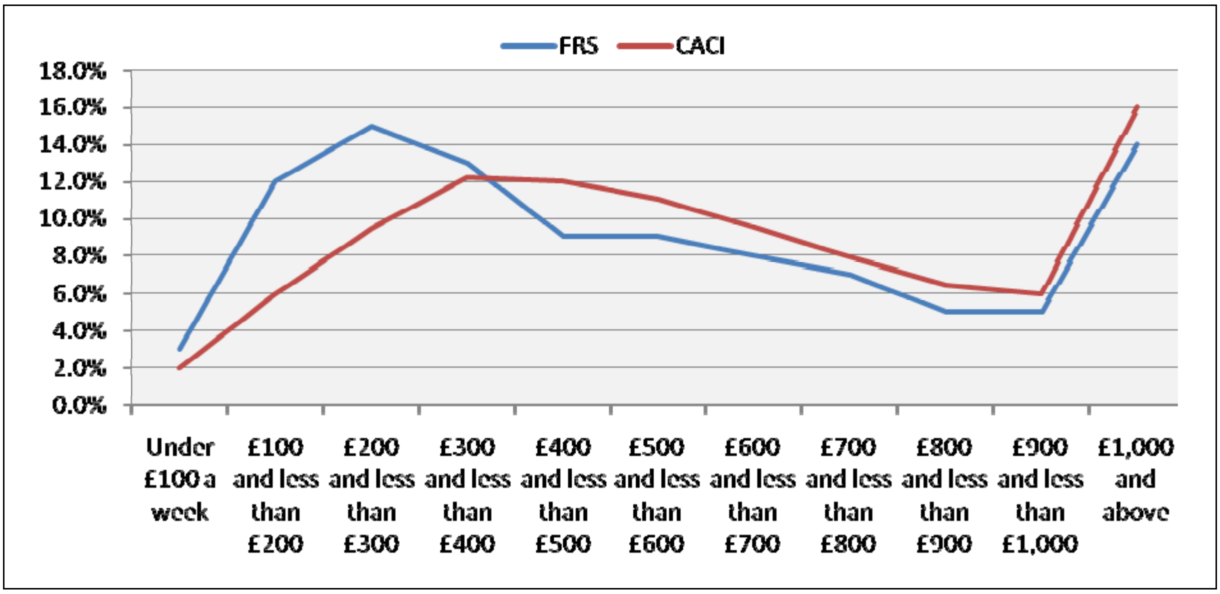
There are several possible reasons why FRS and CACI are not more closely aligned:

- The term household applied by CACI is intended to be consistent with the Census but we suspect it relates to all adults living at the same address. In Northern Ireland, where there is an above UK average proportion of large adult households, this will tend to boost gross household income. As comparisons between the FRS household and benefit unit income distributions illustrate, the 'measurement' unit adopted has a clear impact of the observed income distributions;
- There are difficulties collecting savings and investment information through household surveys, including the FRS. These are sensitive issues for some respondents and non-response or misreporting of these income components may be significant;
- A possible weakness of the CACI model is over-reliance on geo-demographic classification, but we would generally expect to find any such limitation to be smoothed out for a large area such as Newry HMA;
- ONS and others have observed that the FRS is known to under-report receipt of state benefits when compared with administrative data on benefits. This is partly because benefit take up can vary between different population groups and between localities which it is difficult for the FRS income imputation to allow for;

- By contrast, we believe CACI seek to allow for state benefit and tax credit transfers by ascribing similar gross incomes to households dependent on state benefits regardless of location and whether benefits are claimed. This would have the affect of ‘smoothing out’ the lower end of the income distribution.

Figure 32 compares FRS and CACI PayCheck findings for Northern Ireland. It supports our perception that the CACI model most likely involves ‘smoothing’ which may flatten out some of the extremes on the ground.

Figure 32: Comparison of FRS and CACI gross annual income distribution, Northern Ireland



Source: FRS 2007/8 and CACI PayCheck 2009

Overall conclusions

The shortcomings of CACI should not be denied, but nor should they be over-played. Overall we believe that:

- Because of the size of the underlying dataset, CACI PayCheck estimates are a useful and readily accessible source of data on income distributions certainly provides a more realistic view of household incomes than averaged data or reliance on national survey data alone;
- This source of data should provide a useful insight into the distribution of incomes and variations in income across Northern Ireland and LGD level;
- CACI PayCheck may not, however, be of sufficient quality to provide precise estimates of the gross household incomes for smaller geographic areas that are sparsely populated.

Appendix 7: Changes in households and occupied stock numbers for 2001-2010

Introduction

Household projections are estimates of the future number of households based on assumptions about the future population growth, household composition and size based on past trends. In summer 2010 the latest available NISRA household projections were 2006-based. These household projections were therefore shaped by trends prior to 2005. As NISRA (2008c) stress:

> "While these household projections will contribute to the assessment of future housing demand in Northern Ireland, they are only one element in this process and their limitations should be fully recognised. The projections are trend-based and only demonstrate what will happen to future household numbers if past household formation trends continue and if the latest population projections hold true"

NISRA also caution that LGD level figures are less robust than those produced for Northern Ireland or large regional areas. An important dimension of local housing system analysis is therefore to explore whether household projections fit particular local circumstances and local events.

In the case of Newry HMA, we were interested to find out if the housing market boom in the period up to and including 2007 may have given rise to a situation where the household projections had become out of date. At the same time, we wanted to explore whether other data sources might shed light on recent developments in terms of the numbers of households resident within Newry HMA and the movement patterns of households across the area.

The purpose of this appendix is therefore to set out the analysis we undertook to investigate this matter. It considers the extent to which recent housing system dynamics are likely to explain the apparent divergence between the projected annual numbers of households at the local level and the numbers of occupied dwellings.

Relationship between projected household and occupied dwelling counts

As Table 38 shows, in the period from 2001 to 2008, NISRA household projections have tended to outstrip the numbers of occupied stock. There are several reasons why the numbers of occupied dwellings and the projected numbers of households rarely match:

Table 38: Increase in Occupied Dwellings and Projected HH 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

Source: NISRA

- A proportion of households share their home or dwelling with another household. At the national and regional level this proportion can range from 0.5% to 1%;
- The household projections are derived from household propensity rates that applied to NISRA mid-year population estimates. The projected numbers are therefore not direct estimates of the number of households in a given year, nor are they designed to forecast year-to-year fluctuations;
- The RCA stock dataset used by DSD and NISRA to prepare total, occupied and vacant dwelling counts may be incomplete. It may under-report on conversions. There may also be a lag between the time a dwelling is completed and when it appears on the RCS dataset used to compile dwelling estimates;
- The household projections and occupied dwelling count cover slightly different periods. The RCA stock dataset[28] reports stock figures for 31 March each year whereas projections relate to mid year (June);
- Landlords that enter into an agreement with LPS to pay the total rates liability for all their properties (regardless of occupancy) by 30 September receive a 15% discount. As there is no financial incentive to do so, some landlords may not report the extent to which their stock is occupied or vacant.

In short, there is no simple one to one relationship between households and occupied dwellings in any given year. Nonetheless:

- Over time it is customary to expect to see a relatively close relationship between the two variables. There is no hard and fast rule but as a rule of thumb these numbers would usually be expected to be within one or possibly two percentage points of each other;
- Annual occupied stock figures have the advantage that they are less likely to ‘drift’ between each Census. This is because they are updated annually and do

28 The data on the dwelling stock comes from ‘Land & Property Services (LPS), which was formerly the Rates Collection Agency and is a snapshot of occupied stock at 31st March (from 2002 onwards). The dataset is still referred to as the RCA stock dataset by NISRA.

not rely on assumptions based on the changes between the 1991 and 2001 Census.

Projected household growth and annual occupied dwelling count compared

Occupied stock to projected household ratio

Table 39 compares the occupied stock to projected household ratio for Northern Ireland, and Newry HMA for 2001 to 2010 inclusive. These findings suggest that:

- Although subject to annual fluctuation, the occupied stock numbers to projected household numbers ratio for Northern Ireland has shown little change. Thus it appears that the gap between the numbers of occupied dwellings and the projected numbers of households has not widened to any significant extent;
- Newry HMA has shown a notable decline in occupied stock to projected stock. Occupied stock levels have increased steadily over the period 2001-10 but not to the same extent as projected households hence a widening gap between the figures.

Table 39: Occupied stock as a % of households in Northern Ireland and Newry HMA 2001-10

Year	Northern Ireland	Newry HMA
2001	99%	97%
2002	99%	97%
2003	100%	98%
2004	100%	99%
2005	100%	99%
2006	99%	97%
2007	97%	93%
2008	98%	94%
2009	99%	94%
2010	99%	94%

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

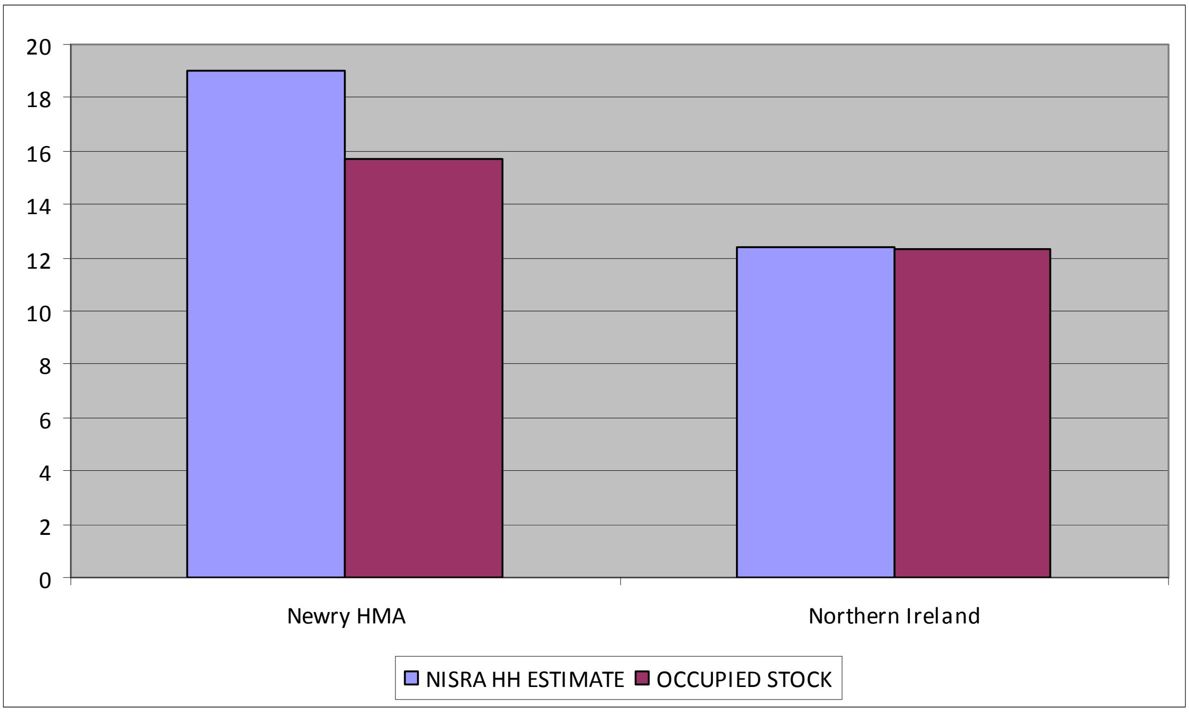
Rate of change in projected household numbers and occupied dwelling count

A related issue is the rate of growth in the projected numbers of households relative to the reported rate of growth in the numbers of occupied dwellings.

Between 2001 and 2008 the numbers of occupied dwellings in Northern Ireland increased by 9% whilst the projected numbers of households increased by 10%. As expected, the rate of growth in Newry HMA has been lower. As Figure 33 shows over this period:

- Newry HMA remained consistent with Northern Ireland until 2006;
- The economic downturn then shaped the level of occupied stock. Although occupied stock has shown a steady increase, it has not increased to the same extent as projected household numbers;
- The numbers of occupied dwellings in Newry HMA have increased at a lower rate than projected household numbers. However, both NISRA household estimates and occupied dwellings have increased at a greater rate than the Northern Ireland average between 2001 and 2010.

Figure 33: increase in occupied dwellings and projected household numbers, 2001-10 %



Source: NISRA/DSD

Relationship between occupied and vacant stock

The above discussion has implicitly assumed that ‘measurement errors’ are likely to have occurred on the demand side; that is that the household projections are not wholly representative of recent trends.

However, it is also useful to consider the extent to which it is possible that in fact there has been an over estimation of occupied dwellings.

The RCA dataset which records total stock is sub-divided into vacant stock and occupied stock prior to release. Although we cannot be certain, it is possible that the count of occupied dwellings is somewhat overstated and the count of vacant dwellings is somewhat understated. In particular, we suspect that not all transitional vacancies[29] that arise as part of the process of households moving from one dwelling to another have been allowed for.

More generally, lags in the reporting of empty dwellings tend to be greatest in urban areas with high turnover and areas with a high proportion of private renting.

The House Condition Survey of 2006 and 2009 report the vacancy rate at different geographical levels. The 2006 HCS reports at LGD level and the 2009 HCS reports at the proposed new district council areas rendering comparison difficult. It does however suggest that the vacancy rate has decreased slightly in the general area. In addition, the number of vacant dwellings at Northern Ireland level has increased by 8% in this three year period. This is still insufficient to account for the increasing gap in occupied dwellings and projected households.

Overall it would seem that household estimates based solely on the numbers of occupied dwellings are subject to some degree of uncertainty. Notwithstanding this, possible measure problems could not explain away the ‘gap’ between occupied household counts and the projected household numbers for Newry HMA.

Housing market dynamics

Newry HMA has been unique in its prediction and reaction to the economic downturn. Before the downturn hit the construction industry elsewhere in Northern Ireland, Newry HMA slowed new build completions. This has resulted in fewer surplus properties and would suggest that the increase in occupied dwellings is accurate. In turn, the expansion in households within the HMA did not increase as expected hence an inflated gap between occupied dwellings and projected households. This would also explain the suggested reduction in vacant dwellings across the HMA.

Other HMAs

It should be noted that some of the housing market areas in Northern Ireland also appear to have experienced lower rates of household growth than NISRA projected. These include Dungannon HMA and parts of Belfast HMA.

Aside from possible affordability constraints, in areas where population growth has been strongly influenced by net-international migration, the application of Northern Ireland wide household propensity rates may tend to over-estimate the rate of household growth, at least in the short to medium term. This is because inward migrants from overseas tend to live initially in large households (i.e. low household formation rates) but over time adopt household formation patterns that are similar to the indigenous population.

[29] A property is only classed as vacant for rate purposes if it is unoccupied, unfurnished and not used for storage. To be deemed devoid of furniture all furniture not permanently attached to a wall, floor or roof must be removed and remaining ‘white' (kitchen) goods must not be connected.

Conclusion

Although figures at LGD are considered less robust that at National level, it would appear that Newry HMA has experienced less household growth than projected prior to the economic downturn. Early contraction of the construction industry has resulted in less surplus stock across all tenures and occupied dwellings have risen slowly as existing stock becomes inhabited. This is in contrast to most other areas across Northern Ireland where construction continued beyond the initial downturn. One possible reason for this is that households may have chosen to move out of the area for economic or housing reasons. There is also a strong suggestion that younger persons are choosing to stay at the familial home for longer as the prospects of secure employment and housing are uncertain.

Nevertheless, the short term future remains uncertain for Newry HMA. There is likely to be few stark changes in the housing market over the next few years. In order to boost the housing market, it may be prudent to tackle the issue of intermediate housing and introduce innovative measures to tempt households across tenure. This could encourage young professionals from their family home and may start to bring the total households into line with NISRA projections.

Appendix 8: Stock condition

Information from the HCS 2006 provides some insight into the condition and quality of housing at LGD level. In Newry & Mourne LGD, unfitness was slightly over 5% compared to around 3% in Banbridge and Down. The Northern Ireland average was around 3%. Despite being slightly higher than the NI rate, there was nevertheless a sustained reduction in unfitness in Newry & Mourne LGD which halved between 2001 and 2006. There is also a distinct urban/rural split with unfitness higher in rural areas. We suspect this is the case in both Northern Ireland and Newry HMA. The highest level of unfitness tends to be in vacant stock (almost 59% in 2006). Within occupied stock, there is also a distinct difference in the tenure of unfit properties with the majority being in the private sector (40%).

In terms of the Decent Homes Standard, 31% of all dwellings in the Newry & Mourne LGD failed the standard, which was above the Northern Ireland average of 22%. Newry & Mourne LGD, along with Armagh, had the highest percentage of failure. Banbridge LGD had a failure rate of almost 28% and Down LGD around 16%. The majority of social rented dwellings in Northern Ireland failed this standard in 2006 due to the thermal comfort criterion.

In the intervening period since 2006, the Housing Executive improvement programme, which includes the replacement of inefficient solid fuel or electrical heating with central heating (mainly natural gas), has increased the proportions of social rented dwellings that comply with the Decent Homes Standard. The percentage of properties failing the Decent Homes Standard in Newry and Down in 2009 HCS was 17.6%. Most housing association stock is less than 25 years old and is widely assumed to be in good condition and should comply with the Decent Homes Standard. Reduced public sector funding will mean however that sustaining and meeting the Decent Homes Standards targets will be delayed within Housing Executive stock as Housing Executive improvement schemes have had to be delayed or reconfigured as a result.

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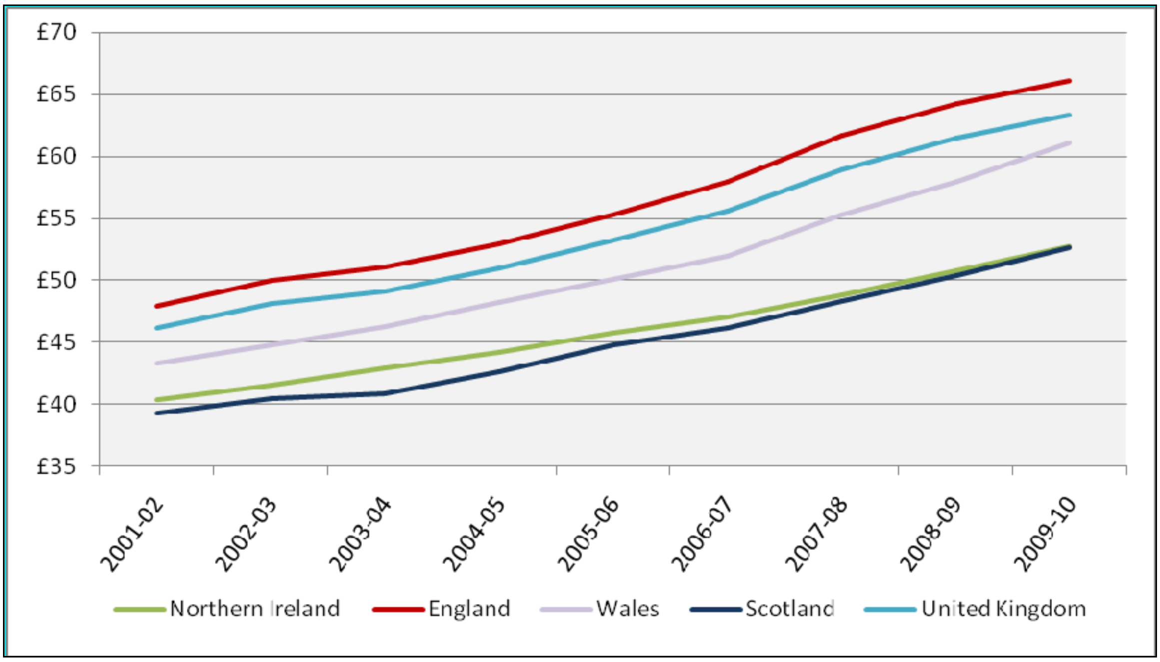
Appendix 9: Average public sector rent by selected UK region 2000-1 to 2009-10 (£)



Source: DCLG live tables No 701 (Note rents for England for 2009/10 were not available in June 2010)

Appendix 10: Characteristics of Social Renters by Urban/Rural % Breakdown (2006)

	Urban	Rural	Northern Ireland
Age			
17-24	5	4	5
25-39	21	27	22
40-59	35	30	35
60 plus	39	39	39
Gender			
Male	42	52	44
Female	58	48	56
Household Size			
1 person	49	47	49
2 persons	23	27	24
3 persons	14	13	14
4+ persons	14	13	13
Economic status			
Employed	17	23	18
Unemployed	24	22	24
Retired	33	26	32
Permanently sick/disabled	15	18	15
Other	11	11	11
Religion			
Protestant	53	42	52
Catholic	42	53	43
Mixed/other/none	5	5	5
Household			
Small Adult	30	34	31
Family	35	33	35
Older	35	33	34
Banded income			
under £7,000	20	24	20
£7000-£29,999	76	72	76
£30,000+	4	4	4

Source: House Condition Survey 2006

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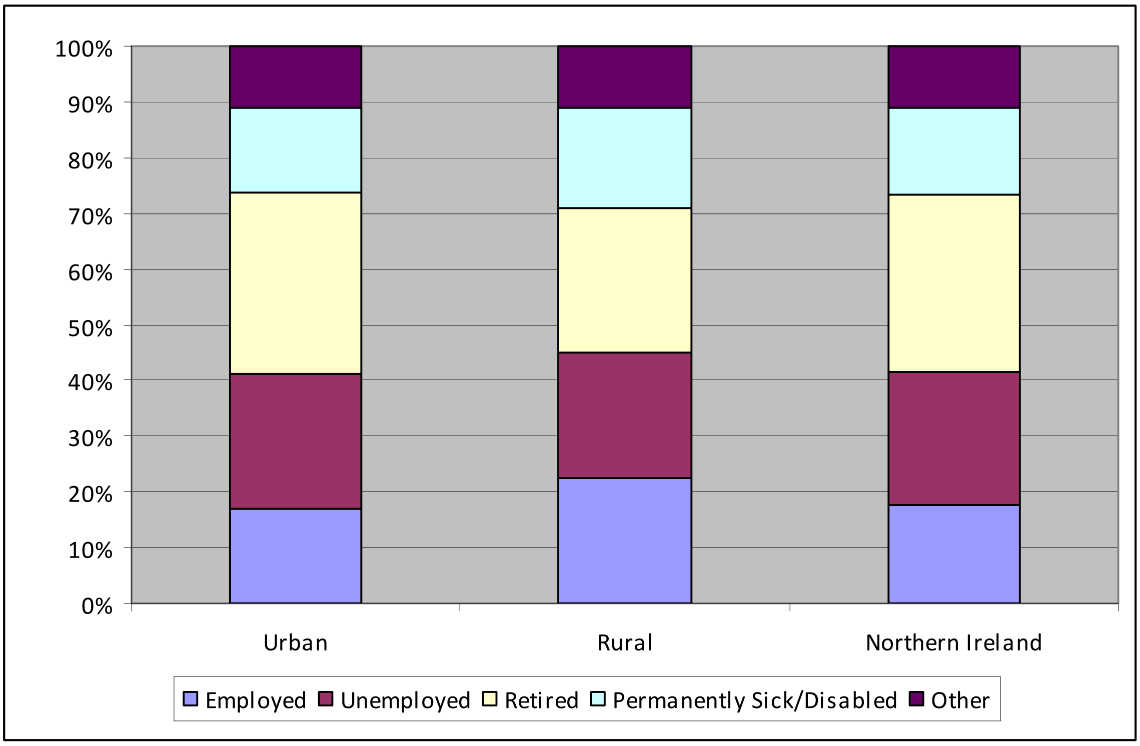
Figure 34: Economic status of social renters by Urban/Rural breakdown



Source: House Condition Survey, 2006

Appendix 11: Total housing requirements

The RDS 2035 issued in 2012 includes updated housing growth indicators. These indicate a requirement for some 190,000 new houses over the 17 years to 2025. This equates to an average of some 11,200 units per annum. This adjustment is primarily a consequence of using the 2008-based household projections.

Determining the future requirement for housing is not an exact science. Even during times of stable economic growth there is always ambiguity over long-term future household growth and the overall level of housing that may be required to meet housing demand and need. The changed economic circumstances and the tightening of public expenditure indicate that the assumptions on which long-range household projections and thus the RDS housing growth indictors are founded will require careful monitoring and possible further review. In particular:

- It is very difficult to forecast future rates of international migration and the pace of economic recovery across the EU is likely to influence this rate. Faster economic growth in parts of Europe relative to Northern Ireland could mean that international out-migration from the UK and Northern Ireland may be greater than ONS and NISRA project;
- There is much debate but little agreement on whether changes to the eligibility criteria for Housing Benefit and other state benefits may dampen rates of household formation or lead to a change in the occupancy status (say a shift in demand from single family to shared housing) of housing sought;
- There is some evidence that low rates of economic growth can reduce household formation, at least over the short to medium term, as more adults in their twenties defer leaving home.

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Appendix 12: A Need to Look Afresh at how Best to Respond to Housing Stress

Looking forward, the level of resources that the Northern Ireland Executive will be able to make available to help address housing need or housing stress will be constrained. In this regard it is important to remember that the estimate of new social housing required is not strictly speaking the same thing as the numbers of new social rented housing units that will be delivered. In practice, how best to respond to 'housing need' and the potential shortfall in social rented housing provision is a policy decision.

In the face of reduced budgets and new social housing development programmes as set out in the NI Executive's Draft Budget 2011-15, it will be necessary to look at different options for addressing housing stress. In particular it will be essential to look beyond 'bricks and mortar' solutions. In this context there may be merit in looking at the potential for housing policies and social landlords to work more with the market than has tended to be the case to date.

There may be opportunities to harness some of the under-used land held in land banks or receivership to accommodate lower income households that see equity purchasing or private renting as a realistic alternative to social renting or owner occupation, at least for a transitional period. This might include current applicants for social housing as well as existing social tenants that may be willing to exit the sector and therefore create a vacancy for a household assessed to be in housing stress.

There are clear signs that such possibilities are now being considered following the launch of Building Strong Foundations which sets out proposals regarding the PRS. This includes the introduction of a rent deposit scheme. Since 1st October 2011 empty homes were given the same rating liability as occupied homes. This may also increase the potential for some form of private leasing arrangements to bring empty homes back into use.