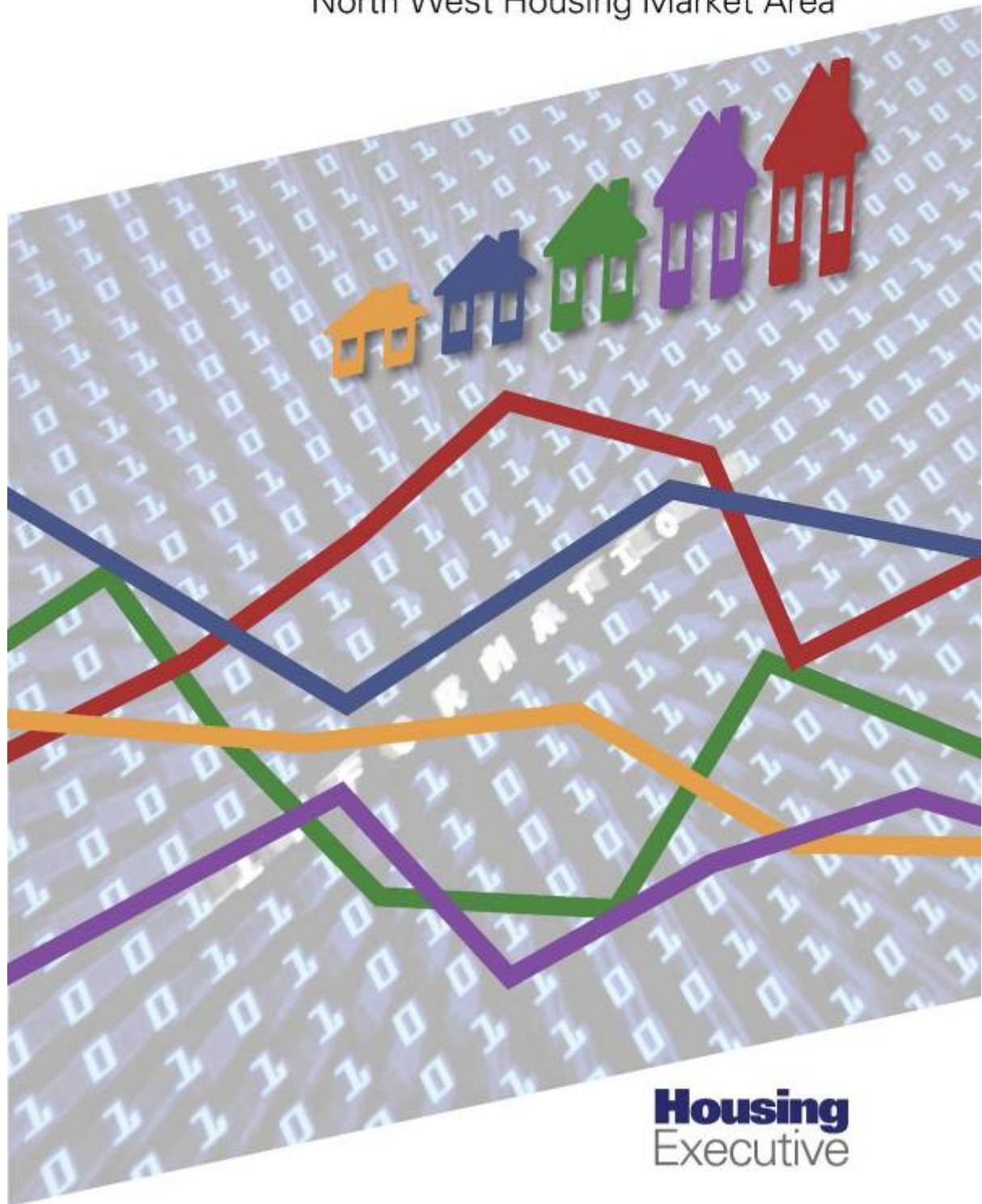


Housing Market Analysis

North West Housing Market Area





PREFACE	5
METHODOLOGY	7
Study Aims and Objectives	7
Report structure	7
Delineating the Spatial Structure of the North West HMA	8
Spatial sub-divisions within a housing market area	8
Executive Summary	11
Background	11
What is Local Housing Systems Analysis?	11
The North West Housing Market Area	11
Economic and Demographic Trends in the North West HMA	12
The Owner Occupied Sector Trends in the North West HMA	12
Private Renting Within the North West HMA	13
The Social Housing Sector across the North West HMA	14
Bringing the Evidence Together and Identifying Imbalances	15
1. INTRODUCING THE NORTH WEST HOUSING MARKET AREA	18
North West HMA	18
The Spatial Boundary of North West HMA	20
Cross-Border Dimension	22
Summary	22
2. KEY ECONOMIC AND DEMOGRAPHIC TRENDS	25
Introduction	25
Recent Economic Performance	25
Recent Employment trends	26
Unemployment, worklessness and deprivation	26
Labour market structure	28
Incomes and earnings	31
Incomes	32
Short and longer-term economic outlook and associated challenges	33
Demographic Trends	36
Composition of population	36
Minority ethnic communities	38
North West HMA level population projections	40
Household projections	42
Cross border comparisons	44
Summary	46
Key Issues	47
3. NORTH WEST HMA: THE OWNER OCCUPIED SECTOR	50
Introduction	50
Housing stock flows	53
House building relative to RDS 2001-25 targets	55
Other stock flows	56
Profile of Owner Occupiers	56
House price and transaction trends	57
House prices in the North West HMA	58
Affordability of owner occupation	61
Alternative affordability measures	64
Potential for intermediate housing	66
Co-ownership housing	67

Owner Occupation in North West Rural.....	67
Future prospects.....	68
Summary.....	69
Key Issues	71
4. Private Renting Within The North West HMA	73
Introduction	73
Expansion of private renting.....	73
Profile of the PRS stock	75
Vacancies	76
Dwelling age and condition	77
Households.....	78
Impact of Welfare Reform on the PRS	83
Private Rental Issues in North West Rural Area	84
Tenancy management issues	85
Inter-tenure flows.....	85
Future Prospects	86
Key Issues	87
5. SOCIAL HOUSING WITHIN THE NORTH WEST HMA	90
Introduction	90
Profile of the social housing stock.....	90
Changes in stock numbers over time	92
Dwelling attributes	92
Dwelling age	95
Profile of existing social rented tenants	97
Economic status and incomes	97
Annual supply of social housing.....	98
Applications for social housing.....	103
Social rented pressure ratios	104
Comparisons with other evidence.....	108
Profile of new applicants in housing stress.....	111
Capacity of applicants to access private rental or owner occupied market.....	111
Welfare Reform.....	112
Summary.....	113
Key Issues	116
6. Bringing The Evidence Together And Identifying Imbalances	118
Introduction	118
Economics and demographics in the North West HMA	119
An Ageing Population	121
Improving the Residential Offer.....	122
Housing Demand and Inter-Tenure Dynamics	123
The Owner Occupied Sector	124
The Private Rented Sector	126
The Social Rented Sector	128
Key Issues	129
Appendix 1: References	133
Appendix 2: The Policy Context	139
Appendix 3: Northern Irelands Economic Performance	149
Appendix 4: Recent Employment Trends	156



Appendix 5:	Northern Ireland level population projections	158
Appendix 6:	CACI PayCheck and Family Resources Survey Incomes Compared	163
Appendix 7:	Changes in households and occupied stock numbers for 2001-2010	169
Appendix 8:	Stock condition	175
Appendix 9:	Average public sector rent by selected UK region 2000-1 to 2009-10 (£)	176
Appendix 10:	Characteristics of Social Housing Tenants by Urban/Rural % Breakdown (2006)	177
Appendix 11:	Total Housing Requirements	179
Appendix 12:	A need to look afresh at how best to respond to Housing Stress	180

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

Abbreviations

North West HMA	North West 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

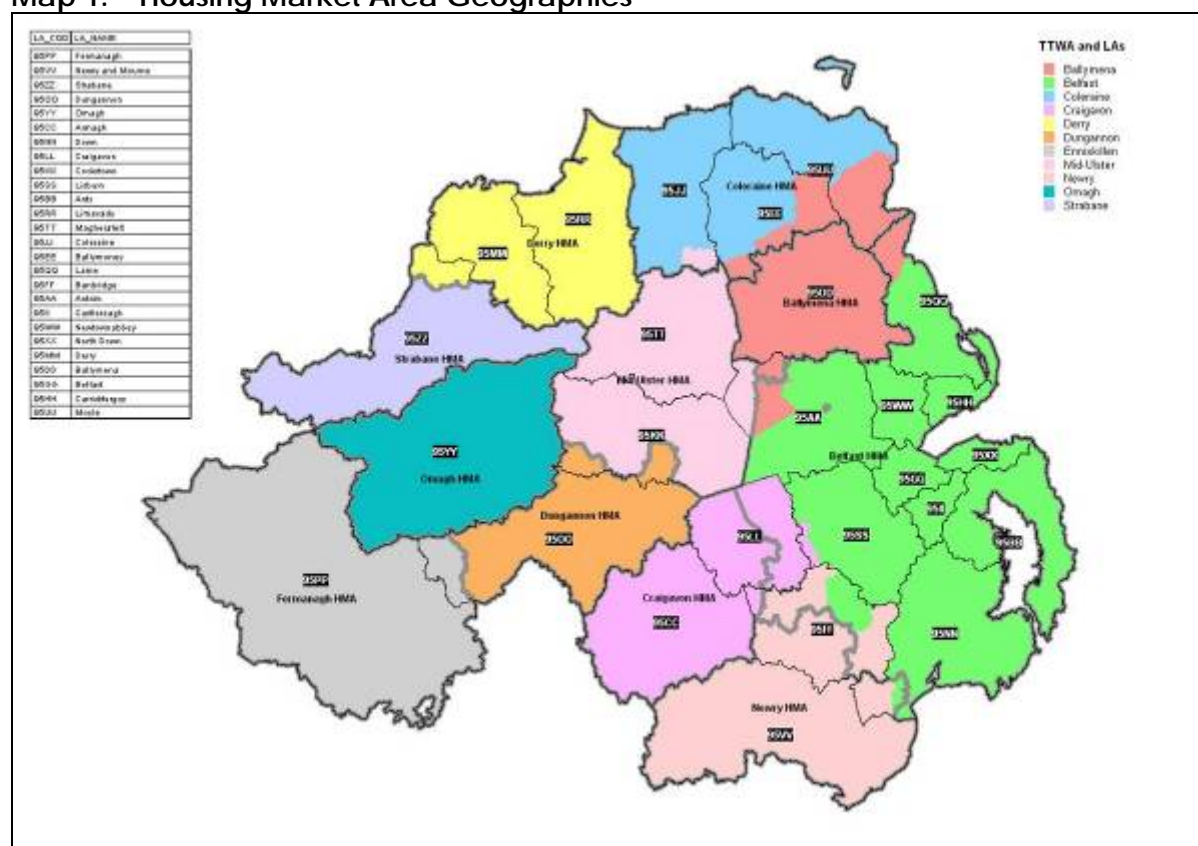


PREFACE

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 North West Housing Market Area (North West 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 North West HMA;
- Provide a broad indication of the main housing subdivisions within the North West HMA;
- Conduct data analysis to establish the current position of the North West HMA and likely future trends.

Report structure

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

- Section 1 summarises the geography of the North West HMA;
- Section 2 considers economic and demographic trends and their significance for the North West 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 North West HMA, including unmet housing need;
- The Appendices contain further details of information relating to that which is used in North West HMA. In addition, it presents the wider policy and planning context within which the North West 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 House Condition Survey. 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 for Social Development (DSD). We also made extensive use of statistics published by the 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 North West HMA has been defined. In most cases, housing market and sub-geographies totals are based on aggregated ward data. 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 North West 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 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.

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

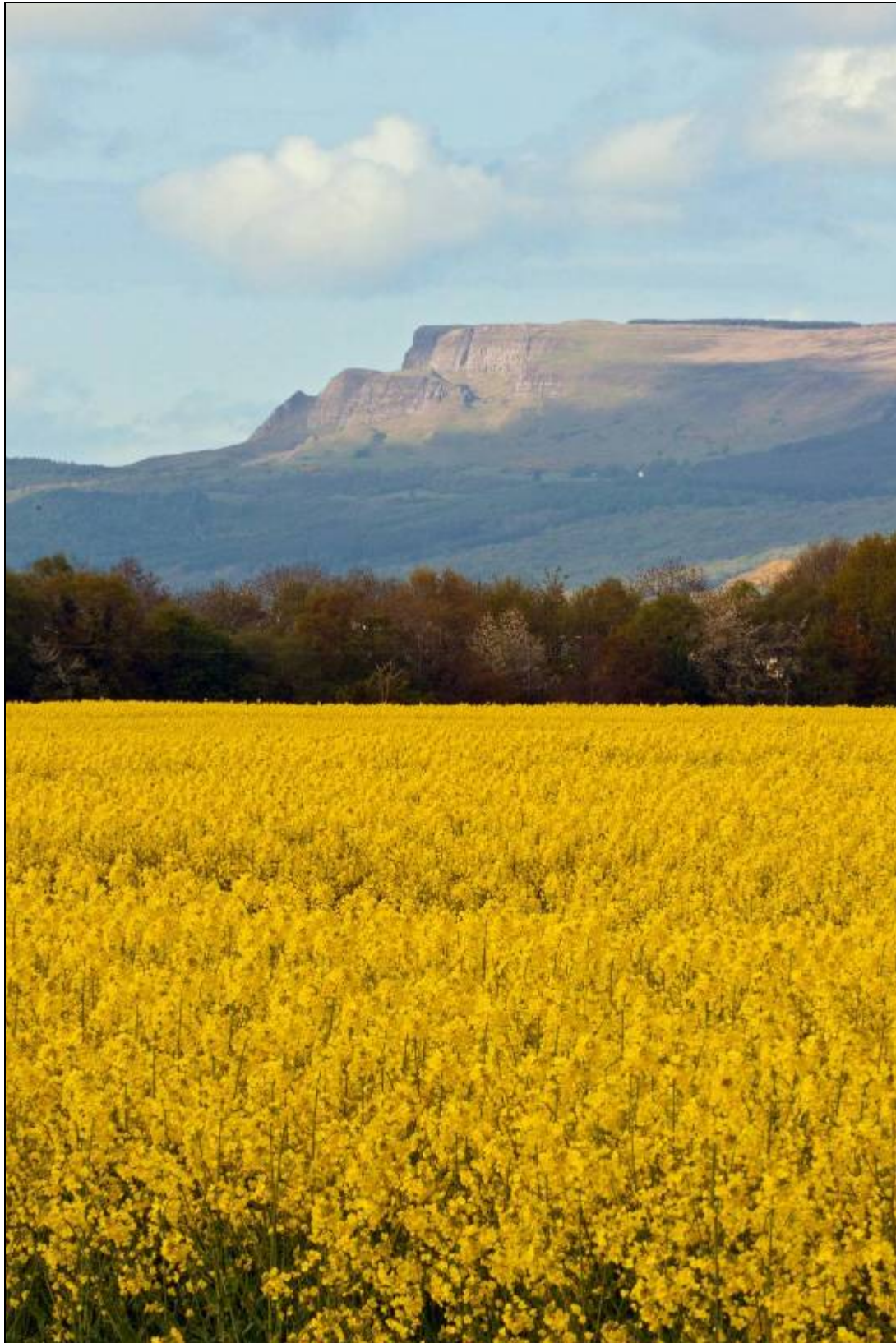


of many residential moves illustrates that housing systems can operate at different spatial levels. It is, therefore, useful to view a housing market area as a tiered entity where different spatial areas nest into each other such that:

- 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 that extend across large 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 North West 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 impediments 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 reason two subdivisions within the overall North West HMA have been identified: ***North West Urban*** and ***North West Rural***.



View from Derry's Walls



Binevenagh, Magilligan



EXECUTIVE SUMMARY

Background

Northern Ireland's housing market has faced severe problems of affordability and rising housing pressure at a time when the wider global economy and financial system has been in systematic crisis. 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 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 the North West HMA.

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, such as a metropolitan region, its centres and rural hinterland. 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 North West HMA 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 North West HMA level. This should include an appraisal of likely future trends and their consequences for the housing system;
- 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. It can also involve looking at important segments within the housing system such as different types of local areas or particular groups of the population;
- The evidence collected should be able to allow planners to conduct an 'imbalance' assessment of the key problems facing their housing system. This is the key output of the LHSA process.

The North West Housing Market Area

- Housing markets function over a spatial area that reflects the housing and location choices of consumers rather than administrative boundaries. Housing demand is largely contained within North West HMA level, within which most households live and work;
- The North West HMA has a population of 140,100 and includes the Local Government District of Derry City Council, Limavady Borough Council and the Slievekirk Ward of Strabane District Council area;

- Beneath HMA level, the North West Urban (city of Derry/Londonderry) and the North West Rural (remaining part of HMA with the exception of Limavady town) have been used to examine the housing market at small geographical levels;
- The impact of the border with the Republic of Ireland (ROI) on the North West HMA will also be considered in this report.

Economic and Demographic Trends in the North West HMA

- According to the Regional Development Strategy (RDS) for Northern Ireland 2025, the city of Derry/Londonderry is described as the second most important urban region of Northern Ireland and one of the fastest growing urban centres in Northern Ireland with an economic catchment that extends across the whole of the North West, including County Donegal;
- In 2008, GVA per head of population for the North of Northern Ireland (the NUTS 3 region which most closely reflects the North West HMA area) amounted to £12,309 million, which accounted for 12% of the total GVA output for Northern Ireland;
- The North region is one of the least economically productive regions of the UK despite its relatively high annual growth rate from 1995 to 2008;
- From 1995 to 2008, there was a decline in the production sector as a share of local GVA when compared to Northern Ireland as a whole;
- Public administration and services sectors have increased their overall share of local GVA in the North region in contrast with the overall Northern Ireland trend.

The Owner Occupied Sector Trends in the North West HMA

58% of dwellings in the North West HMA were owner occupied whereas the NI average was 67% (HCS 2006).

- Home ownership is in decline as a share of overall tenure. A 5% decline was recorded between 2006 and 2009 in the North West HMA;
- Vacancies across the North West HMA were below the RDS benchmark of 5.7% of overall housing stock since 1996, though after 2007 rural vacancies increased to over 7%;
- There is limited potential for vacant private sector dwellings to be used for social housing, from evidence gathered by the Housing Executive/DSD;
- Between 2000/1 and 2006/7 the North West HMA experienced strong levels of house building. Completions declined from 2004/5 onwards and especially from 2007/08.
- Between 2007 and 2010 an average of 9 units per 1,000 households (estimate) were started each year in the North West HMA. This is the UK average, but well below the NI average of 14 units;
- Prior to 2007, the rate of new starts in the North West HMA was 18 units per 1,000 whereas the Northern Ireland average was 20 units per 1000;



- Limavady Borough had more house construction starts per total households over the past decade compared with the Derry City Council area;
- House construction in the North West HMA has been significantly less than that projected by the RDS housing growth indicators;
- The sale of Housing Executive dwellings is having a declining impact on the number of homes entering the owner-occupied sector;
- Northern Ireland house price trends have historically followed the UK average with a time lag. However, the past 15 years have seen NI prices grow and decline more rapidly than the UK average;
- Affordability is not driven solely by income and price, but also by other factors such as the cost and availability of credit finance;
- Negative equity is a constraint on the housing market, as it reduces the mobility of certain households, and their ability to trade up or down;
- House repossessions have remained low compared to the housing market downturn at the start of the 1990s;
- Lower quartile prices, in spite of the scale of recent falls, remain above affordable levels for younger single income households in the North West HMA;
- 53% of younger households in the North West HMA could not afford to purchase a dwelling of £87,500 (lower quartile value) assuming lenders were willing to provide mortgages with a loan-to-value ratio of 95% at 4.7% for 25 years. This is similar to the Northern Ireland average;
- Approximately 35.8% of younger households in the North West HMA could not afford rent for a 2-bed property on the basis of rent being higher than 25% of gross household income. This compares to a Northern Ireland average of 30.1%;
- The recovery of the housing market is linked to the overall economic recovery. Currently, there is insufficient evidence that house prices have 'bottomed out' in the North West HMA let alone recovered.

Private Renting Within the North West HMA

- Within the North West HMA area the Private Rented Sector (PRS) share of total housing stock increased from 8% to 18% between 2001 and 2009;
- Since the credit crunch in 2007 there has been a notable increase in newly built dwellings entering the PRS;
- The PRS can provide flexible accommodation for young professionals, migrant workers and students as well as provide a home for households that cannot rent from a social landlord;
- Evidence suggests that the traditional community divide in Northern Ireland and the North West HMA is less pronounced than in older Housing Executive built estates;
- The majority of PRS landlords are Buy-to-Let investors;

- Local estate agent consultation indicates that many prospective tenants view the sector as a permanent housing solution;
- Industry commentators indicate that future cuts in Private Housing Benefit and Local Housing Allowance as part of fiscal austerity measures could be very consequential for the sector;
- The PRS is currently thriving in the North West and if managed properly could be a sustainable housing option offering choice, quality and stability.

The Social Housing Sector across the North West HMA

- In the North West HMA, the number of households renting from a social landlord has steadily declined over the last decade, both nominally and as a share of overall tenure;
- The westbank of Derry/Londonderry and Limavady town have the largest proportion of social rented housing in the North West HMA, measured at the ward level;
- By 2006, there were some 12,110 social rented units in North West HMA (or 23.2% of total households. In 2001, it was 13,720 households (or 29% of total);
- The North West HMA had the highest percentage of social rented homes of all eleven HMA areas, and the lowest share of private sector housing;
- Between 2001/2 and 2009/10 a total of 2,847 Housing Executive dwellings were sold across the North West HMA. The number of Housing Executive house sales was just over three times the number of social housing completions in the nine year period to March 2010;
- 11.3% of social housing completions in Northern Ireland were located within the North West HMA, an area with just 8.2% of the population.
- Approximately 60% of the social housing stock is houses, 21% are bungalows, and 16.7% is flats. The majority of current social housing stock is therefore family sized accommodation;
- Rural areas have proportionately more bungalows, less houses, and almost no flats. This suggests that urban areas offer a broader mix of dwelling types, and more suited to smaller and single households;
- The numbers and proportions of couple households and families in the social rented sector have declined in Northern Ireland. There has also been an increase in the proportion of economically inactive tenants;
- Across Northern Ireland, about half (49%) of tenants are in single households. Two-person households are the next most common household type (at 24%) – though some of these are lone parents; and families represent 35% of households;
- Singles represent the largest household group of applicants in housing stress, constituting 50.8% in urban areas; and 43.9% in rural areas (however, smaller waiting lists should be noted);
- As a legacy of conflict, social housing in the North West HMA remains largely segregated by community background;



- Very few of the social rented tenants living in the North West HMA or elsewhere in Northern Ireland are from ethnic minority groups. Currently, the Northern Ireland figure is 0.5%;
- The median income for households in the social rented sector was found to be £8,500 in the North West HMA compared to £12,500 for all sectors, according to HCS 2006. This is likely to exacerbate fuel poverty in the sector;
- In the period from 2003 to 2011, the overall trend across the North West HMA, is one of increasing housing stress applicants and a reduction in the number of relets;
- Almost all new social housing applicants in the North West HMA registered between 2010 and 2011 were in housing stress;
- The North West HMAs waiting list increased by 12.7% after a decline in 2009, which was considerably greater than the NI average of 4.6%;
- From 2010 to 2011, the social rented pressure ratio in the North West Urban subdivision surpassed the NI average (i.e. 5.4 and 5.0, respectively). Limavady town, in contrast, had a low pressure ratio;
- The North West Rural subdivision experienced social rented pressure of 8.5 but the percentage of housing stress applicants was considerably lower;
- There may be hidden social housing need in certain rural areas;
- The numbers of transfer applicants have generally reduced since 2003 across the North West HMA.
- The PRS has attracted many tenants that would have traditionally opted for social housing. The changes to Private Housing Benefit may give rise to an increased demand for social housing.
- Between 1,150 and 1,450 additional social housing units are required each year in the North West HMA area, based on Housing Executive housing needs assessments.

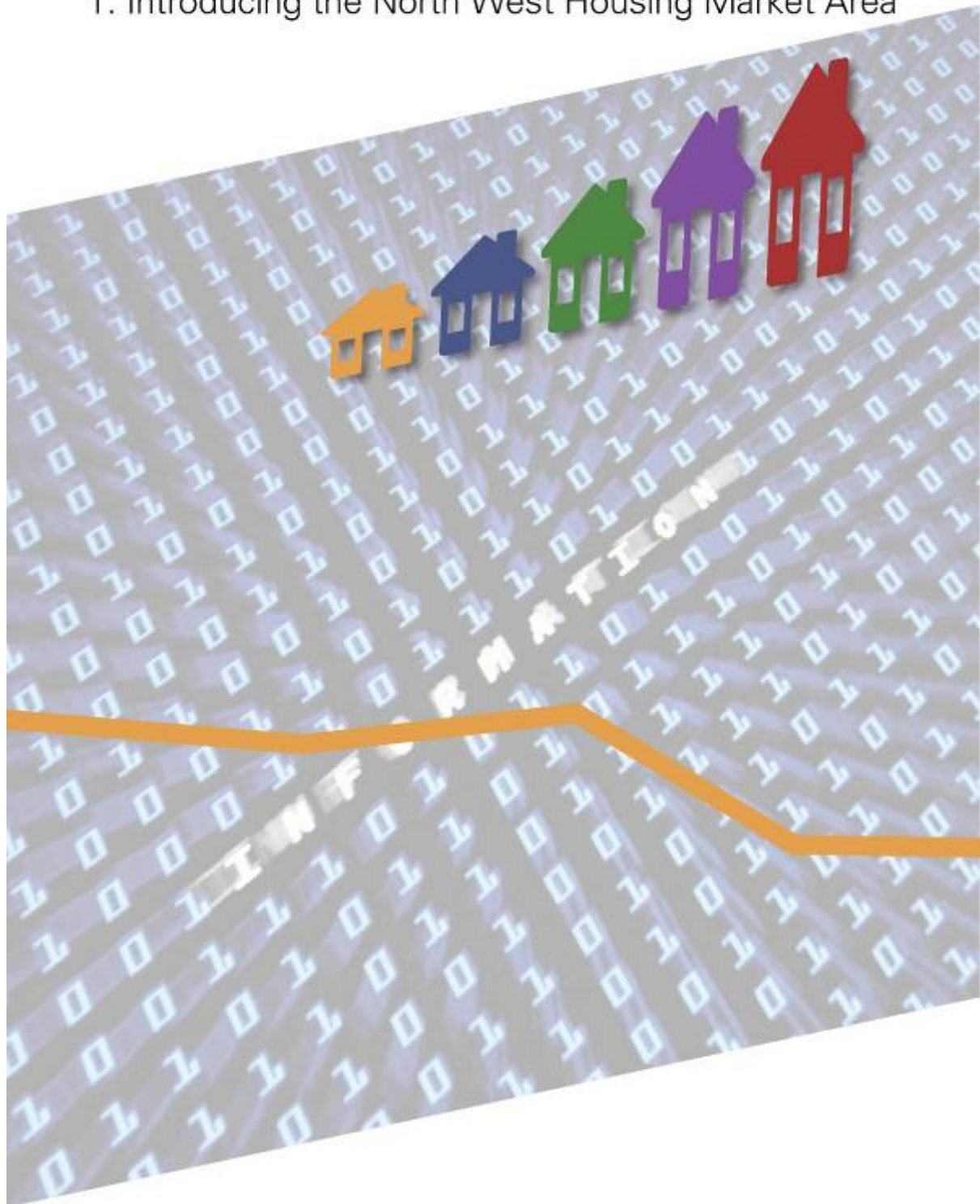
Bringing the Evidence Together and Identifying Imbalances

- There are 31,790 households in the North West HMA urban subdivision and 16,590 households in the rural subdivision across all tenures;
- Improved affordability in terms of house price has been more than offset by stricter lending criteria causing difficulty for first time buyers in terms of raising deposits and finance;
- The economic conditions required to pull the housing market out of recession are not in place and may not be in place for some time;
- Changed economic circumstances and the tightening of public expenditure indicate that the assumptions on which long range housing projections and RDS 2025 Housing Growth Indicators are founded will require careful monitoring;

- The predicted increase of older person households in the next 10 to 20 years will contribute to an increase in demand for housing and will have implications in terms of adapted and specialist housing;
- Improving the quality of the residential offer within the North West HMA will remain an important policy priority if the RDS 2025 ambition to secure population growth in the North West is to be achieved.



1. Introducing the North West Housing Market Area



1. INTRODUCING THE NORTH WEST HOUSING MARKET AREA

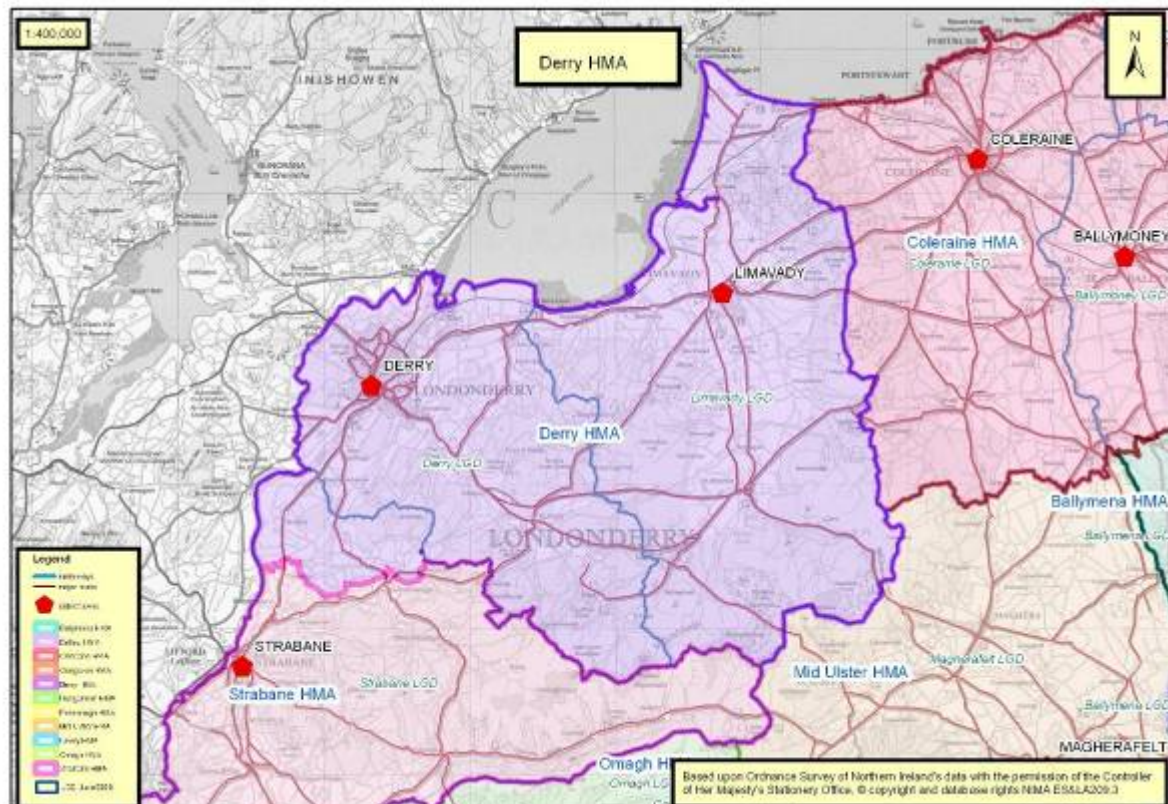
North West HMA

The derivation of the North West HMA and the other ten housing markets that function across Northern Ireland is set out in a separate report (Young et al, 2010). The study assessed whether Travel to Work Areas (TTWAs) provided a reasonable approximation of HMAs in 2001 by comparing Census commuting and migration patterns. Migration patterns between 2004 and 2007, which were derived from the Central Health Index (CHI)¹, were then analysed to develop a finer understanding of the link between different geographic areas and the influence of employment centres on population flows. The validity of the set of HMA boundaries were also explored through stakeholder discussions.

The North West HMA is shown in Map 2 and includes:

- All of the Derry City Council area;
- All of the Limavady Borough Council area;
- One ward from Strabane District, namely Slievekirk, which includes the villages of Magheramason and Bready.

Map 2: North West HMA



¹ The CHI collects information of residents of Northern Ireland that change GP registration.



The North West HMA is situated in the north west of Northern Ireland and extends from Magilligan Point in the north, to Dungiven in the south, Derry/Londonderry in the west to Limavady in the east. It is comprised of the wards listed in Table 1.

Table 1: North West Urban and Rural Wards

Urban Wards		
Altnagelvin	Creggan South	Rosemount
Ballynashallog	Crevagh	Shantallow East
Beechwood	Culmore	Shantallow West
Brandywell	Ebrington	Springtown
Carn Hill	Foyle Springs	Strand
Caw	Kilfennan	The Diamond
Clondermot	Lisnagelvin	Victoria
Creggan Central	Pennyburn	Westland
Rural Wards		
Banagher	Ballykelly	Greysteel
Claudy	Dungiven	Magilligan
Eglinton	Enagh (Derry LGD)	The Highlands
Enagh	Enagh (Limavady LGD)	Slevekirk
Hollymount	Feeny	
New Buildings	Glack	

The formal definition of 'rural' is a settlement of less than 4,500 people. The six electoral wards within (or partly within) Limavady town (Aghanloo, Coolessan, Forest, Greystone, Rathbrady and Roeside) are neither classed as North West Urban or North West Rural, but they are included in the North West HMA total.

The North West HMA is home to some 140,100 individuals and 47,358 households, which equates to 8% of Northern Ireland's household population.

The population of the North West HMA was projected to increase by 3.8% between 2001 and 2010 and is projected to increase by a further 4.6% by 2023. During the same 13-year period to 2023, the number of households is projected to increase by 12%. Around 60% of households are located in the North West Urban subdivision.

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 North West HMA

Housing markets often operate across a spatially defined area. This is because households usually relocate 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 relocate. Defining HMAs provides a basis for better understanding how a local housing system functions and the economic, social and environmental factors that shape housing supply and demand dynamics. This in turn should help to inform policies aimed at:

- Providing a mix of market and affordable housing across North West HMA 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.

Table 2 confirms that in 2001 owner occupation was the largest tenure across North West HMA, with comparatively higher levels of social renting in the Urban subdivision.

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
North West HMA	64	28	6	2	100	47,358
North West housing subdivisions						
North West Urban	58	33	7	2	100	29,192
North West Rural	75	16	5	4	100	13,689

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



The North West HMA is dominated by the city of Derry/Londonderry which is Northern Ireland's second city. The RDS envisages the city as the economic hub of the North West, which has a major service role in a catchment that includes the adjacent towns of Letterkenny, Strabane and Limavady.

Recent regeneration initiatives across the region, particularly in Derry/Londonderry in the run-up to its status of UK City of Culture 2013, has given the city a greater confidence. Persistence in driving the city forward, together with realising and building upon its own strengths, will create a successful city region with a strategic all-island dimension. This is also recognised in the Republic's national spatial strategy which sees the benefits of Letterkenny and Derry/Londonderry as a linked 'gateway'.



Shipquay Street, Derry City Centre

The number of people unemployed in the North West HMA has increased from around 4.7% in 2005 to 7.1% in 2010. In urban areas, the unemployment rates tend to be higher. The increase in unemployment can be attributed to the general economic slowdown since 2008, the reduced development activity, tighter financial markets, and the more difficult trading circumstances as a result of global recession.

In the past, 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 Irish Republic and the increase in the UK VAT rate.



Catherine Street, Limavady

Cross-Border Dimension

The border region on the island of Ireland provides an interface between the two national economies of Northern Ireland and Ireland. It possesses key trans-regional development linkages and opportunities and it would be remiss of a strategic housing market assessment for the North West not to consider the impact of County Donegal, and in particular the linked gateway of Derry/Londonderry and Letterkenny.

On a cross-border basis, the accelerated development of the Derry/Londonderry gateway has been crucial in driving economic and spatial ties across the two jurisdictions. A number of Northern Ireland towns have strong functional relationships with settlements in the Republic.

Summary

There is a single functional North West Housing Market, which extends from Derry/Londonderry to the northern part of Strabane District, and eastwards to include Limavady. There is also a cross-border element to the housing market, which sees the catchment extending into the northern part of County Donegal.

Housing Market Analysis

North West Housing Market Area



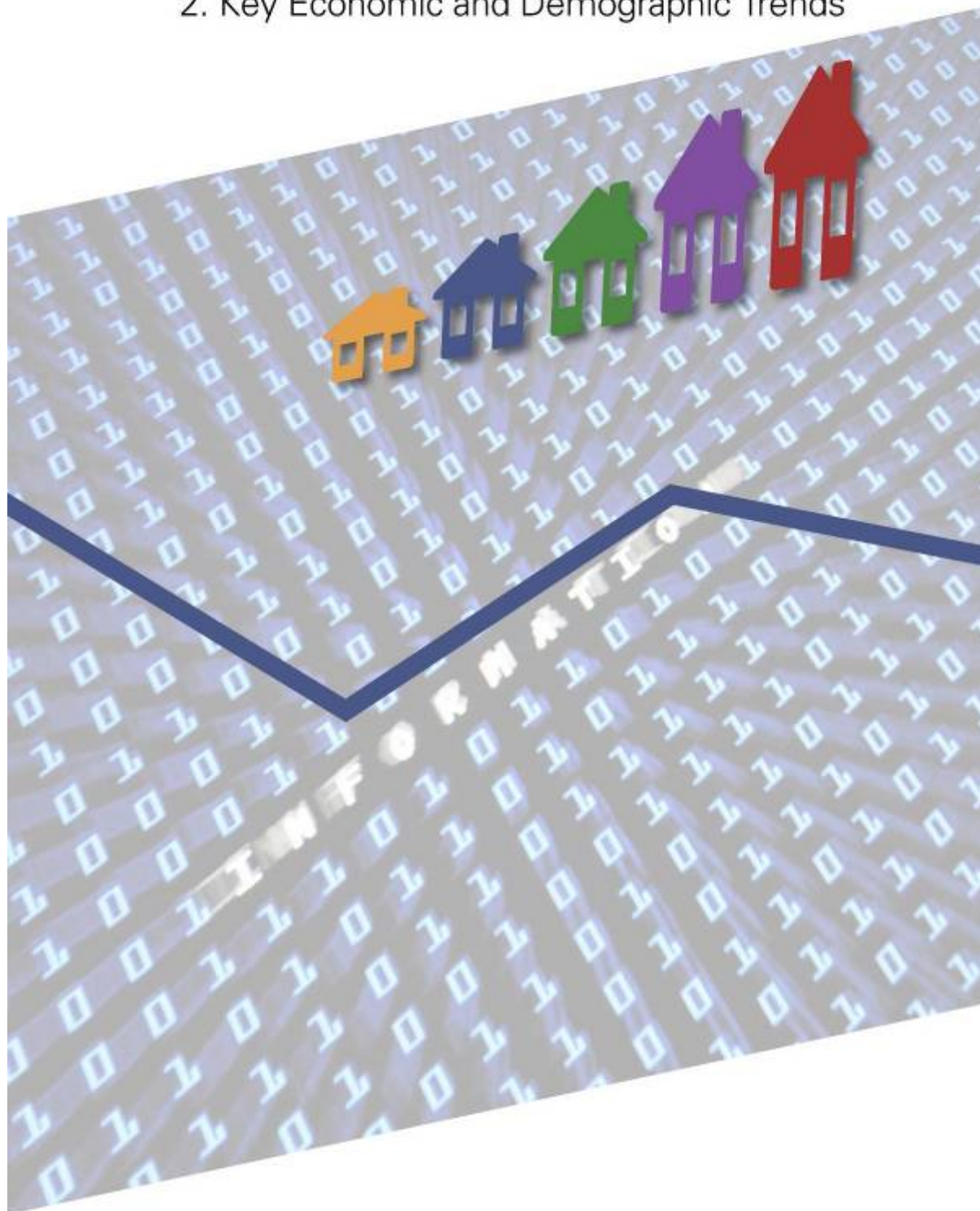
Within the North West HMA, Urban and Rural subdivisions have been identified and analysed within this report. Recent economic prosperity, previously enhanced by favourable exchange rates, has now been adversely impacted by the economic downturn in both the Republic and Northern Ireland.

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



Cherry Lane, Feeny

2. Key Economic and Demographic Trends





2. 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 closely linked 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).

GVA figures are available at sub-regional level across Northern Ireland based on the Nomenclature of Units for Territorial Statistics 3 (NUTS 3) areas. While there is no NUTS 3 area that specifically matches the North West HMA, the sub-regional figures nevertheless highlight regional GVA differences across Northern Ireland, and are included in Appendix 3. The North West HMA lies within NUTS 3 region of "North of Northern Ireland" (UKN04).

The North West economy has traditionally lagged behind the Northern Ireland average from its decline in industrial output and its peripheral location. The area relies on a mix of economic activities, but none have achieved the same critical mass to realise the same economic output as more successful areas.

The North West HMA is dominated by the city of Derry/Londonderry, which is described as the second most important urban region of Northern Ireland by the RDS for Northern Ireland 2025. It is also one of the fastest growing urban centres in Northern Ireland. Its economic catchment extends across the whole of the North West including parts of County Donegal in the Republic's Border Region. The city has been partly successful in attracting inward investment, but the economic recession has affected local business. The city has engaged in city marketing, and is the UK City of Culture in 2013. Some regeneration activities in the city are designed to bring new confidence into the area.

The pace of recovery in the North West HMA will, nevertheless, be shaped by macroeconomic conditions throughout the UK economy, and on the ability of the local economy to respond to new economic opportunities and reduced government spending.

Nevertheless, the sub-regional findings do correlate with some of the other findings of this chapter for the North West HMA, and highlight the following:

- The relative importance of the public sector and service industries in providing employment in the North West;

- The declining importance of manufacturing production – even more pronounced than the Northern Ireland average; and
- The productivity gap between the North West and the Northern Ireland average.

Recent Employment trends

The North West HMA is characterised by weak labour market participation. The Labour Force Surveys 2005 to 2009 indicate that the economic activity rate for Derry, Limavady and Strabane LGDs was considerably below the Northern Ireland average. Limavady had the weakest economic activity.

Over the same period, the average annual employment rate for these districts was similarly well below the Northern Ireland average, with Limavady significantly lower than the other two.

Despite the difference between North West HMA and Northern Ireland average, the trends were similar. One exception was Strabane LGD which recorded a sudden increase in economic activity and employment from 2005 to 2006, coinciding with the peak in private house construction in the LGD. Oxford Economics (2011) notes that employment growth in Strabane LGD across this time period and beyond was driven by the housing market.

All of the above highlights the relative disadvantage of the North West HMA in terms of employment and economic activity. Figures are currently unavailable for the period from 2009, but the economic difficulties are most likely exacerbated by the recession and low growth environment.

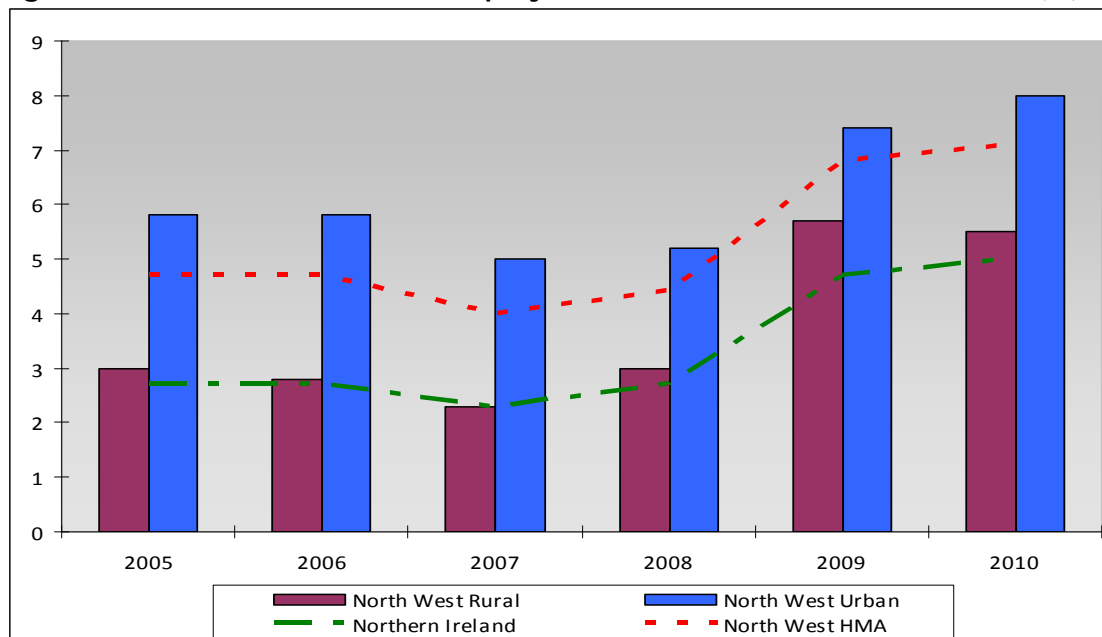
Unemployment, worklessness and deprivation

One manifestation of the recession has been a sharp rise in unemployment. Claimant count based unemployment figures for the North West HMA are summarised in Figure 1 and reflect the relative disadvantage of the area. They show that:

- Claimant count based unemployment rates across North West HMA have remained consistently higher than the NI average from 2005 to 2010 but followed a similar trend;
- Urban areas have a higher percentage claimant count than rural areas. This pattern has been consistent across the entire 2005 to 2010 period; and
- The percentage claimant count in rural parts of the region has slightly reduced in 2010, whereas the urban rate has continued to increase, but at a slower rate than the previous year.



Figure 1: Annual Claimant unemployment for North West HMA, 2005-10 (%)



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

The continuing increase in unemployment between 2009 and 2010 has occurred at a time when the fall in employee numbers appears to be stabilising. This emerging trend highlights that the economic recovery remains fragile and points to the possibility of a jobless recovery and continuing high levels of unemployment. It also suggests that one of the reasons for the continued increase in unemployment is the continued expansion of the working age population as young people look to enter the market.

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 benefits² from 2004 to 2010. It indicates that prior to 2008, the proportions of working age adults in receipt of key benefits had been falling steadily in North West HMA as in the rest of Northern Ireland. Also, from 2008, the proportion slowly began to increase; and the percentage of working age adults in the North West region receiving key benefits has remained consistently higher than the Northern Ireland average.

The most deprived areas in North West HMA include Shantallow, Creggan and Brandywell in Derry/Londonderry, and Coolestown in Limavady. Derry is the third most deprived LGD in Northern Ireland.

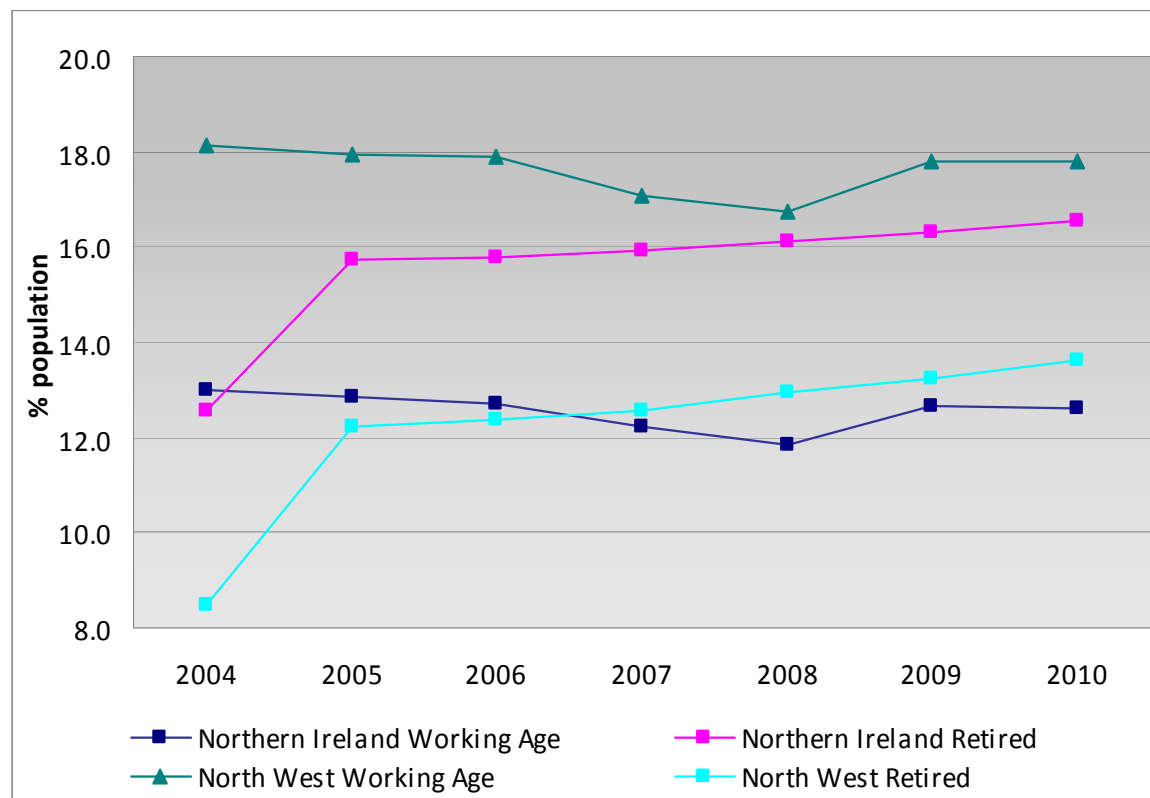
All of the above deprived areas are included in the top 100 most deprived Super Output Areas (SOA)³ of Northern Ireland according to the Northern Ireland

² 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).

³ Northern Ireland is made up of 890 SOAs which are wards or subdivisions of Electoral Wards.

Deprivation Measure 2010 report (NISRA, 2010). Long-term unemployment is a serious problem in these neighbourhoods.

Figure 2: % Population in receipt of key benefits, 2004 to 2010



Source: NINIS, NISRA

Labour market structure

Table 3 shows that in 2009 the largest employing industry in the North West HMA was the service sector (85%) with manufacture and construction accounting for much less i.e. 9.4% and 4.7%, respectively.



Table 3: No of employees in North West HMA by subdivision (workplace based), 2009

Area	Employee Jobs Total	Full Time (%)	Part Time (%)	Manufacturing (%)	Construction (%)	Services (%)	Other (%)	Change 2001-9 (%)
Northern Ireland	691,395	65.0	34.9	10.7	5.3	82.8	1.2	9
North West HMA	49,723	64.9	34.9	9.4	4.7	84.9	0.9	-5.5
North West Urban	33,834	63.8	36.2	9.4	3.4	86.2	0.9	-15.4
North West Rural	11,951	68.8	31.2	9.3	6.2	83.6	0.9	17.14

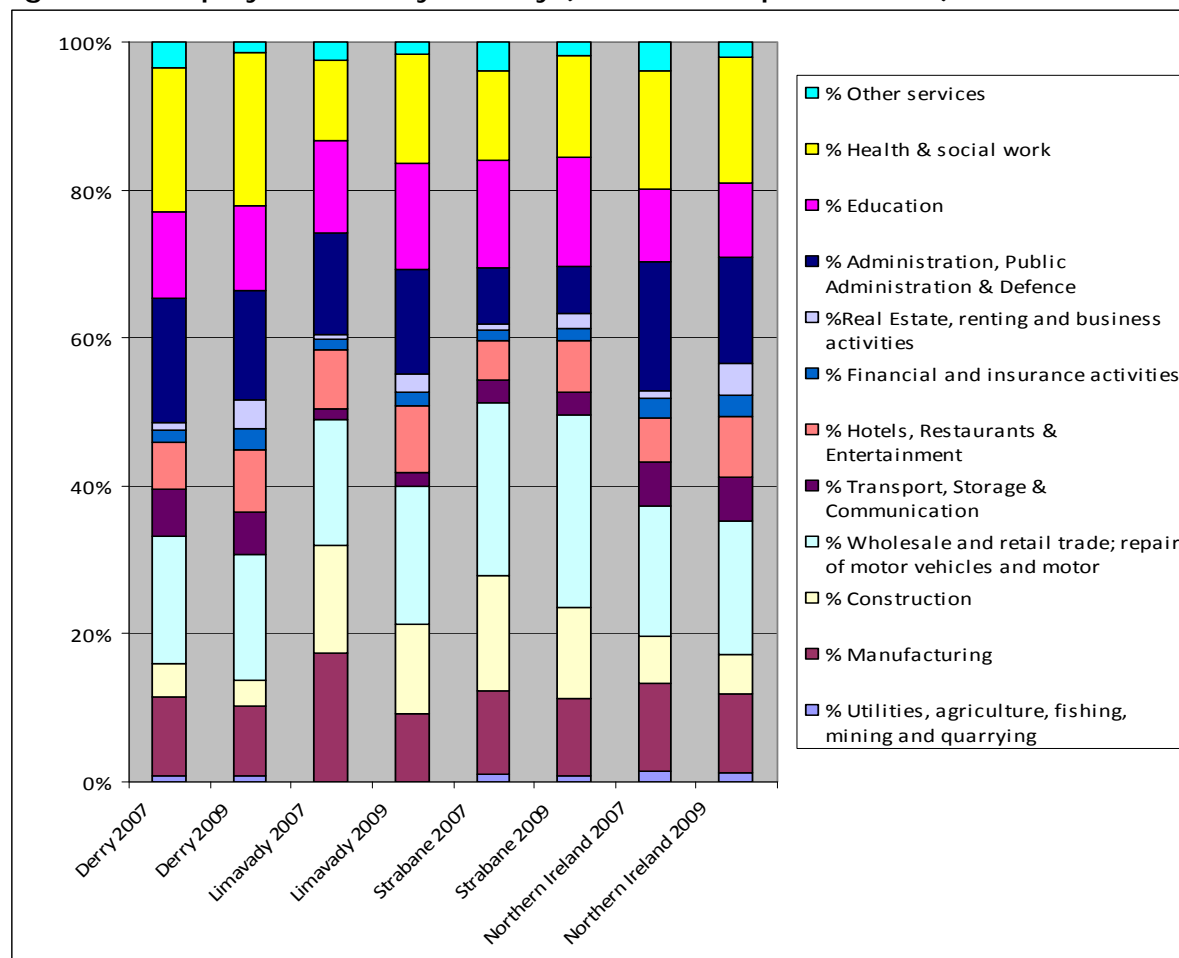
Source: Census of Employment: DETI LGD outputs and NINIS Ward level outputs

The Standard Industrial Classification of Economic Activities (SIC 2007) employee statistics, summarised in Figure 3, indicate that in 2009 employment throughout North West HMA varied. Within Derry LGD a relatively high number of people were employed in the health and related sectors illustrating the importance of Altnagelvin Hospital in the region. Limavady and Strabane LGDs appear to have a greater reliance on the construction industry than Derry LGD while Derry and Limavady LGDs also both rely on public administration as a share of economic activity. The biggest change from 2007 to 2009 has been in the employment profile of Limavady LGD, with manufacturing halving. This can be accounted for by the closure of Seagate Technology Plant in 2008.

The number of employees working in North West HMA increased by 5.5% from 2001 to 2009 (46,997 and 49,723, respectively) according to the Census of Employment. All of this increase occurred within the Derry City Council area which experienced an increase of 9.9%. This emphasises Derry/Londonderry as the economic driver of the sub-region. Limavady experienced a decrease of 9.6% (8,519 to 7,700) which can be linked to the change in the employment profile in the district.

It should be noted that employment growth was predominantly during the 'boom' years. The number of employees in the North West HMA peaked at 52,445 in 2007. Since then, economic growth has fallen, and the employment base continues to be restructured.

Figure 3: Employee Share by Industry (SIC 2007 workplace based), 2007 & 2009



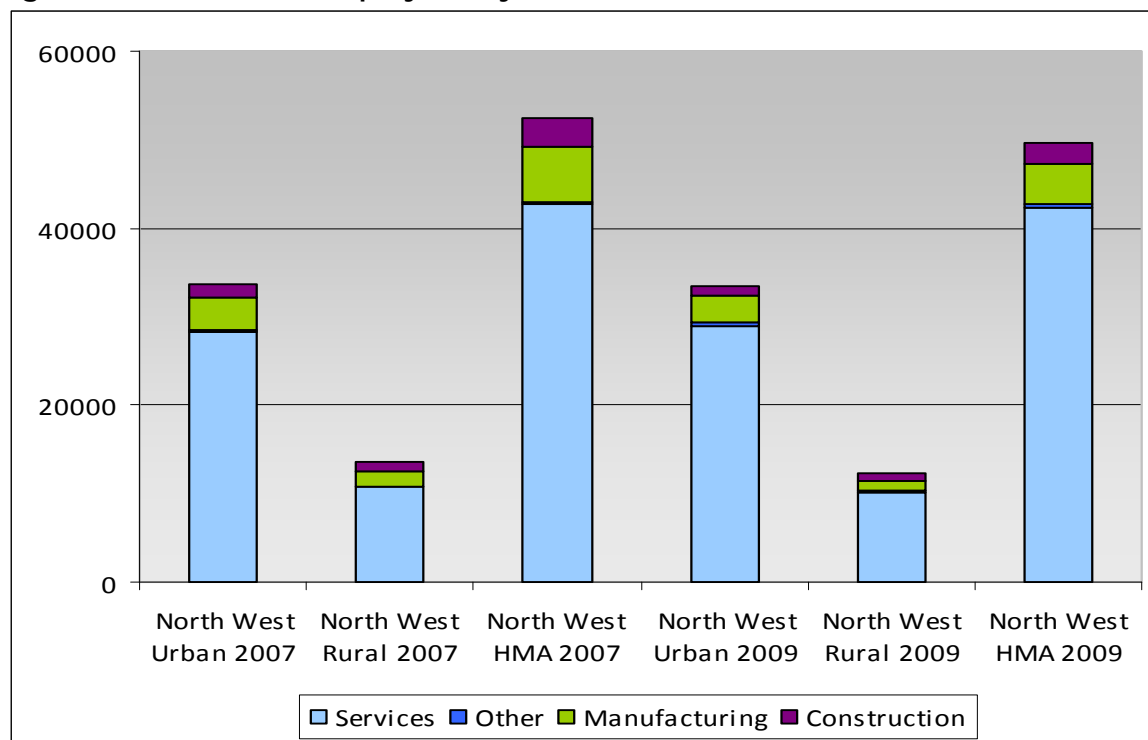
Source: Census of Employment, 2009 (DETINI, 2011)

Figure 4 shows the changes in employment across the sectors. Manufacturing and construction showed the greatest actual and percentage falls in employment.

According to the report by Oxford Economics (2010), the business sector was the main driver of employment creation in the Derry/Londonderry economy over the decade to 2008. The report contends that although some of the gains will be lost from the recession, it is contended that business services will remain the key growth sector in the local economy. It also anticipates a net loss of employment from public administration and education, but a modest job growth is expected from the health sector given the increased demand arising from a growing population.



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



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

Incomes and earnings

Earnings/Local Government District earning data presented in Table 2 provides a broad indication of earnings across the North West HMA⁴. It shows that:

- Work based full time earnings in North West HMA were substantially lower than the Northern Ireland average for both residence and work-based incomes, and for both median and lower quartile calculations;
- Derry LGD contains the highest median earners in North West HMA;
- Outside the LGD of Derry, weekly pay is notably lower, particularly for work based earning.

The figures below are also median earnings and do not consider the range of incomes. It is reasonable to assume that city of Derry/Londonderry, given its size would attract higher income earners than the rest of the North West HMA.

⁴ ASHE outputs at LGD level are subject to sampling error and are 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 are all 2009 based. However, after allowing for sampling error, there were no significant changes in the broad patterns of gross weekly earnings.

Table 4: Full time employee gross weekly pay, 2009

LGD	Lower Quartile		Median	
	residence	Work based	residence	work based
Derry	£293	£329	£400	£435
Limavady	£329	Insufficient data	£390	Insufficient data
Strabane*	£291	£272	£387	£346
Northern Ireland	£312	£311	£439	£439

Source: DETINI (2010) ASHE

Notes: * Strabane LGD is mostly outside the North West HMA region but is included here for comparison

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 6, comparisons with the FRS and other data sources, suggest this data source provides a useful indication of the distribution of households incomes at the North West HMA level. The North West HMA remains consistently below the regional average across all income distributions. Table 5 illustrates that household incomes in the North West HMA area are lower than that of Northern Ireland as a whole whether it is examined in the lower quartile, upper quartile or median earnings.

Table 5: Gross household income distributions, 2009

Area	Lower Quartile	Median	Upper Quartile	Average
Northern Ireland	£18,597	£29,421	£44,793	£34,723
North West HMA	£15,248	£26,159	£42,545	£32,319

Source: CACI (2009) Paycheck

Fuel poverty is also an indication of gross household income. The Family Resources Survey found that of all those households across Northern Ireland that could not afford to keep their accommodation warm, 23% lived in Derry/Londonderry.

Incomes and tenure

CACI Paycheck cannot be used to track trends, but some indication of change in household incomes can be gauged from the HCS, 2001 and 2006. Figures presented in Table 6 suggest that:

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



	Owner Occupied		Private Rented		Social Rented		All Tenures		Northern Ireland All Tenures	
	2001	2006	2001	2006	2001	2006	2001	2006	2001	2006
Mean Income	18000	22700	11800	14000	8400	9900	14600	18300	16700	19100
Median Income	17500	18000	12500	10500	8500	8500	12500	12500	12500	14500

Source: HCS, 2001 and 2006

Figures have been rounded.

- Household income in North West HMA is less than Northern Ireland as a whole, but the mean income in North West HMA increased at a faster pace between 2001 and 2006;
- While there has been a notable increase in the average income in the North West HMA from 2001 to 2006, the constant median income would suggest that those in the lower income bracket have generally not seen an improvement of their circumstances, particularly those living in rented accommodation (private and public). This is less apparent throughout Northern Ireland as a whole.

Short and longer-term economic outlook and associated challenges

The immediate impact of economic recession on the housing system

The North West 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. This made it difficult for firms to secure funds for investment 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 North West HMA. This in turn led to a steep downturn in housing construction, property transactions and house prices. As prices decreased sharply, 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.

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 North West HMA, as in the rest of Northern Ireland, remain tentative. There is still 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 conveyance, 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 averages for each of the four months to January 2011 in terms of output, orders and employee numbers were all down from the comparable numbers for the same period to January 2010.

One reason for the lack of economic recovery in North West 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. This has particularly impacted on the North West economy given the proximity to the Republic.

The economy in the North West and the rest of 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, as 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 earliest⁵.

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 is likely 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.

⁵ 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.



The UK Government's 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 increase 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 6.

Finally, weak economic and housing market conditions are likely to see some increase in the number of people who continue to live with their parents, move back to live with their parents, or share housing with others. As a result, household formation rates for the North West HMA and elsewhere in Northern Ireland may be below the projected trend for the next three to five years. If this does arise, the number of households living in the North West HMA by 2015 may be somewhat lower than NISRA project.

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 was 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 moderate over the long term due to proportionately fewer households having the capacity to purchase housing.

Richard Barnett's (2009) review of economic policy, and more recent reports by Oxford Economics (2010) commissioned by Ilex Urban Regeneration Company Ltd for Derry/Londonderry, 2008 & 2009 Centre for Cities (2009), all concur that the root problem of the Northern Ireland economy is an under-developed private sector. In order to close the productivity gap with the UK (excluding London and the South East) all of the reports demonstrate 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 implementing housing policies which ensures 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 higher levels of graduate jobs is accompanied by expansion of other employment opportunities and skills development to prevent further social and economic marginalisation of low skilled workers;
- In addition, the report by Oxford Economics highlights the need for additional employment skills in Derry/Londonderry which does not currently match Belfast. This is stalling the growth of the North West economy. The city has a relatively small proportion of its jobs in the wealth generating sector of financial and business services, and relies too much on public administration which could be vulnerable to Government austerity measures.

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

Demographic Trends

Population and projections

Table 7 shows population change for the North West HMA from 2001 to 2008. Over this period, the North West HMA population increased by 5,380 to 145,444. This equated to an increase of 3.8%, which was below the Northern Ireland average of 5.1%.

Table 7: Northern Ireland population estimates 2001 to 2008

	2001	2004	2008	change 2001-8 (%)	change 2004-8 (%)
Northern Ireland	1,689,300	1,710,300	1,775,000	5.1	3.8
North West HMA	140,100	143,000	145,400	3.8	1.7
North West HMA housing subdivision					
North West Urban	84,500	84,600	84,900	0.5	0.4
North West Rural	43,400	45,700	47,800	10.4	4.6

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

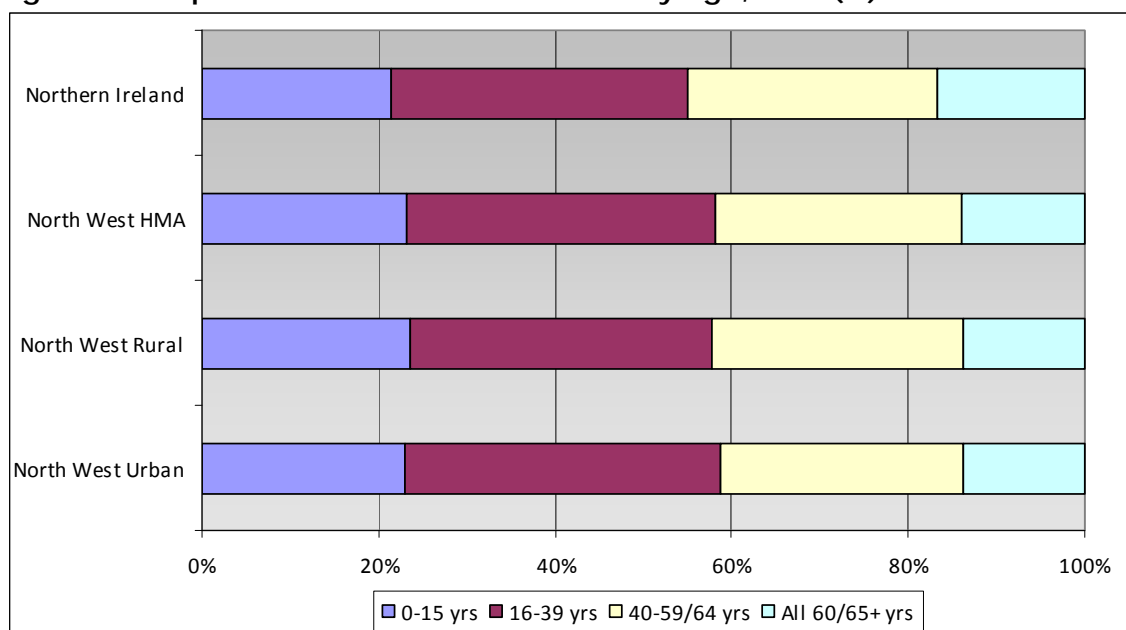
Composition of population

Looking across North West HMA, Figure 5 and Table 8 show that:



- Relative to Northern Ireland, the North West HMA has experienced comparatively low rates of growth in the number of adults of working and/or retirement age and a sharper fall in the number of children. Nonetheless, the age composition of the North West HMA population remains similar to that for the population of Northern Ireland;
- Within the North West HMA, 23% are children and 13.9% are older people. The Northern Ireland equivalent is 21.5% and 16.7% respectively.

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



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

At subdivision level, the following is noted:

- Both North West Urban and North West Rural have seen a growth in the number of adults of working age, although there have been differences in the scale and rate of increase. North West Rural has experienced an above average rate of growth (10.9%) when compared to the Northern Ireland average (6.6%). North West Urban experienced a below average rate of growth (3.2%);
- North West Rural has seen an overall population increase of 10.4, almost double the Northern Ireland average (5.1%);
- The rate of growth in the number of adults over retirement age has increased more sharply across the North West HMA than at the national level reflecting an aging population in the area;
- Both North West Urban and North West Rural have seen a growth in the working age population, most significantly in North West Rural which saw an increase of 10.9%. This may suggest that in recent years, North West Rural has been more attractive to those seeking to raise their families in less densely populated areas.

Table 8: Northern Ireland Population Estimates 2001-2008

	Northern Ireland	North West HMA	North West Urban	North West Rural
Population 2008				
0-15 years	381,074	34,090	19,811	11,452
working age	1,098,109	91,681	53,669	29,950
retired	295,832	19,671	11,415	6,352
Total	1,774,995	145,442	84,896	47,754
Population 2001				
0-15 years	397,156	36,939	22,642	11,335
working age	1,029,939	86,673	51,996	27,017
Retired	262,225	16,452	9,870	5,011
Total	1,689,310	140,064	84,508	43,364
Change in population age group 2001-8 (numeric)				
0-15 years	-16,082	-2,849	-2,831	117
working age	68,170	5,008	1,673	2,933
Retired	33,607	3,219	1,545	1,341
Total	85,685	5,378	388	4,390
Change in population age group 2001-8 (percent)				
0-15 years	-4.0	-7.7	-12.5	1.0
working age	6.6	5.8	3.2	10.9
Retired	12.8	19.6	15.7	26.8
Total	5.1	3.8	0.5	10.1

Source: NISRA (2010) Mid-Year Small Area Population Estimates aggregated to housing market and subdivision 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, 1,122 individuals in the North West HMA belonged to a minority ethnic community⁶. This was equivalent to 2% of Northern Ireland's ethnic minority population but less than 1% of the North West HMA population.

According to the Census in 2001, 99.2% of the Northern Ireland population consider 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 Northern

⁶It 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.



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

Since the EU expansion in May 2004, there has been an increase in the number of people living in Northern Ireland that were born in Eastern Europe⁷. 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 A8 countries that NISRA estimate live in Northern Ireland (see Table 9). To put this into context, the Census reported that 720 residents had been born in Eastern Europe in 2001.

These estimates suggest that, whereas the A8 population has 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.

While a breakdown at subdivision level for North West HMA is not available at this time, the context and baseline report for the regeneration publication 'One Plan⁸' suggests that the city of Derry/Londonderry has missed out on the significant in-flow of international migration which other locations in Northern Ireland (and the UK in general) may have experienced in recent times. This may reflect limited employment opportunities, though the strong retail sector and tourist-related employment might have been expected to attract more in the way of international migrants.

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 Stock Population by Local Government District, 2009

LGD	A8 Population (2009)	2009 Mid Year Estimate	% of Population
Derry	600	108,500	0.6
Limavady	300	34,400	0.9
Strabane	300	39,400	0.8
Northern Ireland	30,000	1,759,100	1.7

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

With a population of 84,508, North West Urban, which incorporates Derry/Londonderry, is the most populous. Its population is double that of North West

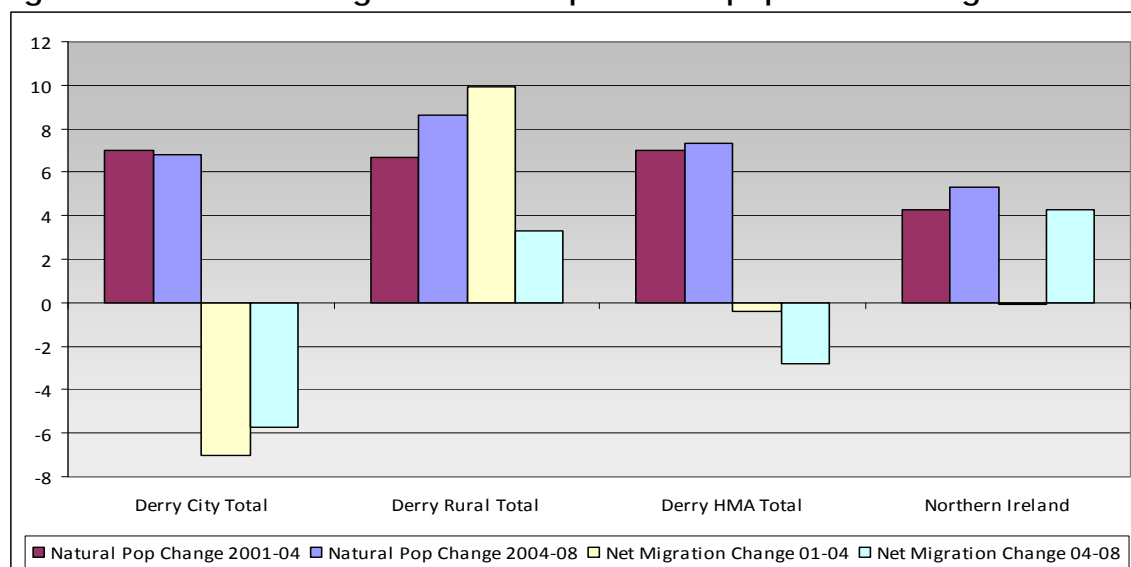
⁷ Cyprus & Malta joined the EU in 2008, as did 8 other countries often referred to as the A8 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia). Romania and Bulgaria joined in 2007.

⁸ The Context and Baseline Report: Derry/Londonderry – today & tomorrow was published in Autumn 2010 by Oxford Economics.

Rural which is home to 32% of all residents living in the North West HMA. Overall, the North West HMA has approximately 8% of the population of Northern Ireland.

Population change results from migration and/or natural population increase or decrease (which is the balance between births and deaths). Natural change is main cause population growth in the North West HMA, although the relative importance of natural change and net migration has varied between North West Urban and North West Rural (see Figure 6).

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

The decline in the North West Urban population from 2001 to 2004 was the result of net out-migration, which was in excess of natural growth. Between 2004 and 2008, a marginal increase in net migration largely offset the continuing outflow of individuals to the rest of Northern Ireland. The context and baseline report which supports 'One Plan' relates the steady loss of residents to job opportunities and education elsewhere. This skilled pool of labour does not appear to be returning in large numbers which is another key factor in this decline.

At the other end of the spectrum, net migration was the main driver of population growth in North West Rural from 2001 to 2008.

North West 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 the North West HMA population could increase by 2.3% in the period to 2015 and by 4.6% by 2023.



Table 10: North West HMA population projections, 2010-23

	2010	2015	2023	change 2010-23		change 2010-15
				No	(%)	(%)
2008-based population projections						
North West HMA	146,868	150,319	153,601	6,733	4.6	2.3
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.

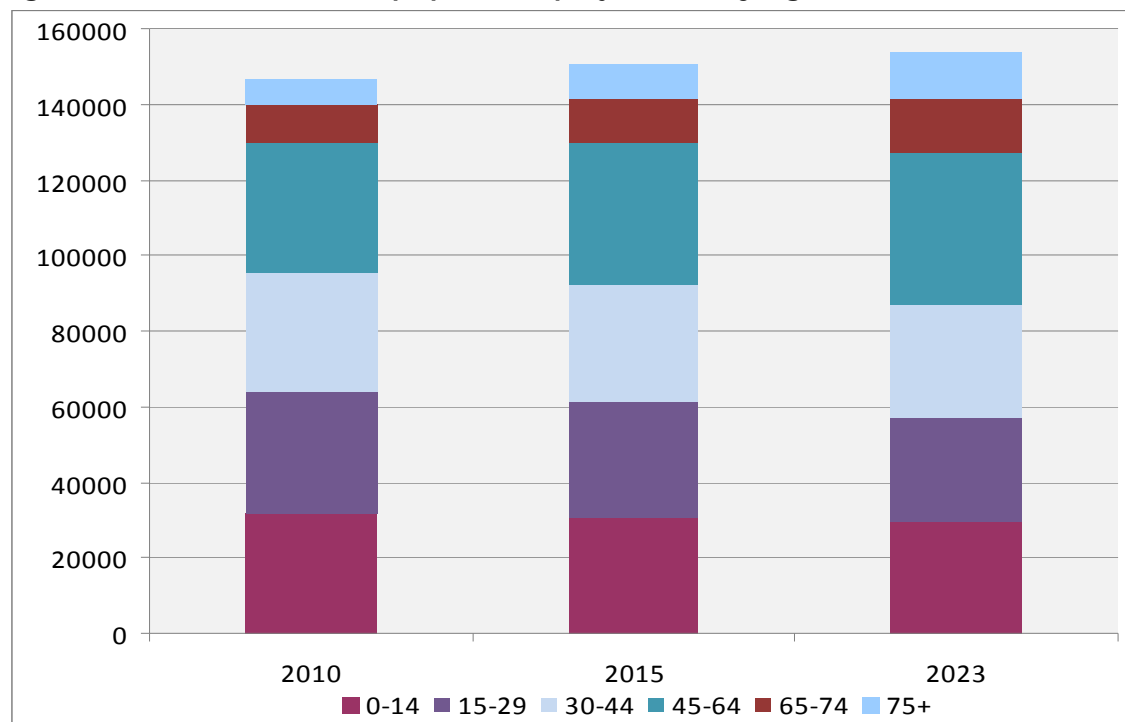
The figures are based on NISRA projections for the North West HMA

The 2008-based projections suggest that the numbers of people living in the area will gradually increase by 6,733 to 153,601 by 2023, whereas previous projections suggested the population would decline. The reversal in the projected trend suggests that NISRA have allowed for higher rates of natural population growth, presumably linked to increased longevity, and lower rates of out-migration than previously assumed.

NISRA has projected the age profile of the North West HMA up to 2023, as shown in Figure 7, and concludes that:

- By 2023, 64% of the population could be adults of working age, 19% could be children under the 15 years and 17% could be aged 65+ years;
- The number of adults aged 15-29 years, which is the key household-forming age group, may decline by 14% to 27,638, with most of this decline (10%) projected to occur after 2015. However, as the migration and the household formation patterns of this age group are influenced by economic conditions and the dynamics of the housing system, this long-term trend should be treated with caution;
- The number of people aged 45-64 years could increase by 17%. Most of the growth in the number of people in this age bracket is projected to occur between 2010-2015;
- The number of people aged 65+ years is projected to increase by 3,879 (38.2%) to 14,046 whilst the numbers aged 75 years or above is projected to increase by 5,068 (71%) to 12,214. Thus, 8% of the population could be aged over 75 years by 2023. Most of the growth in the numbers of people aged 75+ years is projected to occur after 2015.

Figure 7: North West HMA population projections by age, 2009-2021 (2008-based)



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

Based on recent economic and demographic dynamics, the 2008-based projections for the period to 2015 appear to provide a more plausible scenario (than the 2006 projections) of the general direction of population change at North West HMA level in the period to 2015. Continuing weak economic and housing market conditions continue to impact across the North West HMA particularly in the period to 2015. There is a risk that the rate of population growth for the North West 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 level and associate house building return to 2007/08 levels, and how quickly consumer and developer confidence in the housing market returns.

Household projections

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.

North West HMA household trends

The long-run trend towards the formation of smaller and single person households have ensured that household growth has occurred across the North West HMA and



the rest of Northern Ireland. The increase in single person households reflects a mix of factors including higher divorce rates and higher numbers of adults delaying marriage and child bearing until they are in their 30s. Most significantly, older people that outlive their partners continue to live alone for a much longer time than in the past.

Table 11: NISRA 2008-based household projections for North West HMA 2010-23

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
North West HMA	53,400	56,300	59,000	59,900	5.4%	10.5%	12.2%
Northern Ireland	706,400	749,200	794,400	810,400	6%	12%	15%

Source: NISRA 2008-based household projections (2010)

Figures rounded to be consistent with NISRA reporting conventions

- NISRA project that 59,900 households may be living in the North West HMA by 2023 (see Table 11 above) which is lower than the comparable rate for Northern Ireland;
- Derry LGD is predicted to have the greatest increase in households within the North West HMA. Between 2010 and 2023, households are predicted to increase by 12%;
- Limavady LGD is forecast to increase by 11% over the same period of time.

Table 12: NISRA 2008-based projected households by household type to 2023

	2010	2015	2023	change 2010-23		change 2010-15
				No	%	
Northern Ireland						
Single person households	213,000	236,400	273,800	60,800	29%	11%
Two adults without children	184,800	200,800	222,000	37,200	20%	9%
Other households no children	98,300	96,100	88,100	-10,200	-10%	-2%
Lone adult with children	37,000	37,100	37,500	500	1%	0%
Other households with children	173,300	178,800	189,000	15,700	9%	3%
All households	706,400	749,200	810,400	104,000	15%	6%
North West HMA						
Single person households	16,100	17,800	20,200	4,100	25.5%	10.6%
Two adults without children	14,000	15,100	16,400	2,400	17%	7.9%
Other households no children	7,400	7,200	6,500	-900	-12.2%	-2.7%
Lone adult with children	2,800	2,800	2,800	0	0	0
Other households with children	13,100	13,400	14,000	900	6.9%	2.2%
All households	53,400	56,300	59,900	6,500	12.2%	5.4%

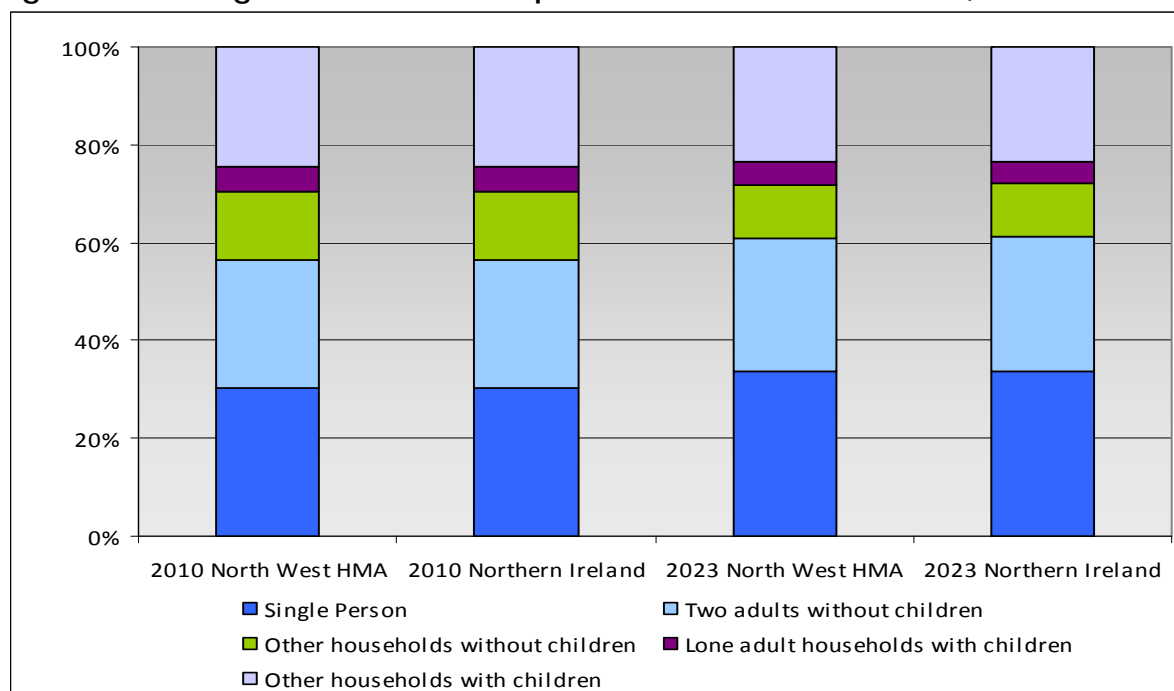
Source: NISRA household projections 2008-based

NOTE: North West HMA includes the LGDs of Derry/Londonderry, Limavady and approximately 5% of the Strabane LGD.

Figures for the BMA and hinterland based on corrected figures provided by NISRA in January 2011

Table 12 shows projections for the North West HMA by household groups. It shows that household growth will be driven by an increase in smaller and single person households. NISRA anticipate an increase in the number of households to 59,900 (12%) between 2010 and 2021.

Figure 8: Change in household composition in the North West HMA, 2001-6



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, requires judgment 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 North West 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

The Border Region of Ireland, which includes County Donegal, adjoins the North West HMA and has a population of 492,500 (2008 estimate). Between 2002 and 2006, the population of the region grew by 8.3% in line with the Irish national average. Approximately 65% of its population lives in rural areas and it is one of the least densely populated regions of the State. While population growth in the period 2002-2006 was extensive in the border region, areas such as West County Donegal experienced a decrease in population over that period.



Census figures show that the population of County Donegal was 147,264 in 2006 and is projected to grow by 12,927 to 171,331 by 2016. Letterkenny is the largest settlement and is home to 12% of the county's population. Approximately 75% of the county's population live in rural areas and this is higher than the average (65%) for the remainder of the border region, a trend which is projected to continue until 2016.

Letterkenny is a key settlement and the economic driver for the County. The Letterkenny-Derry/Londonderry linked gateway is of national, regional, local and cross border significance. The gateway is a major driver of economic development across the County in conjunction with the strategic support towns which include Killybegs and Bridgend in the light of their specific potential in relation to maritime and energy technology and internationally traded services.

In the years to 2007, the ROI's economy grew at a rate of 5-6% per annum. Since the downturn, the economy has slipped into recession which has affected the county. The live register provides an up-to-date measure of employment in the county. It indicates that there were 9,663 persons on the register in September 2002 rising to 12,550 in September 2008 rising to 21,333 by September 2010.

The pattern of retail spending has recently changed with a challenging and competitive retail environment influenced by cross-border trading, increased competition and the emergence of new retailing models. The fluctuation of the Sterling-Euro exchange rate has influenced patterns of cross-border shopping. How the changes have affected employment in the retail industry will not be definitively known until the publication of the 2011 Census.

Donegal County Council is the lead agency on the County Development Board. The Board plays a key strategic role in the economic development of the county. The co-ordination at county level is complemented by cross-border collaboration with regard to economic development. This is done primarily through the North West Partnership Board (NWPB) which draws its membership from the County Development Board (CDB) and the Derry Strategy Board through which cross-border priority goals and actions have been identified. The County Development Board is responsible for the integrated Donegal Strategy for economic, social and cultural development. In this context the CDB has identified a number of strategic priority goals related to such areas as the 'green economy', inward investment, enterprise skills/higher education, culture, tourism and access to services.

While population predications for the North West HMA cannot be directly compared to County Donegal, it is noted that both areas are set to increase. Inward migration is expected to fall and outward migration is set to increase across Northern Ireland due to the falling value of sterling and the uncertain economic climate. It is accepted that the changed economic circumstances which have seen migration slowing in the border counties could result in the actual population less than that projected. Conversely, the continued implementation of the National Spatial Strategy / Regional Development Strategy (Northern Ireland) signals the potential for

continued growth in the Derry/Londonderry-Letterkenny corridor which could impact on this and should be monitored.

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 Great Britain, the ROI and overseas to Northern Ireland as well as a sharp upturn in residential mobility among existing residents.

One consequence of this dynamism was that the number of people and households living in the North West 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.

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.

In the wake of the 'credit crunch', there has been a steep downturn in the housing market of North West HMA and elsewhere in Northern Ireland. Prior to 2008, the North West and 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 North West HMA, there were high concentrations of low income and benefit dependence amongst the working age population of North West urban 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 jobless economic recovery. One possible consequence of this may be an increase in the number of people who delay setting up an independent home and reduce rates of household formation until employment levels increase. This could serve to reduce the requirement for housing and suppress the number 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, more dynamic private sector economy may exacerbate the trend towards residential segregation. Affluent households that have the ability to exercise choice in the housing market have increasingly chosen to move from North West Urban to North West Rural. Consequently, those with few choices in the housing market have become increasingly concentrated within North West Urban and, in particular, parts



of Derry/Londonderry. Without sustained in-migration to maintain and grow the population, particularly in Derry/Londonderry and Limavady, there is a risk that existing residents 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 North West HMA could increase by 6,500 to 59,900 between 2010 and 2023. These projections have informed the draft Revised RDS 2011-25 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 number 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 who want to continue to live in their family home.

The planning for housing implications regarding the mix of housing required to support improved economic performance will therefore require careful consideration alongside the housing implications of household growth and, in particular, the growth in older households.

Over the past 12 months, it has become clear that the severity and depth of the economic recession will shape future pattern 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. It is important to keep in mind that as the situation will have changed since the production of this document. As a result, some of the implications that we discuss have involved a degree of informed conjecture based on our assessment of available local evidence, emerging findings from other research and our own professional opinions.

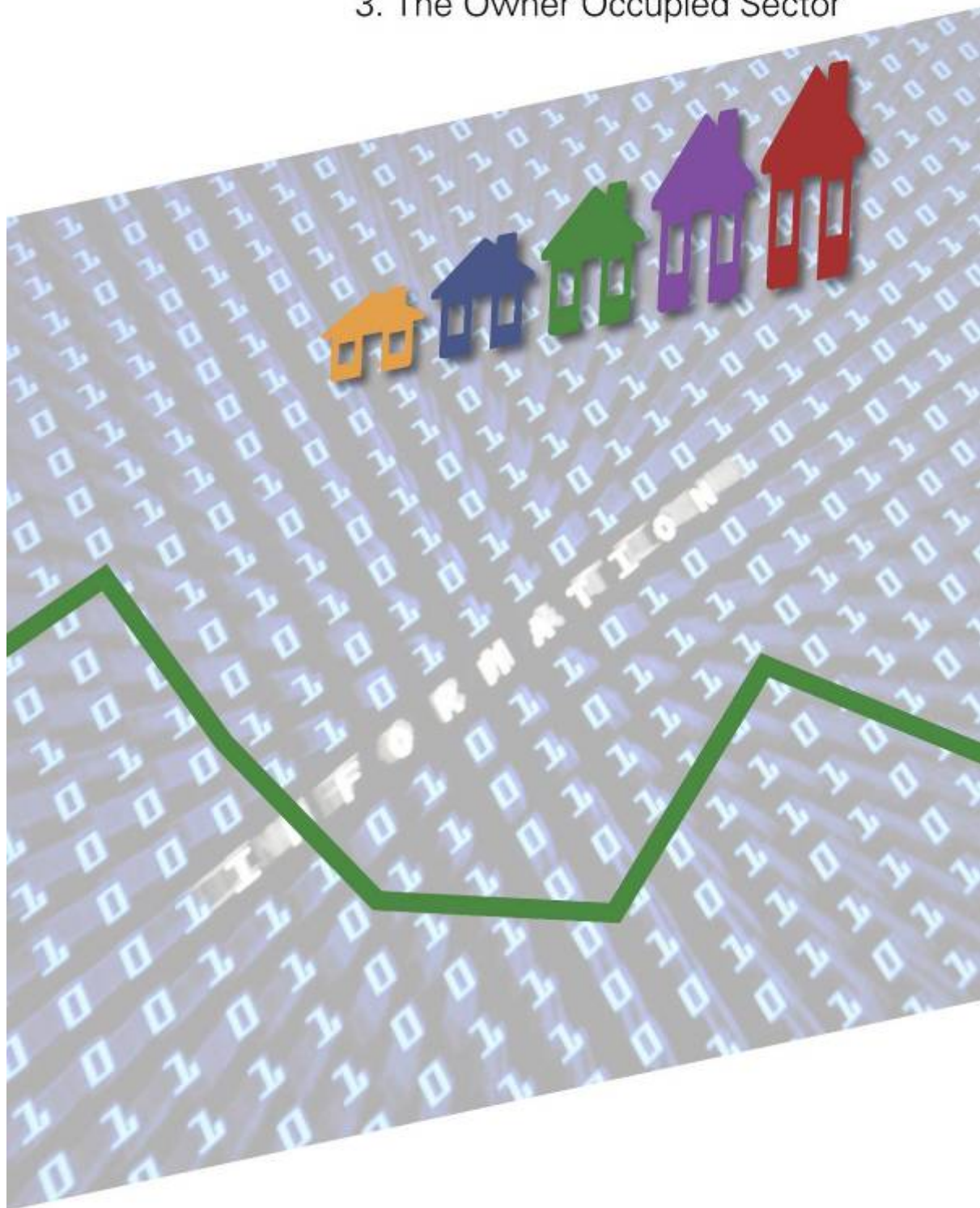
Key Issues

- The 'credit crunch' has led to a downturn in the housing market in across the North West HMA and Northern Ireland as a whole;

- Within the North West HMA there are concentrations of low income and benefit dependence among the working age population. Their financial circumstances impact on their housing choices;
- Planning 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 the family home. This could suppress demand for housing in the short to medium term;
- Lack of economic growth may lead to further residential market segregation as only affluent households will have a choice in the housing market;
- In the decade to 2008 rapid demographic change occurred across Northern Ireland. Household growth in the North West HMA was supported by continuing trend towards the formation of one and two person households;
- An increase in life expectancy means increasing the numbers of older households, many of whom wish to remain living in their own homes and is an important factor to consider in the formulation of policy in relation to housing, social and health services.



3. The Owner Occupied Sector



3. NORTH WEST HMA: THE OWNER OCCUPIED SECTOR

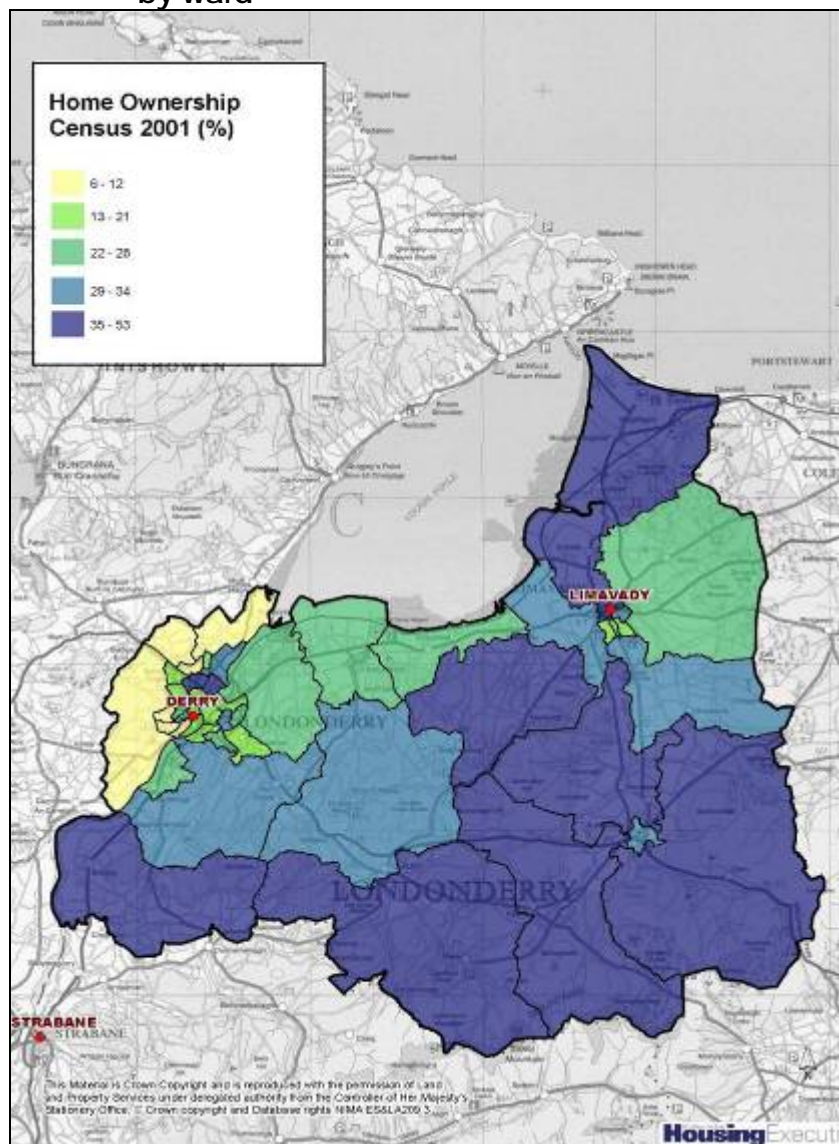
Introduction

This chapter considers the characteristics and dynamics of the owner occupied sector of the North West HMA, including recent housing supply and price trends.

Profile of the owner-occupied sector

In 2001, some 59% of households in the North West HMA were living in the owner occupied sector, compared to the Northern Ireland average of 67%. Map 3 illustrates the percentage of people who owned their properties by ward within the North West HMA.

Map 3: Census percentage of households living in owner occupied sector in 2001, by ward



Source: Census 2001



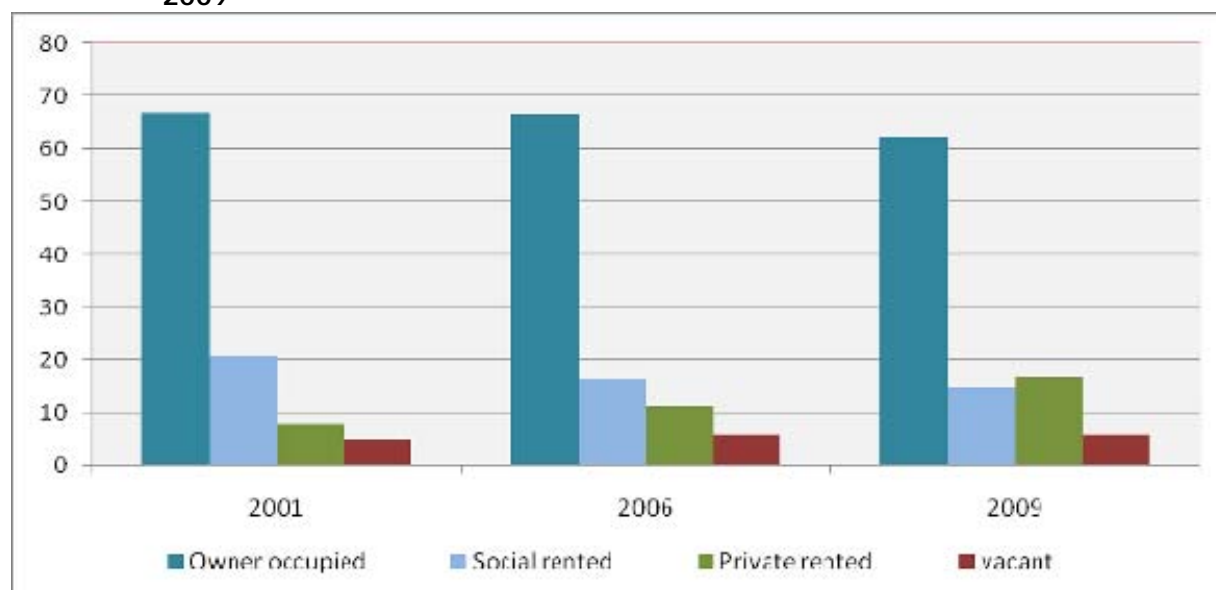
According to the Northern Ireland Census 2001, there were generally lower concentrations of ownership around the principal urban areas and commuter catchments of Derry/Londonderry and Limavady. Nonetheless, a few urban wards had relatively high home ownership including Pennyburn, Ballynashallog and Lisnagelvin in Derry/Londonderry, and Roeside and Rathbrady in Limavady.

Recent tenure trends since 2001

Evidence from the HCS suggests that between 2001 and 2006, there was a percentage fall in owner occupation across the North West HMA, the largest fall was in Limavady Local Government District (LGD) i.e. Limavady Borough (63% in 2001, and 58% in 2006), whereas the Derry City Council area remained relatively stable (57% in 2001 and 58% in 2006).

Findings from the Continuous Household Survey also suggest that the proportion of households that were homeowners began to level off during this period.

Figure 9: Tenure of occupied stock and vacant stock in Northern Ireland, 2001-2009



Source: HCS

Since 2006, there has been some decline in the owner occupied sector across Northern Ireland. In 2009, there were 461,800 units in the owner occupied sector, representing 62% of the total stock. This contrasts with a gain in the proportion of households renting from a private landlord, and a slight increase in the proportion of vacant properties.

Likewise, the HCS indicates that home ownership as a proportion of overall tenure declined since 2006 across the North West HMA. Although the boundaries for the HCS 2009 were based on the proposed eleven new Council boundaries, a 5% decline in the proportion of home ownership is evident across the entire North West (Derry and Strabane LGDs) and Causeway Coast (Limavady, Coleraine, Ballymoney

and Moyle LGDs) areas. The respective figures are 55% and 62% in 2009, from an average of 60% and 67% in 2006 for the same combined LGD areas.

The PRS has attracted many prospective buyers, causing tenure shifts across the market. From 2001 onwards, this appears to have had a larger impact in the Limavady LGD than in Derry LGD. Tenure shifts across Limavady LGD may have been triggered by a vibrant private sector and rising house prices. Every year since 2007, the number of claimants for private housing benefit has increased across the entire HMA according to figures produced at LGD level (Derry LGD increased by 43% and Limavady LGD by 89%).

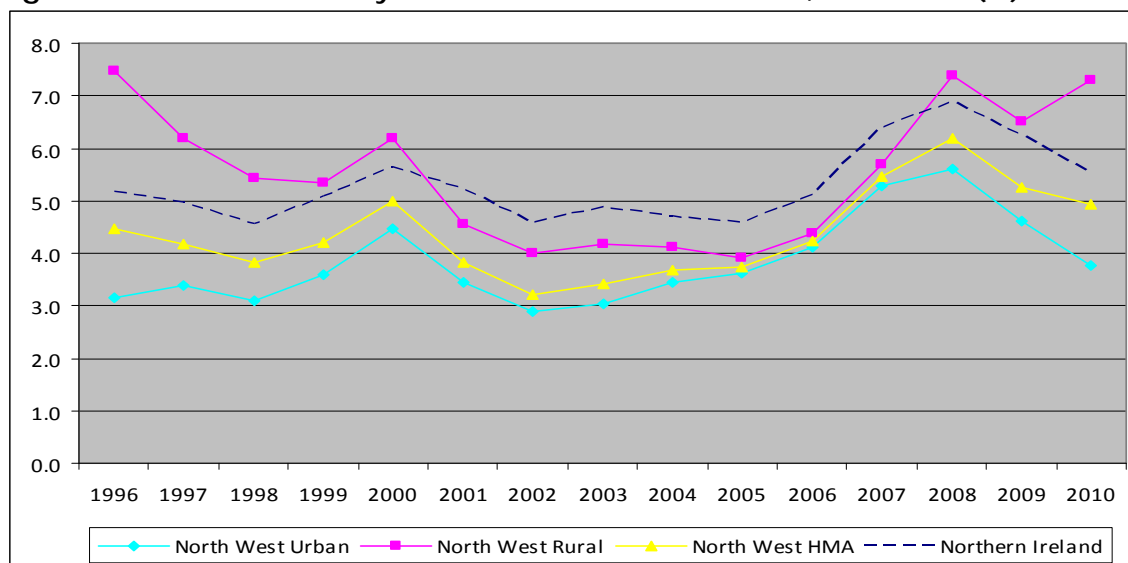
Vacant dwellings

The RDS 2011-2025 assumes that a vacancy rate of 5.7% is necessary at the Northern Ireland level⁹ across all sectors of the housing market. Compared with this benchmark, evidence from NINIS (Figure 10) indicates that the average vacancy rates for the North West HMA since 1996 have been below this benchmark. The North West Rural subdivision has been an exception, particularly since the financial crash of 2007, showing above-average vacancies. This suggests a greater exposure of the rural housing market to the economic downturn. Between 2008 and 2009 saw some correction to the rural housing market, but the following year saw an increase again to approximately 2% above the Northern Ireland average. Overall, urban areas have experienced the lowest percentage vacancies.

⁹ A minimum level of vacant dwellings is considered acceptable at any time to allow households to move from one dwelling to another. In addition, a number of dwellings will be vacant because they are undergoing repair or have just been completed. An allowance for vacancies is therefore necessary when calculating the balance between the housing supply and demand.



Figure 10: Annual vacancy rates across North West HMA, 1996-2010 (%)



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

The North West HMA experienced a sharp increase in the numbers and proportions of vacant stock between 2006 and 2008. Since then, there was a decline in the proportion of vacant dwellings, except for the North West Rural subdivision. In 2008, 6.2% of the total housing stock was vacant, but by 2010 this had reduced to 4.9%.

Vacancy rates in North West HMA peaked in 2008, possibly due to a high number of new units constructed in the three to four years to 2007. Greater levels of new supply usually lead to some increase in vacancies in the short term. The onset of the recession, severe credit constraints and an erosion of consumer confidence has heightened the impact of this short term effect. The construction of private 'new-builds' in the North West HMA has dropped considerably since 2007/08, and this may in part explain the drop in vacancies since then.

Housing stock flows

New house building

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

It is estimated that between 2007 and 2010 an average of nine units per 1,000 households were started each year in the North West HMA. Although below the comparable rate of 14 units per 1,000 households for Northern Ireland, it was similar to the UK average. Prior to the financial crash of 2007/8, the rate of new starts in the North West HMA was double, at 18 units per 1,000 dwellings, this was still less than the Northern Ireland average of 20 at that time. In the North West HMA peak construction activity occurred in the early years of the last decade, as shown in Table 13.

Table 13: New dwelling sector starts in the North West 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	1019	231	1256	18.4
2001/2	700	21	723	2.8
2002/3	917	3	920	0.4
2003/4	899	72	971	7.4
2004/5	819	46	865	5.3
2005/6	774	14	788	1.8
2006/7	527	104	632	16.5
2007/8	466	26	492	5.3
2008/9	232	102	335	30.5
2009/10	282	182	464	39.2
Average 2000/1- 2003/4	884	82	967	7.25
Average 2004/5- 2006/7	707	55	762	7.9
Average 2007/8-2009/10	327	103	430	25
Average 2001/2 – 2009/10	663	80	745	12.7
Total North West HMA	6635	801	7446	12.7
Northern Ireland	114,007	10,282	124,289	8.3

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.

In terms of construction activity, there were some geographic differences across North West HMA. Although the greatest amount of house building occurred within the Derry LGD during the past decade, Limavady LGD had a considerably higher rate of house building per population. Derry LGD was also the most responsive to the economic conditions, with a fall more apparent than in Limavady LGD. In 2006, for example, 68% of the new private sector starts were in the Derry LGD, whereas by 2010, this had dropped to 42%. In 2010, the number of new-build starts in Limavady LGD had surpassed that of Derry LGD.

An explanation may be that a comparatively high number of 'one-off' rural dwellings were constructed across Limavady LGD that were more ambivalent to the wider economic conditions. Some of these could have been second homes or holiday homes. In addition, evidence from DOE Planning and local estate agents suggests that the availability or release of development land may have been more difficult in Derry LGD.

The year 2009/10 saw an increase in private sector construction starts, but more recent figures in 2010/11 suggest a downward trend again. Evidence from estate agent consultation shows that any yearly increases do not necessarily translate into more property transactions. Where there are sales, these have tended to be at the



lower end of the housing market such as former Ministry of Defence (MOD) and Housing Executive properties.

House building relative to RDS 2001-25 targets

The Housing Land Availability Summary Report 2010, issued by DOE Planning in January 2011, indicates that by July 2010, 112,028 dwellings across Northern Ireland were completed since the start of the RDS 2001-25 housing allocation period i.e. 31st December 1998. This includes 9,251 units in the North West HMA. These completion figures are not fully comprehensive because they do not include units completed in the open countryside.

Table 14 compares the annual average numbers of starts over the ten years to March 2010 with the annualised equivalent housing growth indicator (HGI) and the average net annual household growth to 2010.

In the North West HMA annual average starts have been significantly less than that identified by the RDS through the housing growth indicators, and this is the case for both Derry and Limavady LGDs. This is in contrast with the Northern Ireland average which is slightly higher than the Housing Growth Indicators at 102%. However, the rate of starts in the North West HMA has overshot the rate of household growth in North West HMA at 140%. The combination of these findings has implications for future regional housing land requirements.

Table 14: 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	102%	143%
North West HMA ¹⁰	19300	1200	550	771	64%	140%
Derry LGD	15000	900	450	621	69%	138%
Limavady LGD	4300	300	100	150	50%	150%

Source: NINIS (2011) Total Number of New Dwellings 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

¹⁰ Excludes Slievekirk Electoral Ward in Strabane District

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 the information summarised in Table 14 provides a useful indication of long run trends.

Other stock flows

DSD housing statistics suggest that between 2002 and 2010 an average of about 36 dwellings were lost each year from the entire West Area housing stock. The West Area is defined by the Housing Executive and includes the Local Government Districts of Derry, Limavady, Strabane, Magherafelt, Cookstown and Omagh.

The sale of social housing has also contributed to the growth in owner occupation, although sales rates have fallen since 2004/5. Between 2000/1 and 2003/4 sales to sitting tenants added on average 591 units each year to the owner-occupied sector in the North West HMA. Since then, sales to sitting tenants in the North West HMA and the rest of the UK have declined sharply. In 2008/09 there were just seven sales in the North West HMA, but this number increased to 28 in the following year.

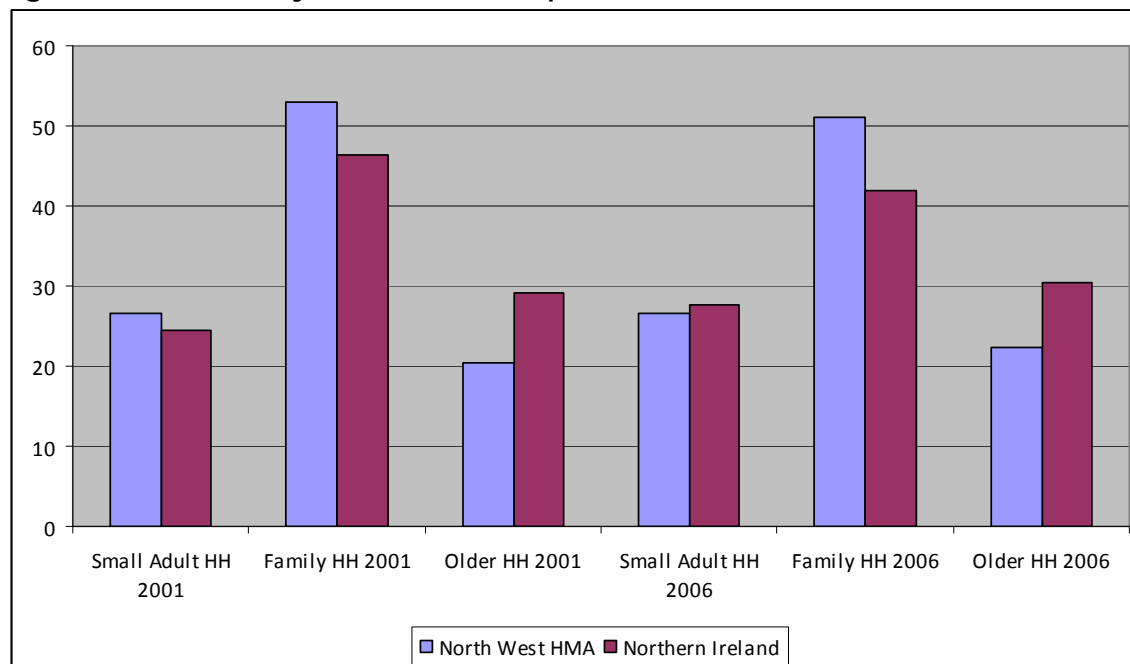
Profile of Owner Occupiers

The composition of households living in the owner-occupied sector in the North West HMA is somewhat different to the average profile for Northern Ireland as shown in Figure 11, comprising more families and less older households. The average household size is also larger in the North West HMA than the rest of Northern Ireland, however it is following the trend for smaller household sizes.

In addition, the North West HMA has a younger population than the Northern Ireland average (23.6% of the population are children, compared with the Northern Ireland average of 21.4%).



Figure 11: Owners by Household Group, 2001 & 2006



Source: HCS

House price and transaction trends

A study of house price movements and the volume of residential transactions over time is one way of understanding the market supply and demand. Housing supply and demand is inextricably linked to affordability. Migration within a HMA tends to be influenced by the price and affordability of housing as well as location attributes such as the quality of a place and the accessibility of transport infrastructure¹¹.

¹¹ There are two main sources of house price data. The first is the Regulated Mortgage Survey (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, used to prepare the Northern Ireland Quarterly House Price Index published by the university in partnership with Bank of Ireland and 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. It contains a much larger sample for each of the Northern Ireland HMAs than the RMS. On the other hand, sample sizes for both surveys, which have been low for sparsely populated areas, have fallen since 2007. Only very limited analysis for areas of low market activity, for example, the North West Rural subdivision, is therefore possible.

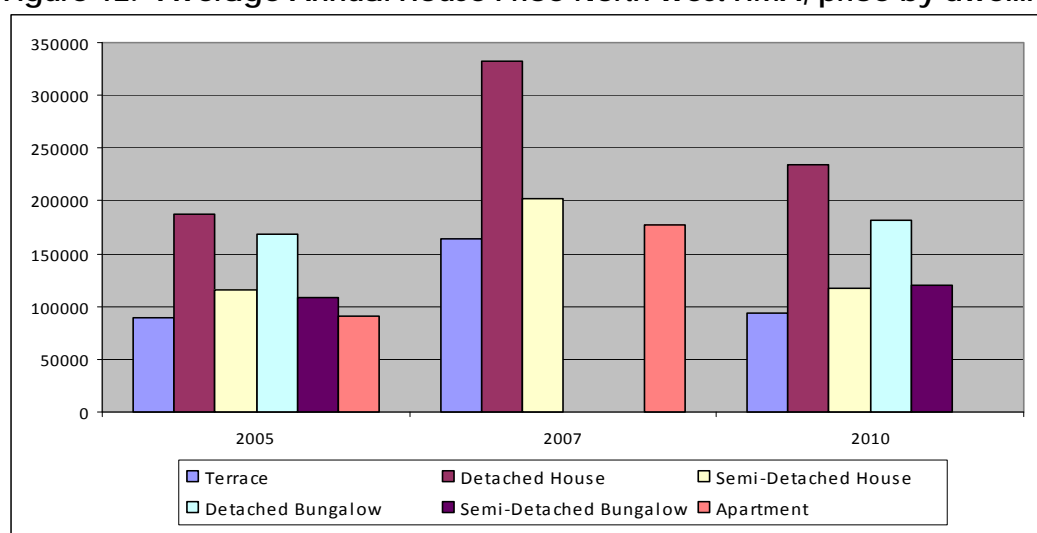
House prices in the North West HMA

Price trends by dwelling attribute

Data supplied by University of Ulster, summarised in Figure 12, shows average prices from 2005, 2007 and 2010 for the North West HMA by dwelling type. The Northern Ireland peak to trough price pattern has been replicated across all dwelling types (where shown) in the North West HMA, although it should be noted that some figures were based on a low number of sales. Between 2007 and 2010, the average non-adjusted house price fell by approximately 30% for detached homes, and approximately 40% for terraced and semi-detached units. There is no reliable information available for 2009.

As expected, detached dwellings were the most expensive through the period from 2005 to 2010. The average price of a detached dwelling was approximately double the average price of a terraced house and/or apartment (flat). The average price for terraced homes and apartments also remained reasonably close to each other and provided the least expensive dwelling type in North West HMA.

Figure 12: Average Annual House Price North West 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.

Low sales volumes across the North West HMA for new-build properties make it difficult to draw firm conclusions on their price trends, but it appears that values may have fallen more steeply than second-hand dwellings. This may be partly due to developers reducing prices on new-build properties.

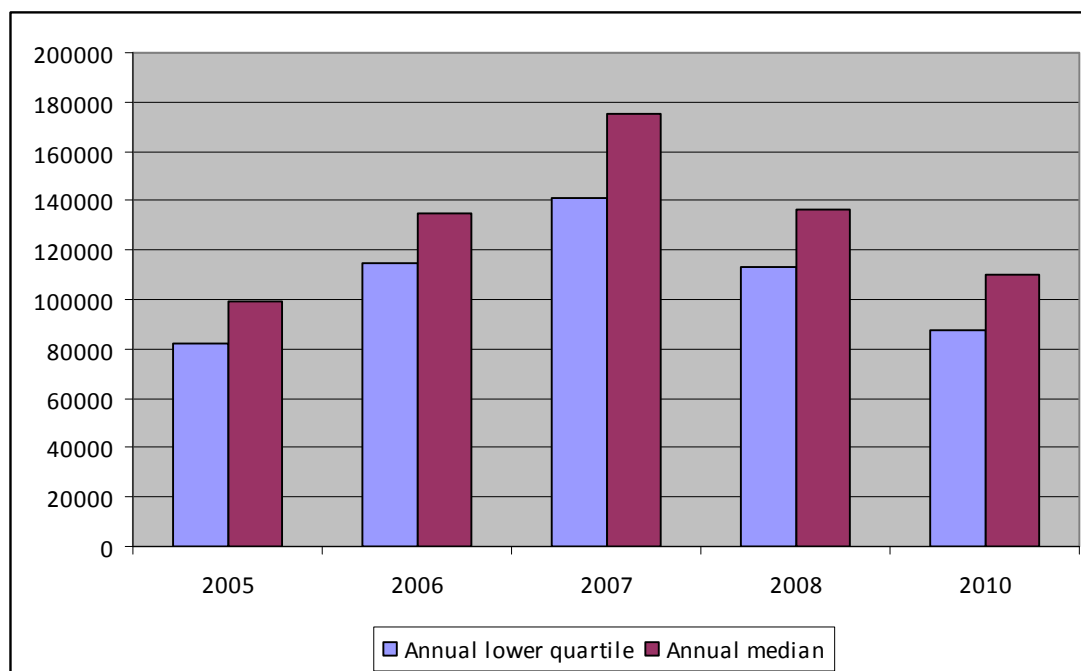
Median and lower quartile prices for 2/3 bedroom properties

Any analysis of the affordability of the housing market requires a judgment about the appropriate house price threshold. 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. Therefore, the lower quartile price point provides an indication of the price threshold above which access to housing for many first-time buyers becomes unaffordable.

Figure 13: Lower Quartile and Median House Prices for 2/3 bedroom properties, North West HMA, 2005-10



Source: University of Ulster House Price Index (based on outputs supplied for this study)
N.B. 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)¹².

Figure 13 shows that in 2010 the lower quartile threshold price in the North West HMA for two/three bedroom dwellings was £88,000. This was significantly less than the lower quartile for a two/three bedroom property in 2007 and exactly half the median in the same year, demonstrating the depth of the peak to trough house prices.

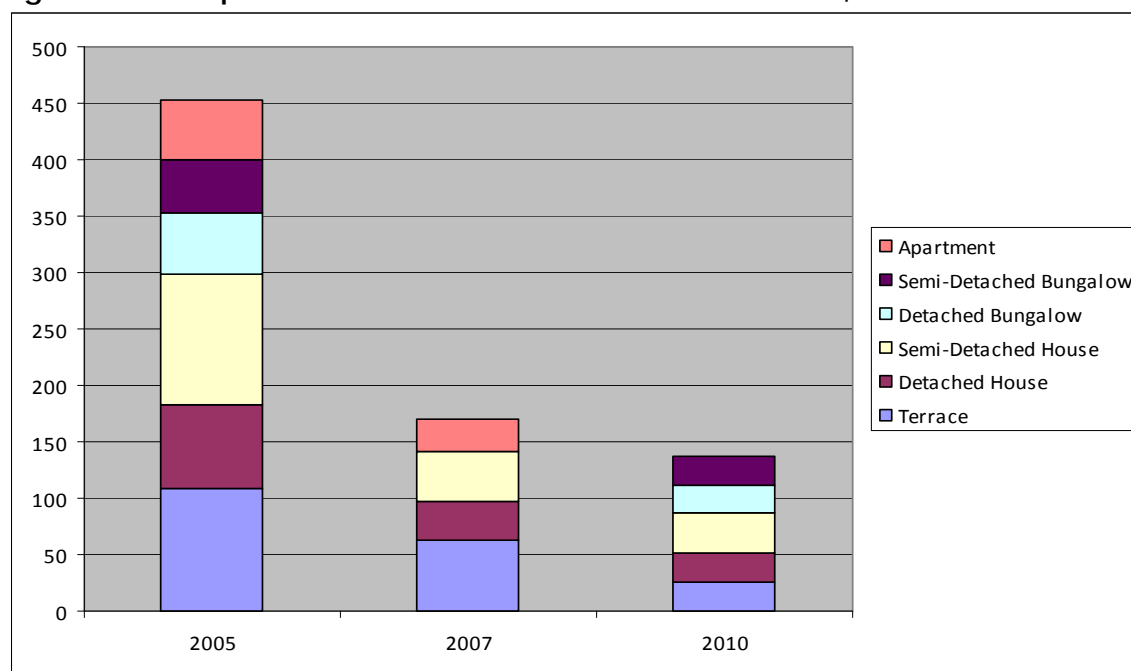
There is no robust information available, which can be differentiated between the Urban and Rural subdivisions of North West HMA.

¹² Alternative entry-level price thresholds were examined as part of this exercise. The two/three bedroom option was preferred partly because it produced the largest sample from the University of Ulster database.

Volume of Sales Transactions

The fall in house prices has been accompanied by an even starker fall in the numbers of properties being sold. The reduction in the number of house sales, is also symptomatic of the ongoing recession.

Figure 14: Sample of sales volumes across North West 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

In the North West HMA, there is also a difference in the type of dwellings being transacted. Since 2007, there are fewer apartments and terraced properties being sold here, and more bungalows. This may suggest additional sales in rural areas, though it is not possible to differentiate the figures in terms of the urban and rural subdivisions. It could also suggest that proportionately more non-first time buyers are buying i.e. those who have sufficient personal capital or are taking advantage of a suppressed market to trade up.



Affordability of owner occupation

Recent trends

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

In 2007, the average house price in Derry LGD was £187,587 and in Limavady LGD it was £198,190, both of which were lower than the Northern Ireland figure of £233,415.

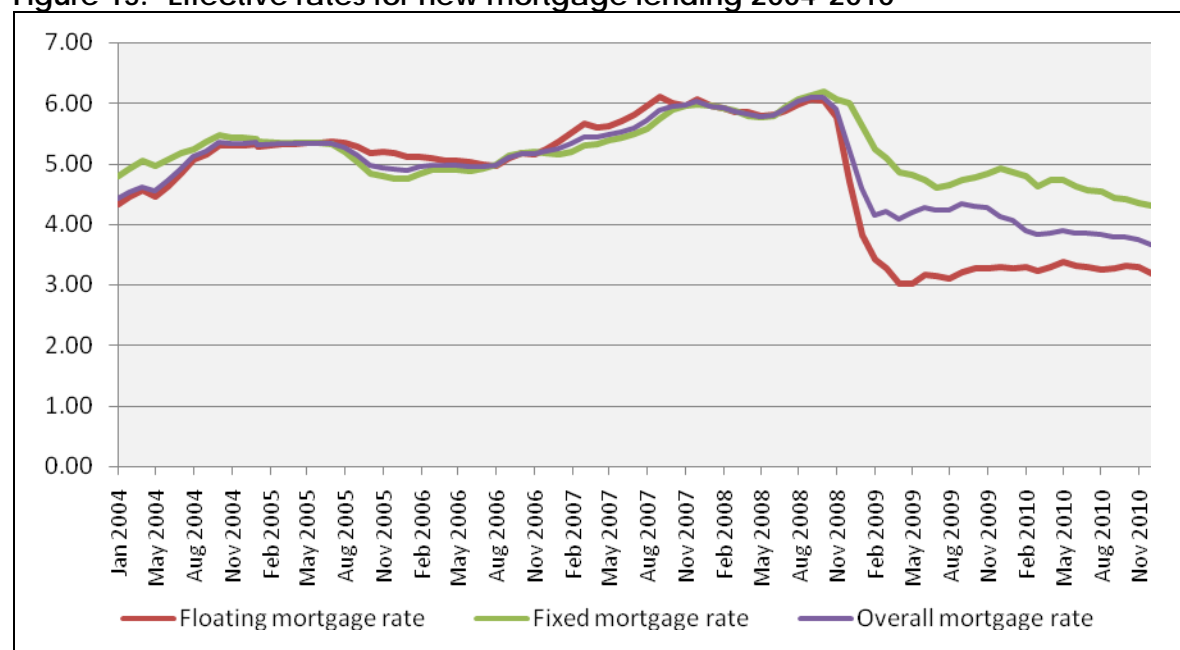
In 2010, the respective values had fallen to £135,600, £148,571 and £156,746. Evidence gathered from estate agent consultation across the two districts suggests that most transactions during the year were at the lower end of the market, which would have influenced this outcome.

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 valuer’s 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 are the 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 as expressed 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 significant limitation for many younger prospective buyers who generally do not have access to that level of capital.

In addition, negative equity is a constraint on the housing market, as it reduces the mobility of certain households, and their ability to trade up or down. In April 2009, the Council of Mortgage Lenders (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. This existence of negative equity may have contributed to the sharp fall in second-hand properties coming onto the market for resale.

Relative to the housing market downturn at the start of the 1990s repossession 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 payments. Although there has been some increase in mortgage arrears and repossessions in recent months (NIHE, 2010, 2011) there are no indications of a significant pattern emerging that could potentially destabilise aspects of the market.



Affordability ratios across the North West 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 showing how affordability pressures vary across the North West HMA.

CACI PayCheck income probability estimates for 2010 have been used 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 in 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 less than 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 15 compares the lower quartile and median house price for a two/three bedroom property in 2010 with the lower quartile and median CACI PayCheck income point for the North West HMA. Data at the subdivision level is not available.

Table 15: North West HMA affordability ratios for two/three 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
North West HMA	£87,500	£110,000	£15,248	£26,159	5.7	4.2	3.3
Northern Ireland	£95,500	£124,950	£16,810	£28,780	5.7	4.3	3.3

Source: Non adjusted simple price data supplied by University of Ulster (22 July) and CACI PayCheck 2010 used to deduce incomes.

Assuming that the lower quartile income point is reasonably similar to the incomes of younger single income households, and that the median income point is similar to the income of younger dual income households, the findings in Table 15 suggest that in 2010:

- For the North West HMA, the lower quartile and median gross annual household incomes were £15,248 and £26,159, respectively, which represented the lowest of all North West HMAs across Northern Ireland; and

- Lower quartile prices, in spite of the scale of recent falls, remain above affordable levels for younger single income households across the North West HMA. In other words, the prices still exceed the affordability benchmarks.

Alternative affordability measures

Affordability ratios give no indication of the proportions of households experiencing affordability problems. 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 16, illustrates the potential proportions of younger households under the age of 40 that lack the purchasing power to access the private housing market without some form of Housing Benefit. It is not intended to provide a definitive measure of the number of younger households unable to access the private housing market. Instead, it is intended to measure the level of difficulty for younger households to access the lower end of the home ownership and private rented market from one geographic area to another.

The analysis is based on the following facts and assumptions:

- The cost of purchasing a dwelling at the lower quartile 2/3 bedroom property in 2009 with a mortgage equivalent to 80% or 95% of the purchase price;
- The median rent payable for a 2 bedroom private flat in 2009 as derived from the private rental index database prepared by University of Ulster (which is discussed in more detail in Chapter 4);
- In terms of house purchase, a household can 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. The rent and the owner-occupation benchmarks are broadly consistent with CLG (2007) and Scottish Government (2008) guidance;
- 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; and
- The 95% loan-to-value ratio is consistent with DCLG guidance (2007) whereas 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 inter-generational transfers of wealth used to assist new households buy a home, no wealth adjustment factor has been applied. Another caveat is that some younger households are already suitably housed and not looking to buy or rent. This will include households already living in the social rented sector as well as households that have already become homeowners.



The findings presented in Table 16 suggest that:

- 53% of younger households in the North West HMA could not afford to purchase a dwelling of the value of £87,500 assuming lenders were willing to provide mortgages with a loan to value ratio of 95%. This compares with the Northern Ireland average of 52.7% unable to afford a dwelling to the value of £95,500;
- If we assume households could raise a deposit in order to secure a mortgage with a loan to value ratio of 80%, around 44% of younger households in the North West HMA could not afford to purchase a dwelling of the value of £87,500. This compares to the Northern Ireland average of 43.7%; and
- Approximately 35.8% of younger households in the North West HMA have an income below the level suggested by the DCLG guidance (which states that a rent should not exceed 25% of gross household income). This compares to a Northern Ireland average of 30.1%. In other words, 64.2% of younger households in the North West HMA could afford rent in the private sector.



Summer Meadows View, Crescent Link

It should be noted that the estimates are sensitive to the price threshold and mortgage multiplier adopted. For example, if the multiplier were increased to 3.5, the proportion of households unable to afford to purchase a dwelling of the value of £87,500 with a 95% mortgage would fall to 45% in the North West HMA. If the price increased to £110,000, 57.2% would be unable to buy.

Table 16: Comparison of the cost of owning and private renting

	Northern Ireland	North West HMA
Estimated number of households under 40 years	199,456	15,093
Lower quartile purchase price (2/3 bed lower quartile)		
95% mortgage	£90,725	£83,125
80% mortgage	£76,400	£70,000
Weekly cost of option (25 year repayment mortgage at 4.7% interest)		
95% mortgage	£120	£110
80% mortgage	£101	£93
Private median rent for a 2 bedroom dwelling	£91.87	£94.68
Gross income required to access open market		
3.0 multiplier and 95% mortgage	£30,242	£27,708
3.0 multiplier and 80% mortgage	£25,467	£23,333
Rent equals 25% gross income	£19,109	£19,693
Affordability test 1: Lower quartile purchase: 95% mortgage & 3.0 multiplier		
No unable to buy	105,113	7,999
% unable to buy	52.7	53
Affordability test 2: Lower quartile purchase: 80% mortgage & 3.0 multiplier		
No unable to buy	87,162	6,641
% unable to buy	43.7	44
Affordability test 3: private rent 2 bedroom dwelling (not exceeding 25% gross income)		
No unable to afford	60,036	5,403
% unable to afford	30.1	35.8

Sources: CACI PayCheck, University of Ulster Price Index and published Rental Index dataset 2009

Note: HCS 2006 percent of householders aged 17-39 years applied to NISRA projections to derive household count for younger households.

Potential for intermediate housing

For the reasons outlined above, there may be a potential market for Intermediate housing across the North West 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 have but are 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 dwellings should meet the requirements of eligible households and the cost should be low enough for them to afford; and
- 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, it is possible to estimate the number and proportion of younger households that have sufficient income to purchase a 2/3 bedroom house with a 95% mortgage – 7,093 in the case of the North West 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 a Co-ownership property in Northern Ireland was £127,310. This is below the average open market price, but above the lower quartile price for 2 or 3 bedroom properties. Despite this, 1,631 homes have been purchased through the Scheme across the North West HMA.

Over the past decade, an increasing share of those purchasing by Co-ownership have been single person and single income households. In 2009/10, the average single income of those purchasing through the Co-Ownership Scheme was £19,600, which is similar to our assumed 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 North West Rural

The North West Rural subdivision 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 the Urban subdivision. That said there are some issues worth highlighting.

In general, there is a higher level of owner occupation than in North West Urban subdivision. Evidence from estate agents and local housing professionals suggests that owner occupied stock in rural areas tends to comprise larger three and four bed properties, and a higher proportion of bungalows than in the urban areas. It would appear that opportunities to purchase smaller properties in the rural areas of North West 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 homeowners and the Rural subdivision is likely to accommodate a significant number. 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 practical.

The overall vacancy rates in the North West Rural subdivision have exceeded the Northern Ireland average since 2008. Part of this can be attributed to a buoyant construction market particularly in Limavady Borough in that period. There may also be issues of second homes and holiday cottages along the North Coast. In addition, planned changes to the rating system may see fewer vacancies being declared in the hope of avoiding rates charges.

Future prospects

By the end of 2010, there was little evidence that house prices in the North West HMA or the rest of Northern Ireland had stabilised. Even in the UK regions that have seen some recovery in house prices, the rates of building and property transactions remain weak. Most commentators therefore remain cautious about a recovery of the housing market.

The general impression is that a sustained recovery of real house prices will only occur once unemployment levels decline, wages rise and credit constraints have eased for both developers and prospective buyers alike. Reductions in public sector spending, heightened uncertainty over employment prospects are likely to dampen the pace of economic and housing market recovery.

One plausible scenario is that nominal house prices in the North West HMA may gradually stabilise over the next year or so, but a return to sustained real house price growth may not occur before 2015. If economic recovery occurs over several years, it may take to 2020 or beyond before house prices climb back to intersect with the long-term trend level.

The sharp fall in new build starts since 2008 demonstrates the vulnerability of the housing market to the economic recession. Without knowing when a return to real house price growth may occur, it is not possible to predict when private sector construction rates climb back to those seen in the early part of the last decade.

The housing slump caused house-builders and developers to postpone or 'mothball' developments and take measures to reduce operational costs such as staff reductions. There are some concerns that this may reduce the industry's capacity to respond promptly to any recovery in demand. The impact of surplus stock in the Border Region of Ireland, notably County Donegal, may also adversely impact on house price recovery with the North West HMA.

Recessions tend to make housing developers more risk averse, and they often prefer sites that pose the least challenge. For the same reasons they often prefer to



build traditional 3 to 5 bedroom family houses as opposed to apartments because demand for the former tends to be more stable. There is a greater perceived risk with apartments in a downturn.

On balance, the continuation of modest private house-building rates is likely to be sustained over time given the projected household growth into the next decade as noted in Chapter 2.

On the other hand, continued modest house building rates for five or more years would pose a risk that the level of new housing would fall substantially below the current RDS Housing Growth Indicators proposed in the draft Revised RDS 2011-25 (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 in the North West's housing market, and therefore increase prices and affordability issues is uncertain. Ultimately, the outcomes of a range of demographic and economic variables will only become clear as events unfold.

Summary

Owner Occupation is the largest housing sector in the North West HMA, although it is notably less than the Northern Ireland average. Owner occupation is generally more common outside the main urban centres and commuter corridors into Derry/Londonderry.

The highest ratio of home ownership is in the North West rural subdivision, and this is also where dwellings are more likely to be larger. 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. This could accentuate affordability issues in rural areas.

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 large 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 North West 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 North West HMA recorded steep rises in house prices. Over this period, rates of housing construction were lower than RDS targets, but it is surpass the rate of household growth. Generally the expansion of the numbers of

'buy to let' investors and other speculative investors entering the housing market will also have contributed to the housing bubble witnessed in the three years to 2007.

The entire housing market, including home ownership, is in a state of volatility since 2007, but there is evidence of a shift from home ownership to private rented accommodation. This is altering the vacancy rates in each, and some properties are changing tenure. Nonetheless, there remains a significant supply overhang in the owner-occupied sector, and a shortage of private rented accommodation. This suggests that the capacity for many individual properties to change from home ownership to private rental is not a straight forward transition, and that vacancies in the owner-occupied market may have limited potential to address shortfalls in other tenures.

The recovery of the housing market is linked to the overall economic recovery in Northern Ireland. Currently, there is insufficient evidence that house prices have 'bottomed out' let alone recovered. The sharp decline of first-time buyers and 'buy-to-let' investors in response to tighter lending criteria had a knock-on impact across the housing market. The economic recession and the resulting contraction of the labour market further weakened the housing market.

The rapid decline in prices has improved affordability ratios across the North West HMA; and the median house price remains below the Northern Ireland average. Nonetheless, gross household incomes are generally lower in the North West HMA, as shown in Chapter 2, resulting in price to median income ratios that are comparable to the Northern Ireland average. This means that cheaper housing in the North West HMA does not necessarily lead to increased affordability for local people.

Affordability is also determined by other factors, such as access to mortgage deposits. In addition, Chapter 2 notes that while the average household income in the North West HMA increased faster between 2001 and 2006 than the Northern Ireland average, not all income groups would have benefitted equally. The affordability gap therefore remains a concern. However, if house prices continue to reduce over time, this may lead to some recovery in the numbers of first-time buyers. In the short term, however, continuing uncertainty regarding the economy, stricter lending criteria for both developers and prospective buyers, have collectively undermined the affordability benefits of falling house 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 years of credit expansion and rapid house price growth. 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.

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 would fall further below the RDS housing growth indicators in the North West



HMA, including the somewhat lower proposed HGI set out in the draft Revised RDS 2011-25 as outlined in Chapter 2. Reducing this risk will require close alignment and co-ordination between economic, planning and housing strategies.

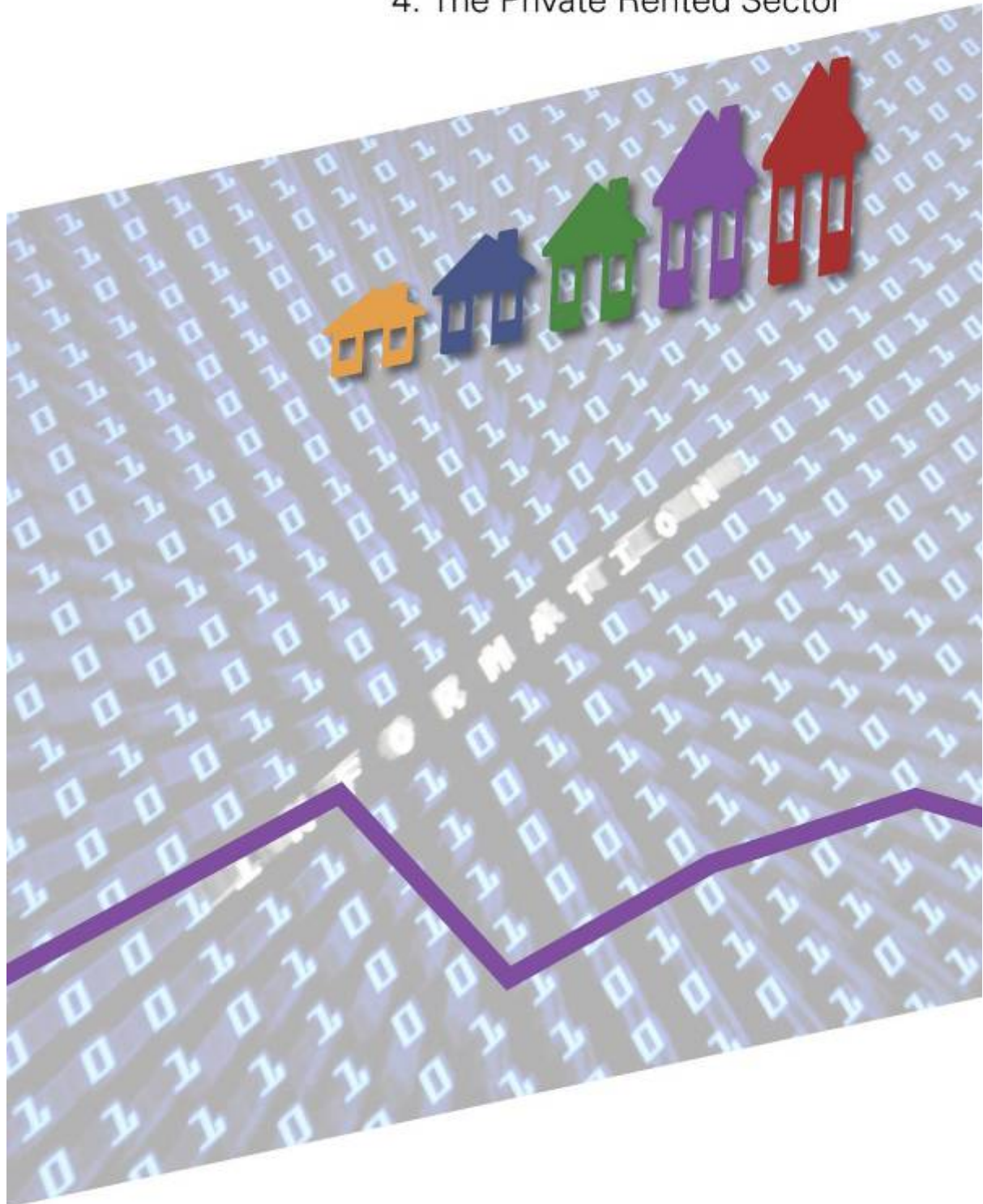
Although land values are reported to have fallen, this may be of mixed consequence depending on the scale of developer land banks. In response to falling land prices, landowners prefer to wait and see if prices recover. This could limit the availability of land and therefore delay or prevent new housing development.

With low levels of transactions and turnover across the North West HMA, the value of price data as an indicator of market change is likely to be limited until the housing market recovers. In such instances, it would be beneficial to seek input from local experts on market activity, trends and development.

Key Issues

- Owner occupation remains the tenure of choice in the North West HMA, however it is less than the Northern Ireland average;
- Owner occupation is more prevalent in the rural areas;
- 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 North West 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'.

4. The Private Rented Sector





4. Private Renting Within The North West HMA

Introduction

This chapter describes the dynamics of the private rented sector (PRS) in the North West HMA by examining its different components and looking at a number of key issues including affordability. The inter-relationship between the PRS and other sectors of the housing system is also explored and the chapter concludes by considering future prospects for the sector.

This chapter draws upon evidence from the HCS¹³ to augment the findings of the 2001 Census¹⁴. This information has been supplemented by direct discussions with local estate/letting agents and other stakeholders.

Expansion of private renting

At the North West HMA level, the proportion of the total stock in the PRS increased from 8% to 14.5% in the period from 2001 to 2006¹⁵. These percentages are based on evidence in the HCSs of those years for the local government districts of Derry and Limavady. Similar information for Slievekirk Ward in Strabane District cannot be extrapolated. Based on overall NI trends the PRS may now account for approximately 18% of the total stock in the North West HMA.

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 HCS 2009 indicates that the sector has continued to expand rapidly throughout Northern Ireland. Between 2006 and 2009 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. Therefore, by 2009 the PRS sector accounted for almost 17% of the total occupied stock and over 19% of the total stock¹⁶.

There has been an increase in the number of private Housing Benefit claimants, with the number of claimants increasing by 89% in Limavady LGD (though numbers were smaller) and by 42% in Derry LGD. Overall, this resulted in an average increase of 49% across the North West HMA. The high percentage increase in Private Housing Benefit claimants, especially in Limavady, illustrates the increasing importance of the private sector in meeting the housing needs of the lower paid.

¹³ It should be noted that information from 2009 HCS is not comparable with previous versions. In the 2009 report data is reported by Local Government Districts (LGD) as proposed under the Review of Public Administration rather than by existing LGDs.

¹⁴ The HCS sample size is sufficient to report robust evidence for the North West HMA but not the subdivision area level.

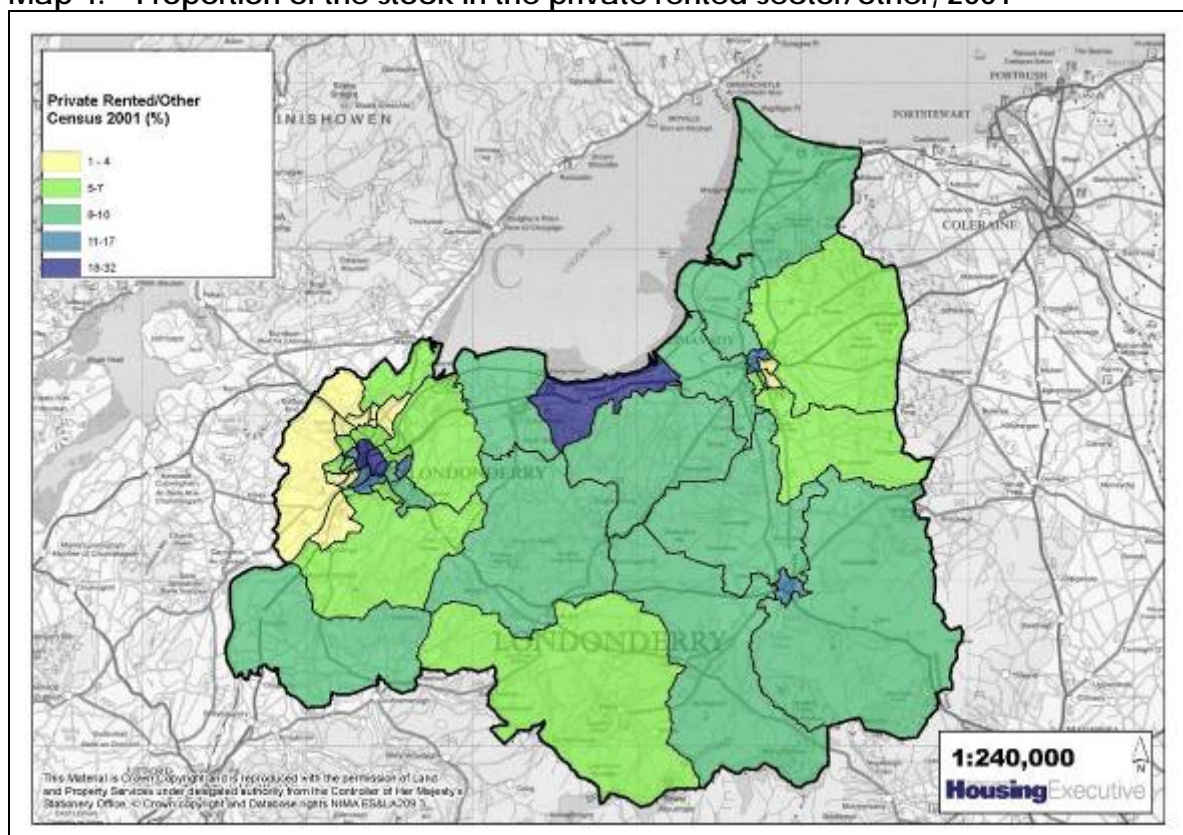
¹⁵ These percentages were derived by adding together the figures for Derry LGD and Limavady LGD.

¹⁶ NIHE assign vacant dwellings to the tenure of their last occupancy. In 2009, there were 43,400 of which 17,400 (40%) were assessed to be in the private rental sector.

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

- There has been considerable investment in the PRS, including a substantial inflow of funds from the ROI and UK 'Buy-to-Let' (BTL) investors;
- Since the downturn in the housing market, there has been a notable increase in the share of new-builds taken up by the 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/other, 2001



Source: Census, 2001

Map 4 shows that in 2001 the highest concentrations of private rented /other accommodation, as a share of overall households were in the urban footprints of Derry/Londonderry, Dungiven, Limavady and Ballykelly. The north coast/A2 road corridor, the rural catchment south of Dungiven, and south of Derry/Londonderry along the A5 road corridor all had moderate to high proportions of PRS housing, between 8-32%. The west side of Derry/Londonderry, and the south eastern side of Limavady town have the smallest proportions of private rented properties at between 1-4%.

Ten years later, our consultation with local estate agents and desk-top research concludes that this spatial pattern largely remains. Local concentrations of private



rented housing in the city of Derry/Londonderry are in Rosemount/Northland Road area (arising from the student market), the Knightsbridge/Seven Oaks area (close to Altnagelvin Hospital), Carnhill, Foyle Springs, Glenvale, Pinetrees, Ardgrange, Nelson Drive and Kilfennan. Outside the city, there are concentrations in Ballykelly (from the sale of MOD housing), and Dungiven where there has been relatively vigorous private sector growth in recent years.

Housing Executive research and information from local estate agents suggests that despite the over-supply of dwellings in the owner occupied market following the 2007 housing market crash, there are shortages reported in the private rented market. In addition, recent figures from DSD show that although the rate of new-builds in the private sector had increased in 2010 across the North West HMA, there is evidence of a downward trend in 2011. However, letting agents confirm that they would welcome an increase in housing supply for private renting, especially for new-build developments as demand continues to outstrip supply.

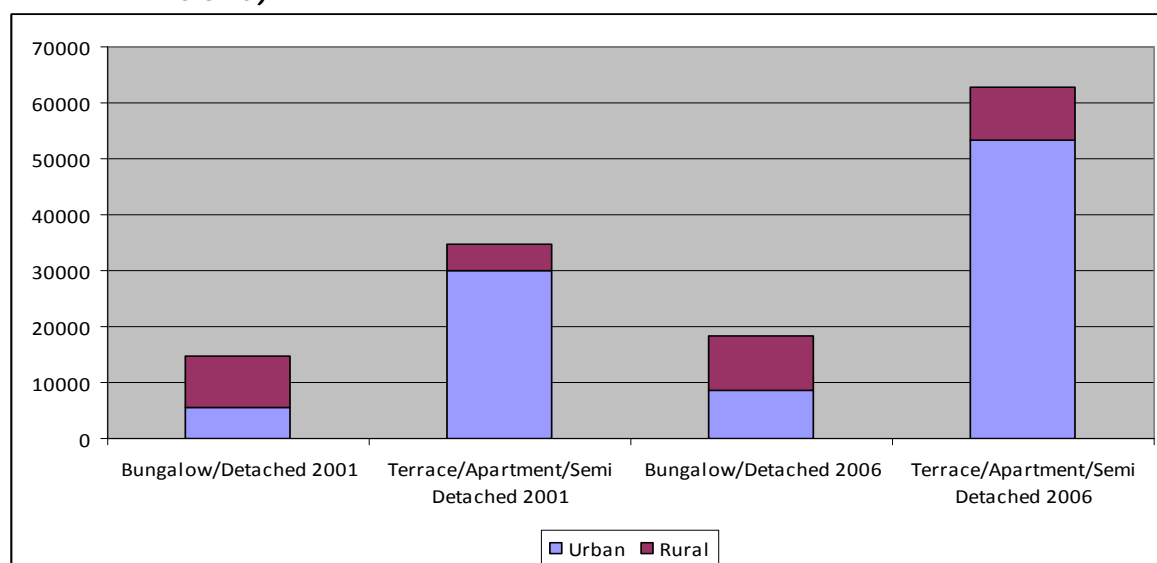
Profile of the PRS stock

Dwelling type

The expansion of the PRS since 2001 across 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 the North West HMA:

Figure 16: Private Rental Stock by Urban/Rural breakdown, 2001 & 2006 (Northern Ireland)



Source: HCS 2001 & 2006 (edited dataset)

NB: Consistent with advice from NIHE Research Unit these figures were 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.

Whilst PRS stock accounted for 11.4% of all dwellings in Northern Ireland in 2006, in the North West it was 14.5%. There are also some differences between the two LGDs of Derry and Limavady. The PRS has a greater profile in Limavady LGD where 21.8% of dwellings were in the PRS, compared with Derry LGD where the figure was 12.3%. The prominence of the PRS in Limavady LGD can be attributed to the comparatively high development activity, but may be partly attributed to the number of MOD properties in Ballykelly¹⁷ and second homes or holiday cottages along the North Coast.

Traditionally, terraced properties and flats have been the mainstay of the sector especially in Derry/Londonderry. While that demand still exists estate agents have pointed out that their biggest shortage in the sector is for family-sized accommodation with private garden space. This may be due to a shifting attitude that sees private rented accommodation as a more permanent housing option for families.

Vacancies

Vacancy rates for the North West HMA across all sectors have been consistently below the Northern Ireland average from 1996 to the present; however, the Rural subdivision has exceeded the regional average from 2008 onwards. Most of these properties have not been taken up by the private rented market despite the financial pressures of the downturn.

There is no robust data in the North West HMA to provide an indication of vacancies in the PRS alone; however, there is evidence from consultation with local estate agents of a strong demand for private rented accommodation. In the twelve months from 2010 to 2011, they have reported rental values increasing by between 1-10% across the North West HMA and there are now supply shortages reported, particularly for new-build and for family-sized homes with private open space. Consequently, vacancies are reported to have reduced in the sector except for properties of relatively poor quality or location. In the Limavady area, demand for

¹⁷ Military homes are counted in the category of 'private rented / others' in the HCS.



apartments has reduced which may be attributed to more young couples or single people opting to live in the family home in an effort to accumulate savings for a mortgage deposit.

Dwelling age and condition

The HCS indicates the age of dwellings (see Table 17). This indicates that just under a third of the PRS was constructed before 1919 and an additional quarter was built in the years 1919-44 across Northern Ireland. From 1920 onwards, house construction has been steady and increasing.

Table 17 provides an indication of the number of PRS dwellings by urban and rural area across Northern Ireland, and the changes that have occurred between 2001 and 2006. It shows that significant additions were made to private rented stock over that period across all age group categories with the exception of pre-1945 rural dwellings. The number of post-1945 dwellings entering the PRS has effectively doubled in the five year period from 2001 to 2006, illustrating the growth of the sector.

Table 17: PRS by Dwelling Age by Urban and Rural breakdown, Northern Ireland

	HCS 2001		HCS 2006	
	Urban	Rural	Urban	Rural
Pre 1945	20700	8400	26900	8200
Post 1945	14700	5600	34900	10900
Total	35400	14000	61800	19100

Source: HCS 2001 & 2006 (edited dataset)

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

The 2006 HCS provides information at Local Government District level on decent homes standards within the PRS. 26% of all properties in Derry LGD were classified as not meeting the decent homes standard, whereas Limavady LGD was 27.9%. Both figures exceeded the Northern Ireland average of 23%.

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 non-decent PRS homes, 78% failed also 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 LGD 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.

The HCS 2009 does not provide information at local government district level, but has indicated that across Northern Ireland the overall housing level of unfitness fell from 2.6% to 2.2% in the PRS. The figure was 8.7% in 2001.

Both the 2006 and 2009 surveys indicate that unfitness and failure to meet the 'Decent Homes' standard is largely associated with unoccupied stock. In 2009, nearly three in five unfit dwellings in 2009 were vacant, for example. However, a declining proportion of vacancies are unfit and the Housing Executive attributes this to the growing proportion of vacant 'buy-to-let' properties, which in many cases are modern or renovated. Unfitness is also associated with older pre-1919 properties.



Private Housing Development, Magheramason

Households

The PRS (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 across the North West 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 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 issues and access issue in other tenures, this profile is changing with more families entering the PRS.

Table 18 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 18: 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	16500	5000	24200	7600	42600	13100
Family HH	12300	5400	27200	6400	37800	17000
Older HH	6000	3400	10000	4400	9600	3300
Total	34800	13800	61400	18400	90000	33400

Source: HCS 2001, 2006 & 2009 (edited dataset)

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

Table 19 summarises the household banded income figures for private rented households in Northern Ireland, as sourced from the HCS. It suggests that there are more PRS households in the lowest income band (below £15,000). They are less likely to be found in income bands above £15,000, and especially above £30,000.

Table 19: 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
Northern Ireland	13,300	12,500	14,100	10,500	16,800	12,500

Source: HCS 2001, 2006 & 2009 (edited dataset)

NB: Consistent with advice from NIHE 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 PRS households had risen to 21%. The increase in private Housing Benefit claimants since 2006 suggests a similar trend in the North West HMA. Evidence from estate agent consultation would suggest that the majority of PRS households in the North West HMA are welfare dependant.

The HCS provides an urban/rural income breakdown by tenure between 2001 and 2009 in Northern Ireland. Table 19 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.

Consultation with local estate agents suggests that the majority (up to 80%) of PRS tenants in the North West HMA area are welfare dependent and rely on Private Housing Benefit to meet their accommodation costs.

Landlords

There is comparatively little information on the owners of PRS properties, however 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. First, that:

- 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; and
- There is a small number of landlords with large portfolios in Northern Ireland.

Second, the survey also confirmed that:

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

And finally, that:

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

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 does not use a letting agent but manage directly and approximately two thirds would be interested in leasing schemes.

Local estate agent consultation also confirmed that many landlords in the area have small portfolios, are often new to the sector, and mainly comprise 'Buy-to-Let' investors. An increase in the second home-owners was also reported, some of whom found themselves unable to pay a mortgage for the second property, and due to market conditions are unwilling or cannot sell.

The 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 in Northern Ireland compared to other UK markets, and there is an oversupply of new or recent stock in some areas. There has also been a tightening of specific 'Buy to Let' lending rules, namely large deposits of 40% plus, credit and income checks, the requirement for a lease/tenant to be in place, and minimum requirements that rents cover at least 125% of mortgage repayments. As a consequence the delivery of new housing 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 the North West HMA was £94.68. Table 20 indicates that this was unaffordable for 35.8% of households. The mode rent of £99.06 indicates that this was the most frequently occurring charge in the PRS in North West HMA, and was unaffordable to 37.9% of households.

Table 20: Two Bed Rental Affordability, 2010

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
North West HMA				
	Lower Quartile	£82.92	70.2	29.8
	Mean	£91.47	65.8	34.2
	Median	£94.68	64.2	35.8
	Mode	£99.06	62.1	37.9

Source: Propertyweeknews.com, NIHE, University of Ulster rental monitor and CACI

Table 21 shows the same information as Table 20 but for three bed properties. The median rent of £104.49 per week is unaffordable to around 40.5% of households; a similar percentage is unaffordable for the mean rent. The most commonly requested rental value of £104.06 remains unaffordable to 40.3% of households.

Table 21: Three Bed Rental Affordability, 2010

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.

Geography	Measure	Rent £ per week	Can afford (%)	Cannot afford (%)
North West HMA				
	Lower Quartile	£94.32	64.4	35.6
	Mean	£102.49	60.5	39.5
	Median	£104.49	59.5	40.5
	Mode	104.06	59.7	40.3

Source: Propertyweeknews.com, NIHE, University of Ulster rental monitor and CACI

These findings also suggest that the levels of gross rents and incomes in the North West HMA present significant 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 the mitigating impact of the LHA must be taken into account. 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 to afford rent and 5% were at least two weeks in arrears. Table 22 repeats the affordability analysis above but uses the estimated levels of LHA that would apply at the same geographies (for two bed properties).

A further increase in PHB participation occurred since 2006 across the North West HMA. Between 2006 and 2011, tenants receiving PHB grew from 29% to 53% in Derry LGD. In Limavady LGD, the figures for the same period were 35% and 51%, respectively.

Looking at 2010 data, Table 22 contrasts the two-bed Local Housing Allowance level of rent in the PRS with the actual mode and median rents quoted in Table 20 for two bed properties. It shows that the LHA rent level of £94.32 is not affordable for 35.8% of households in the North West HMA.

Table 22: Local Housing Allowance Affordability (2 bed)

Market	LHA (£)	cannot afford (%)	PRS mode rent (£)	cannot afford (%)	PRS median rent (£)	cannot afford (%)
North West HMA	94.32	35.7	99.06	37.9	94.68	35.8

Source: NIHE and CACI

The key issue that Table 22 highlights is the extent to which the LHA addresses affordability for PRS households. We can indirectly assess this by subtracting the median rent from the LHA to make an approximate assessment. This indicates that the median rent payer eligible for the full LHA could expect to have £94.32 of £94.68 (or 99% of their rent) paid through Private Housing Benefit.

Since April 2011, housing benefit LHA rates have been reduced from that used previously. At November 2011, the Local Housing Allowance for the North West was



£89.26 for a two bed property (around £5 less than the time of the study) and £99.26 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 the city of Derry/Londonderry report (Nov 2011) that rental amounts being requested are around £90 to £110 per week for two bed properties in the area, depending on location. There is also a reported shortage in supply and some consider this to be driving rents up. Three bed properties attract rents of around £105 to £125 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 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 only about 3 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 first of 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.

Private Rental Issues in North West Rural Area

The comparatively low number of PRS dwellings in the rural areas is a concern in that the choice available for rural people may be more limited. Estate agents have also noted a high demand for rural properties, particularly for detached properties.

Some of the areas of the North West HMA with the highest proportion of private rented households also coincide with relatively high demand areas including areas of the North Coast and along the main road corridors (A2, A5 and A6) and within the commuter catchments. High demand increases rental values, and places additional pressure on local people wishing to acquire rented accommodation.

Estate agents confirm that many of the properties scattered through the smaller more remote areas within the Rural subdivision 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.

Government agencies are obliged to consider the impact of policy and programmes on rural areas by the mechanism of 'rural proofing' and to consider mitigations where appropriate due to the dispersed nature of rural communities, settlements and markets.

The Housing Executive periodically carries out latent demand tests for social and intermediate housing in rural areas, and over the past few years a number of rural areas across the North West HMA have been tested in this regard. As affordability becomes more of an issue, so too will the relevance of these tests.



Tenancy management issues

The PRS has typically been associated with poor housing conditions, and some of this was linked to a legacy of poor tenant-landlord relationships and wider tenancy management issues. The highest rate of failure in 2006 to meet the Decent Homes standard across all occupied stock was found in the PRS, at almost 27%. In 2009, the figure had fallen significantly to 17%, but still remained the highest for all occupied stock.

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.

The Northern Ireland Housing Market Review and Perspectives 2011-2014 indicates that there are approximately 10,000 Houses in Multiple Occupation (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 2011 there were 536 registered HMOs in the North West HMA, including 515 in Derry LGD and 21 in Limavady LGD, the majority located in the city of Derry/Londonderry. HMOs are now within a statutory registration scheme which will ensure management standards improve.

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.

Within the North West HMA, evidence from key stakeholders and data on Private Housing Benefit supports the notion that the PRS is viewed by many prospective tenants as a more permanent accommodation solution “at least into the foreseeable future”. It offers a good choice of accommodation at reasonable quality, without the commitments of a mortgage, repairs, rates; and Private Housing Benefit can be attained. This finding is based on the number of enquires made to estate agents only, therefore, it may not be representative of all PRS tenants. Proposed changes in Housing Benefit, however, may alter some of the dynamics between the private rented, social rented and owner-occupied sectors.

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 generated by prospective first-time buyers who are increasingly unable to purchase their own

properties, 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 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 flexibility, a different lifestyle without the perceived stigma of social housing as well as (often) new quality housing. There is also potential for new models of provision within the PRS such as Assured Tenancies or other new leasing arrangements that could be examined.

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 while the PRS may provide easier access to housing, many private tenants 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 the North West 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 clear evidence to suggest that there is an "intermediate" market social renting or on the margins of buying, who would welcome a wider range of private or below market rent products.

Future Prospects

In the North West, the overall signal from our estate agent consultation is one of increased demand driven by a reduced demand for owner-occupation. How sustainable this is remains to be seen, particularly in the light of recent and imminent changes to Housing Benefit. Currently, the lending restrictions and uncertain income security are reported as being the two main obstacles to owner-occupation. This combined with the choice and quality of the housing, and the lack of commitment for rates, repairs, building insurance etc. is driving the PRS forward. Many see the PRS as the best possible housing choice for many for the foreseeable future given the current economic outlook.



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. There is also some doubt 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 the North West 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 cannot 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 North West HMA level, and below, is considered necessary.

Key Issues

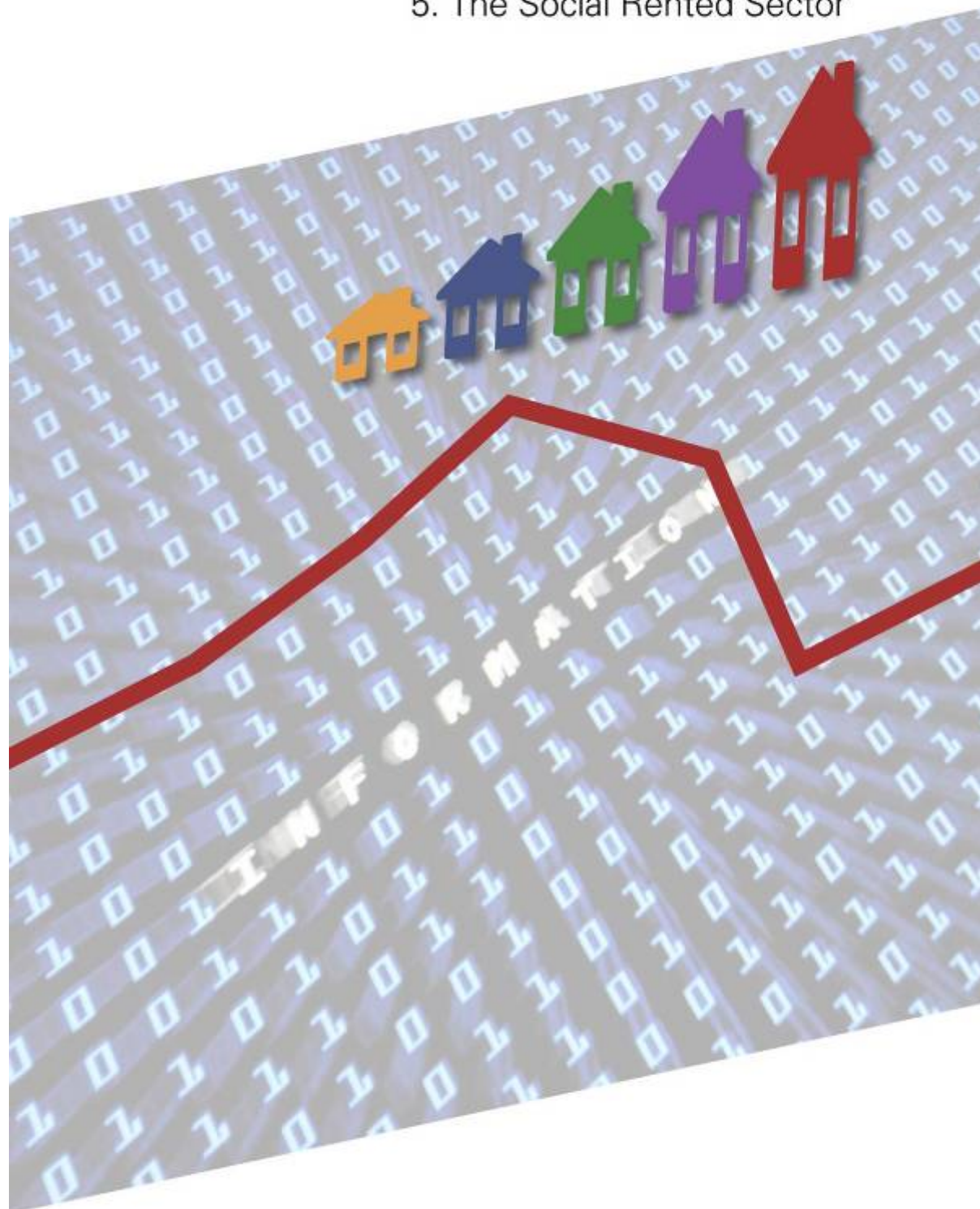
- The PRS has increased its tenure share in the North West HMA to a level that is similar if not greater than the Northern Ireland average;
- The majority of private rented properties are located within urban centres, but there is a significant rural distribution especially along the main road corridors and within the catchment of the urban areas;
- 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 especially if security of tenure and housing quality are the issues. Parts of the sector need to adapt accordingly if it is to market itself as a more long-term housing option;
- Further research into the nature and operation of the PRS at North West HMA level and below is considered necessary.



Foyleview, former M.O.D. Property, Ballykelly



5. The Social Rented Sector



5. SOCIAL HOUSING WITHIN THE NORTH WEST HMA

Introduction

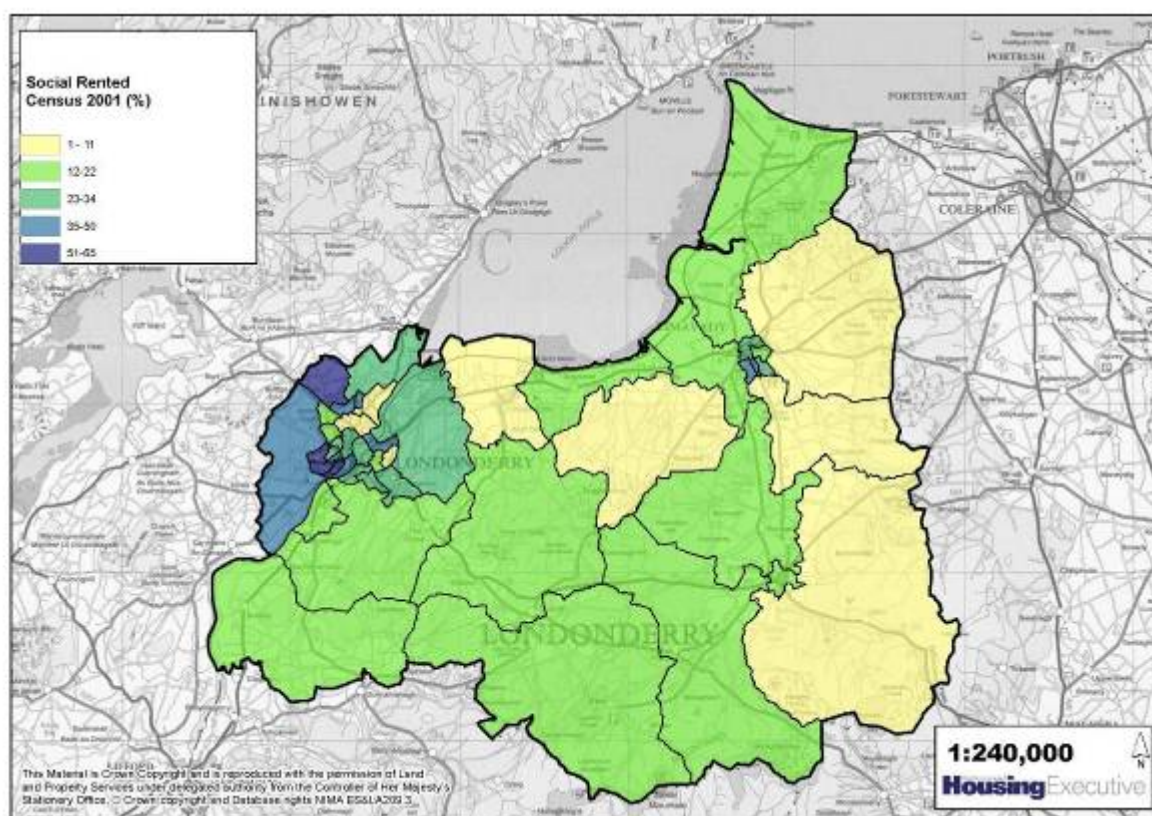
This chapter examines the social rented sector in North West HMA. It details all relevant information on the sector, and considers current issues and future trends including demographics, household formation and social housing demand.

Profile of the social housing stock

Numbers and spatial distribution of social housing

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

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



Source: Census, 2001

Within the North West HMA, the number of households renting from a social landlord has steadily declined over the last decade, both nominally and as a share of overall tenure. This is a result of the house sales programme in which 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

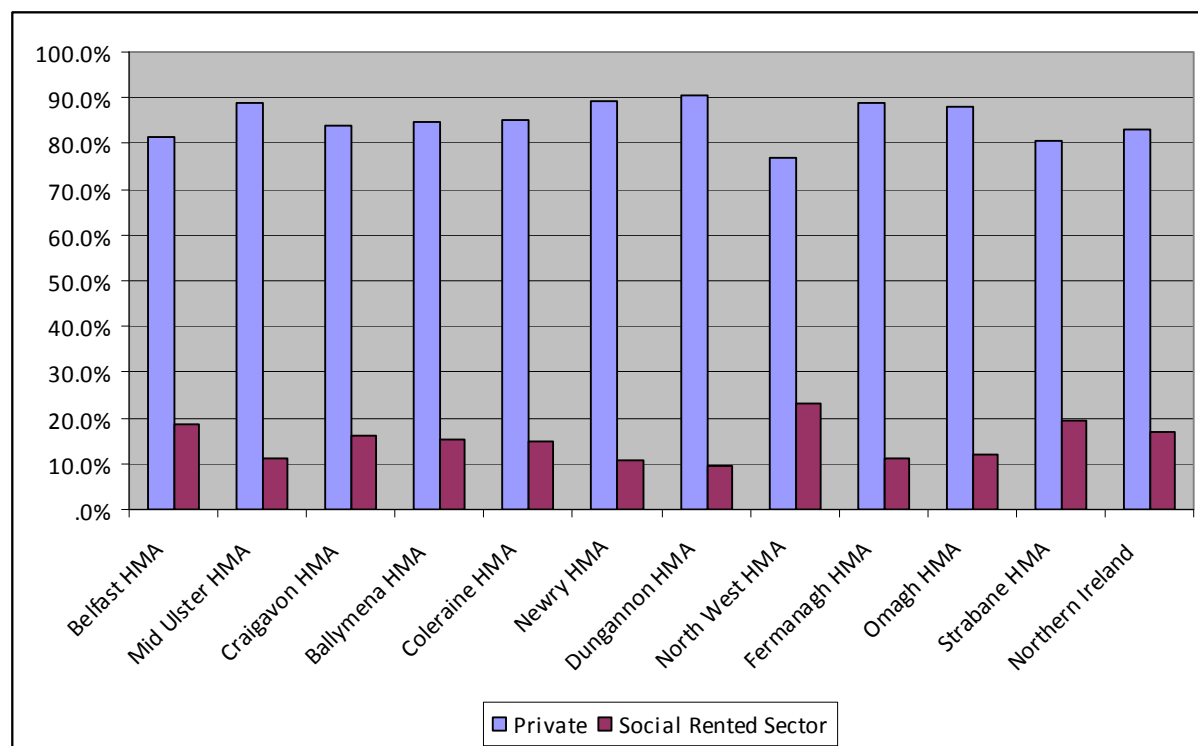


average of 3,192 sales in the three years to March 2004. Aside from modifications to the eligibility criteria in respect of house purchase, the decline in house sales has been shaped by changes in the profile of the stock and the tenant base plus wider housing market conditions.²⁰ Within North West HMA LGDs, there have been 3,346 sales during the period 2001 to 2010.

Map 5 and Figure 17 show that:

- The west sides of Derry/Londonderry and Limavady town had the largest proportions of social rented housing in the North West HMA in 2001, measured at the ward level. Parts of the Waterside of Derry/Londonderry also have high concentrations of social rented housing;
- Parts of the eastern and northern areas of the North West HMA are much less dependant on social housing as a share of overall tenure;
- By 2006, there were 12,110 social rented units in North West HMA (23.2% of total households), according to the HCS 2006. This compares to 13,720 households as outlined in the HCS (2001), which was equivalent to 29% of the total number of households at that time;
- The North West HMA had the highest percentage of social rented homes of all North West HMAs (Figure 17), and the lowest share of private sector housing.

Figure 17: Percentage of HMA households in public or private housing (All HMAs) – 2006



Source: HCS 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 social rented stock has been driven by the sale of Housing Executive dwellings, which has outweighed construction of new social rented dwellings.

Table 23: Social rented sector completions and NIHE sales 2001/2 - 2009/10

	Social housing completions	NIHE house sales	Completions as % of sales
Northern Ireland	10,350	31,811	32.5
North West HMA*	1,112	3,346	33.2

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

*Note: Based on figures for Derry & Limavady LGDs.

Sales total excludes housing association sales a small number of 'special' NIHE sales.

Within the North West HMA, there have been 3,364 house sales and 1,112 new social housing completions during the period 2001 to 2010 (see table 23). This table shows that in the nine years to March 2010, 10.7% of social housing completions in Northern Ireland were located within North West HMA. This is relatively high given that the area only has 8.2% of the Northern Ireland population. Most of these completions were generated by the social housing demand of Derry/Londonderry.

By way of comparison, 74% of all social housing completions were made in the Belfast Metropolitan Area during the same period, an area with 53% of the population and with a significantly higher replacement ratio of approximately 50% since 2001.

Dwelling attributes

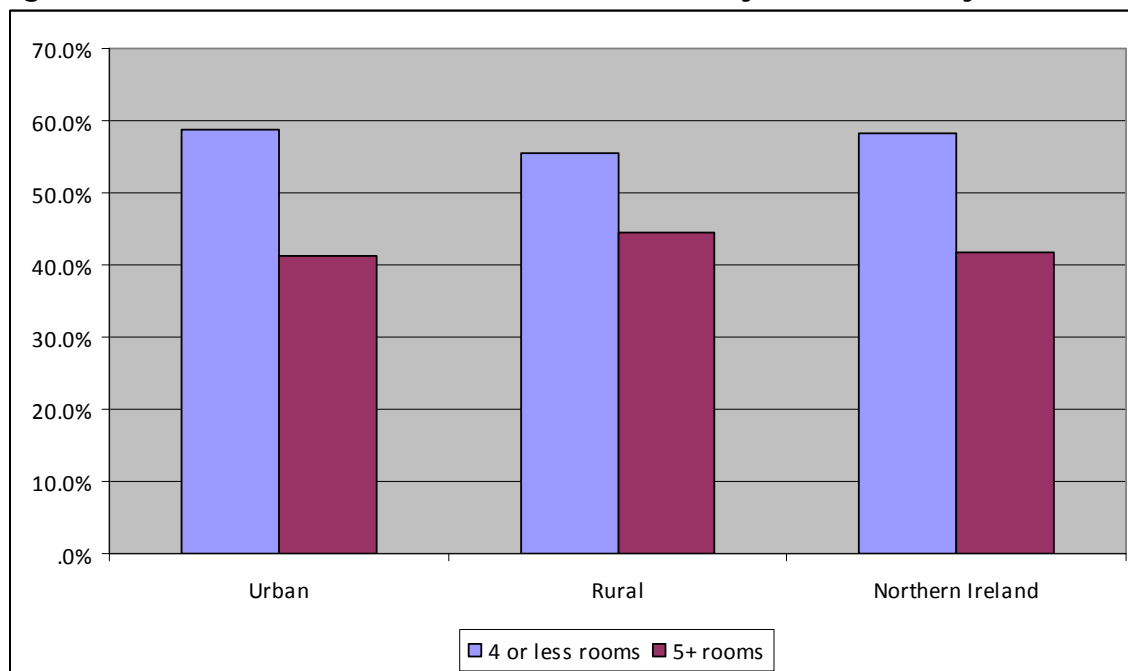
Size and dwelling type

Figure 18 shows that almost 60% of social rented stock in Northern Ireland comprises four rooms (2 bedrooms) or less. This smaller dwelling size 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 room (3+ bedrooms) have been sold. Figure 19 shows that since the introduction of the House Sales Scheme in 1979, houses and cottages have been the most attractive to buyers in both rural and urban areas. For example, only 5% of the original number 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.



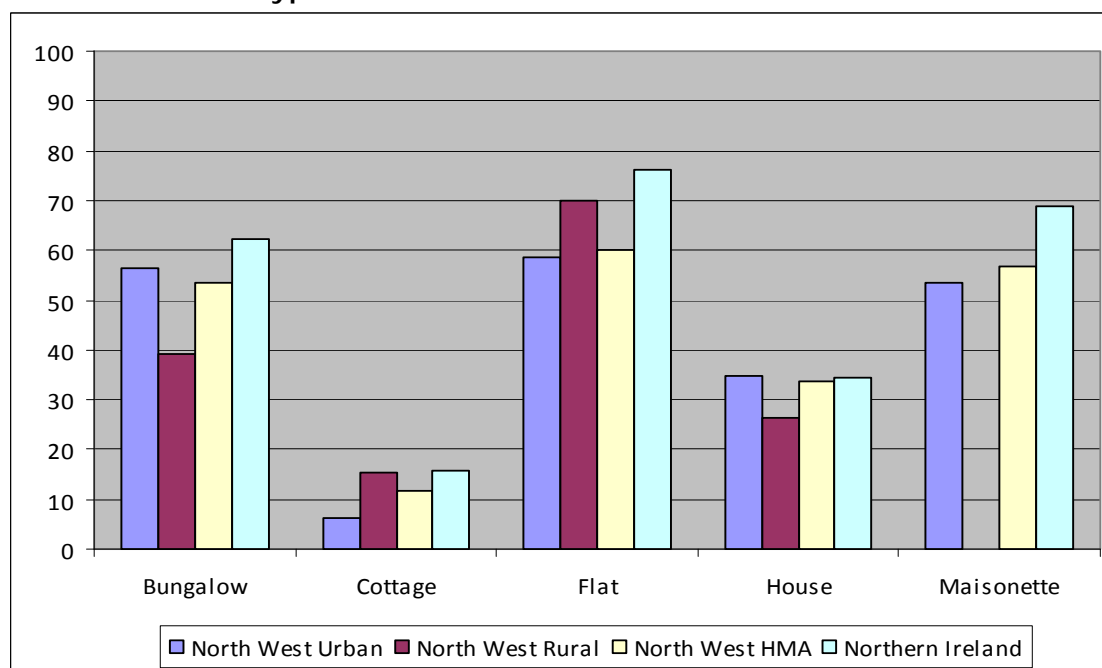
Figure 18: Breakdown of social rented households by Urban/Rural by No. of rooms



Source: HCS 2006

There were less sales in North West HMA, with 12% of cottages and 34% of houses remaining in Housing Executive ownership. There are some differences between North West Urban and North West Rural with a greater percentage of properties in North West Rural (bungalows and houses) sold compared with North West Urban.

Figure 19: NIHE Stock remaining for letting @ 2011 as a percentage of 1979 Stock by house type

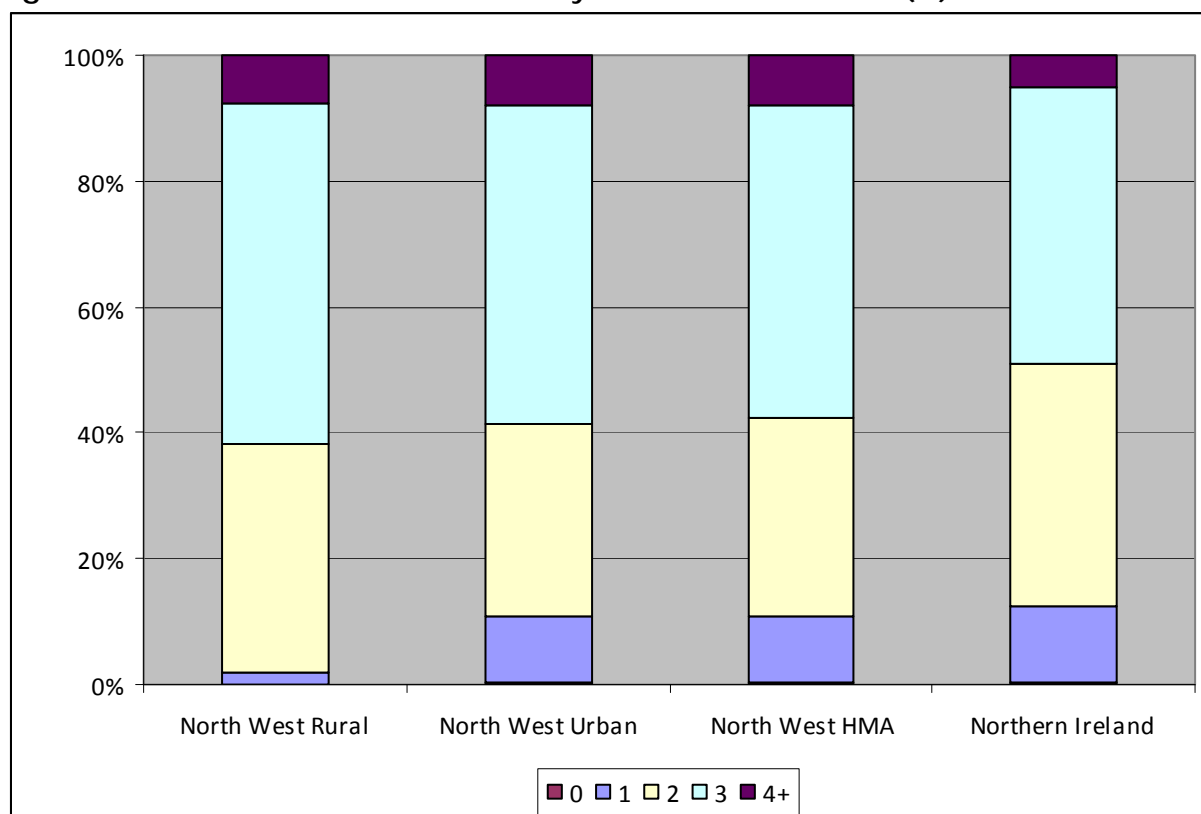


Source: NIHE Stock Data, April 2011

In terms of dwelling size, social sector housing in North West HMA is largely made up of two and three bedroom properties (Figure 20), accounting for around 32% and 50% respectively of Housing Executive stock in 2011 within North West HMA as a whole.

North West Rural includes 35% two bed dwellings and 57% three bed. This compares with North West Urban which has 32% two bed 52% three bed dwellings. North West Urban also contains a greater portion of one bed stock.

Figure 20: NIHE 2011 Stock distribution by number of bedrooms (%)



Source: NIHE Stock Data, April 2011

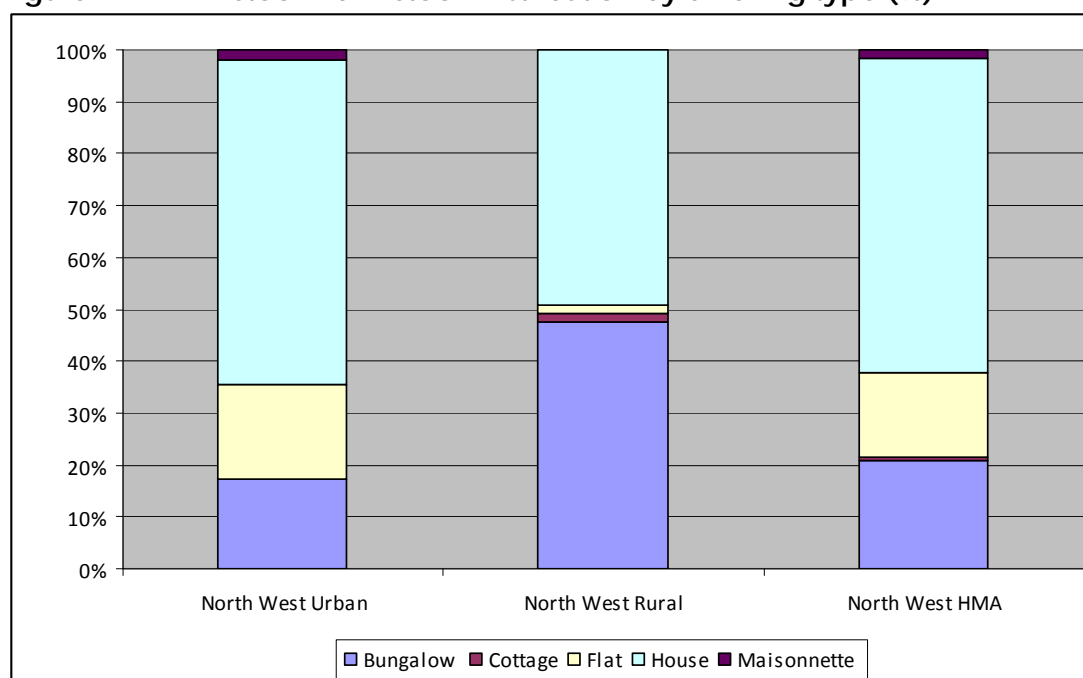
From Figure 21, it is clear that the most popular dwelling type remaining in stock is still the traditional family house, as opposed to flats and maisonettes. Housing Association stock figures are currently not available by dwelling type and bedroom numbers, but historically in the North West HMA house types built and acquired over the past number of years have mainly 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. The 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: NIHE Stock 2011 Stock Distribution by dwelling type (%)



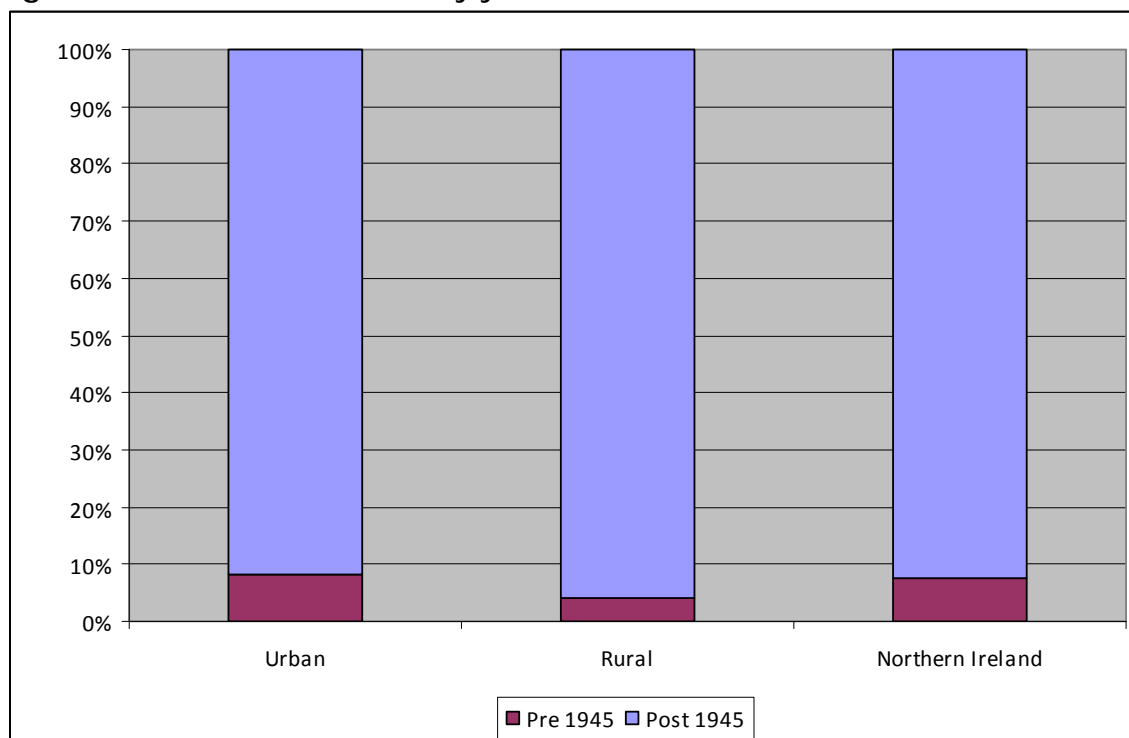
Source: NIHE Stock Data, April 2011

Dwelling age

Statistics for dwelling age are only readily available at Northern Ireland level. It is considered that North West 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 prior to 1945. In contrast, housing association properties were largely constructed after 1980, although there are some older buildings that were acquired and brought up to modern standard.

Figure 22 shows the distribution of social housing stock built pre- and post-1945 across Northern Ireland. It shows that urban Northern Ireland has a slightly larger proportion of pre 1945 stock than in rural Northern Ireland.

Figure 22: Social rented stock by year of construction



Source: HCS, 2006

Rents

Over the past decade, the average public sector rent in Northern Ireland and Scotland has remained below the comparable rent for England and Wales. Between 2001-2 and 2009-10, the average annual Housing Executive rent increase was 3.4%.²¹

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.

²¹ 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%.



Profile of existing social rented tenants

Household composition at 2006

Over time there has been a decline in the number and proportion of couple households and families in the social rented sector. Single person households are increasingly the highest percentage of 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 who are economically inactive (around 80%). 34% of households are elderly and retired. Moreover, tenants who are in employment tend to be in lower paid occupations and often work part-time. These long term trends reflect the fact that the social rented sector 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 stock 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 7,134 social housing tenants in the Derry and Limavady LGDs 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 households across all tenures. The fact that the majority of tenants report to have 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

Assessing the ability of the social rented sector to address the needs of those who wish to be re-housed within the sector requires the annual turnover to be considered in addition to the actual housing stock numbers. Table 24 shows the number of lettings in Northern Ireland and the North West HMA from 2003 to 2011. The figures in table 24 are based on relets of existing Housing Executive stock plus allocations of new and existing housing association stock. Table 25 presents comparable information for Housing Executive relets only from 2005 to 2011.

In the period from 2003 to 2011, the overall trend across the North West HMA, despite some fluctuations from year to year, is one of increasing housing stress applicants. Relets have been unable to keep pace with housing stress demand and rates have varied each year.

Table 24 shows a pattern of allocations that has varied from year to year, therefore the three-year averages are arguably more informative. They show that the period of highest allocations was from 2003-2005. The following three years showed an overall decline, but the most recent three-year period, 2009-11, has shown an increase in allocations.

One likely reason for the steady decline in allocations from 2003 was that rising house prices in the years prior to 2008, reduced the ability of working households on modest incomes to move out of the social rented sector. This meant that turnover rates in the social rented sector had reduced.

This suggests that the following policy factors appear to have had the same, if not a greater impact as housing market conditions in shaping the downward trend in lettings, especially for transfer lets. In short:

- The implementation of the Housing Executive's improvement strategy and associated capital investment programme to upgrade Housing Executive stock to Decent Homes Standards and regeneration programmes have improved the popularity of stock;

Housing Market Analysis

North West Housing Market Area



- The provision of adaptations and housing support have increased the number of older and other vulnerable social housing tenants able to remain in their own home;
- The decline in the number of larger properties since 1979 has gradually eroded the opportunity for tenants to transfer to larger properties as their families have grown.

Table 25 shows that, while there are increased numbers of housing stress cases across the North West HMA, there are less opportunities to obtain Housing Executive accommodation through relets (i.e. re-allocation of existing social housing stock). Some of this shortfall has been addressed with housing association stock, particularly in the latter years of the study period. Nonetheless, the statistics demonstrate the increased pressure from 2006 onwards on the demand for social housing stock, especially as the bulk of social housing need is met by Housing Executive relets and not new-build provision by the housing associations.



Hawthorn Park, Greysteel

Table 24: All NW HMA social rented sector allocations by applicant type, 2003-2011

Area	NI			NW HMA		
Year	All	Apps	Transfer	All	Apps	Transfer
2003	11,298	8,258	3,040	1,295	947	348
2004	10,665	7,899	2,766	1,238	934	304
2005	9,568	7,153	2,415	992	736	256
2006	9,802	7,472	2,330	975	735	240
2007	8,978	6,916	2,062	999	745	254
2008	8,194	6,370	1,824	852	678	174
2009	9,418	7,318	2,100	1,027	805	222
2010	10,751	8,278	2,473	1,055	790	265
2011	9,531	7,266	2,265	921	688	233
2003-05 ave	10,510	7,770	2,740	1,175	872	303
2006-08 ave	8,991	6,919	2,072	942	719	223
2009-11 ave	9,900	7,621	2,279	1,001	761	240

Source: NIHE: All NIHE and HA allocations to social sector in year to 30 March each year for North West HMA are based on aggregation of CLA and LHA figures



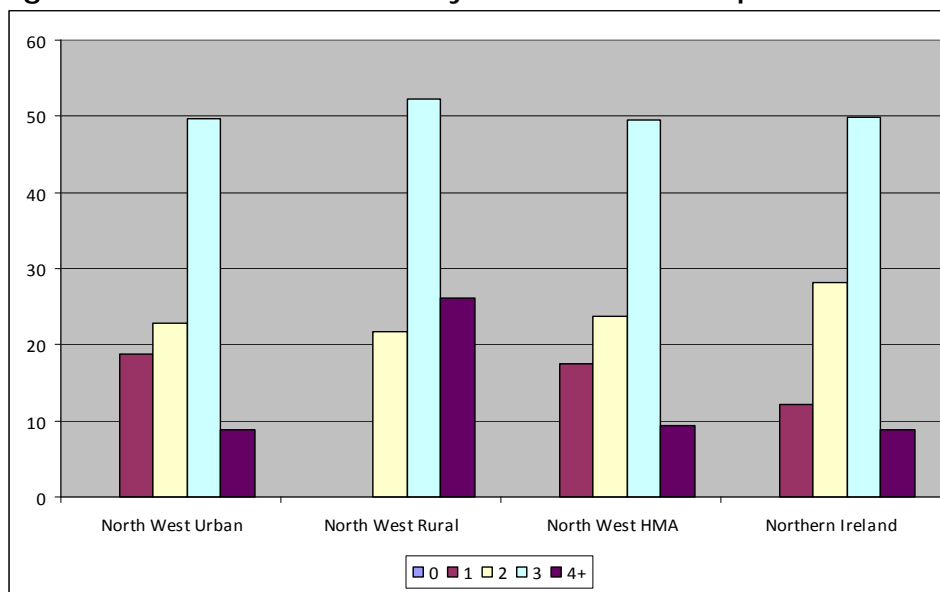
Table 25: NW HMA: NIHE Relets as a percentage of Housing Stress 2005-11

Area	NW HMA		NW Urban		NW Rural	
Year	HS	Relets	HS	Relets	HS	Relets
2005	1,238	727	1,024	589	104	36
2006	1,326	592	1,078	453	105	48
2007	1,432	612	1,176	468	115	41
2008	1,612	621	1,320	503	137	49
2009	1,633	660	1,370	532	156	35
2010	1,642	660	1,410	502	138	53
2011	1,958	624	1,694	479	170	38
2005-6 ave	1,282	660	1,051	521	105	42
2007-9 ave	1,559	631	1,289	501	136	41
2010-11 ave	1,800	642	1,552	591	154	46

Source: NIHE: NIHE allocations to social sector in year to 30 March each year; North West HMA and urban/rural sub-divisions based on aggregation of CLA and LHA figures

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: NIHE % 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 for the year to March 2011.

- On average, most relets in North West HMA were smaller dwellings with three or fewer bedrooms. Three bedroom units were the most popular dwelling type;
- Allocations in North West HMA broadly reflect the Northern Ireland figures with the exception of a higher share of one bedroom lettings in North West HMA and a lower share of two bedroom lettings;
- North West Rural had a disproportionately high number of four bedroom lettings (26.1% as opposed to North West HMA average of 9.4%);
- There were no one bedroom lettings in North West Rural. This was likely to have been a supply rather than a demand issue.



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 to examine the total number of social housing applicants. Table 26 shows the trends in the total number of applicants recorded on the Common Waiting List (CWL) at the end of March each year.

Table 26: Total number of applicants on Common Housing Waiting List at March 2003-11

Area	Year									change 2003-11	% waiting list/ households 2011
	2003	2004	2005	2006	2007	2008	2009	2010	2011		
NW HMA	1,889	1,952	2,221	2,474	2,685	2,994	2,946	3,085	3,479	1,590	43.6
NW Urban	1,512	1,518	1,711	1,881	2,062	2,295	2,288	2,453	2,851	1,339	42.6
NW Rural	203	225	247	296	303	349	372	357	373	170	54.1
Rest of NI	24,930	25,629	27,453	29,493	33,532	36,694	36,067	35,035	36,412	11,482	44.3
Northern Ireland	26,819	27,581	29,674	31,967	36,217	39,688	39,013	38,120	39,891	13,072	44.3

Source: NIHE

In 2011 there were 3,479 applicants registered for social housing in the North West HMA, virtually all (99%) of which already lived in the area. Since 2003, in North West HMA the total number of applicants registered had increased, the only exception was in 2009 where a slight decrease in the number of applicants was recorded.

At 2010, the total number of applicants in North West HMA had increased to a level equivalent to 5.8% of the estimated number of households (see Table 26). This was slightly higher than Northern Ireland (5.5%).

In terms of trends, the growing waiting list from 2003 onwards was only briefly interrupted in 2009 with a modest decrease. From 2009, applicants have continued to increase. This may be an indication of accumulated pressure on the housing system, with many prospective tenants still unable or unwilling to acquire housing in the private sector. The figures for North West Rural tend to fluctuate each year, but in overall terms they have also increased from 2003 with the exception of 2010.

The waiting list trends for North West HMA have broadly mirrored the trends of Northern Ireland, however, evidence would suggest that the North West HMA experienced a more immediate surge in the number of applicants following the dip in 2009. The number of applicants across North West HMA increased by 12.7% compared to 4.6% across Northern Ireland during the same period. The greatest percentage increase in North West HMA took place in North West Urban.

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 27: 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									
NW HMA	1,889	1,952	2,221	2,474	2,685	2,994	2,946	3,085	3,479
NW Urban	1,512	1,518	1,711	1,881	2,062	2,295	2,288	2,453	2,851
NW Rural	203	225	247	296	303	349	372	357	373
Rest of NI	24,930	25,629	27,453	29,493	33,532	26,694	36,067	35,035	36,502
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)									
NW HMA	947	934	736	735	744	678	804	790	688
NW Urban	763	748	599	574	587	558	654	627	531
NW Rural	47	56	36	48	45	47	49	54	44
Rest of NI	8,244	7,831	7,184	7,620	7,036	6,611	7,340	8,402	7,383
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									
NW HMA	2	2.1	3	3.4	3.6	4.4	3.7	3.9	5.1
NW Urban	2	2	2.9	3.3	3.5	4.1	3.5	3.9	5.4
NW Rural	4.3	4	6.9	6.2	6.7	7.4	7.6	6.6	8.5
Northern Ireland	2.9	3.1	3.7	3.8	4.7	5.4	4.8	4.1	5

Source: NIHE common waiting list and NIHE all allocations in year to 30 March 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 27 shows:

- At Northern Ireland and North West HMA level, there was a build-up of pressure in the social rented sector over the period, although this eased slightly in 2009 and 2010;
- In 2011, pressure on the social housing stock increased in the North West HMA to a ratio of 5.1, broadly in line with the Northern Ireland average;
- In 2011, the social rented pressure ratio in North West Urban had increased above the Northern Ireland average (5.4 compared to 5.0);
- The rural areas of the North West had a social rented pressure ratio that was considerably greater than the Northern Ireland and HMA averages, as evidenced by its applicant to letting ratio of 8.5 in 2011;
- A ratio of 5.1 over the entire North West in 2011 suggests that the residual area of Limavady town had a low applicant to allocations ratio, which reduced the overall HMA average.



Lourdes Hall, Brandywell, Lifetime Homes



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.²² It is this proportion of the waiting list that we plan for in terms of drafting targets for new build requirements.

Table 28 summarises the number of households on the waiting list in housing stress from 2002 to 2011 and shows that:

- Between 2002 and 2011, the North West HMA showed an increase in housing stress of 106%;
- In 2010, the number of waiting list applicants in housing stress was equivalent to 3.1% of the estimated number of households in the same year (see Chapter 2);
- The proportion of households assessed to be in housing stress in 2010 varied across the North West HMA. North West Urban measured 4.4% while North West Rural had a ratio of just 0.8%;
- Despite the lower number of housing stress applicants in North West Rural, the availability of social housing is comparatively diminutive, resulting in a social rented pressure ratio that is almost twice that of North West Urban (as shown in table 27).

²² 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 28: Waiting list applicants in housing need (30+ points and applied in last 5 years)

Area	Year										change
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-11
NW HMA	951	1,009	1,048	1,237	1,326	1,432	1,610	1,630	1,641	1,957	1,006
NW Urban	796	879	879	1,024	1,078	1,176	1,320	1,370	1,410	1,694	898
NW Rural	98	74	92	106	107	116	135	153	137	169	71
N Ireland	12,449	13,047	14,163	15,574	17,228	19,707	21,364	20,496	19,716	20,967	8,518

Source: NIHE Common Waiting List- figures relate to 30 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.



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

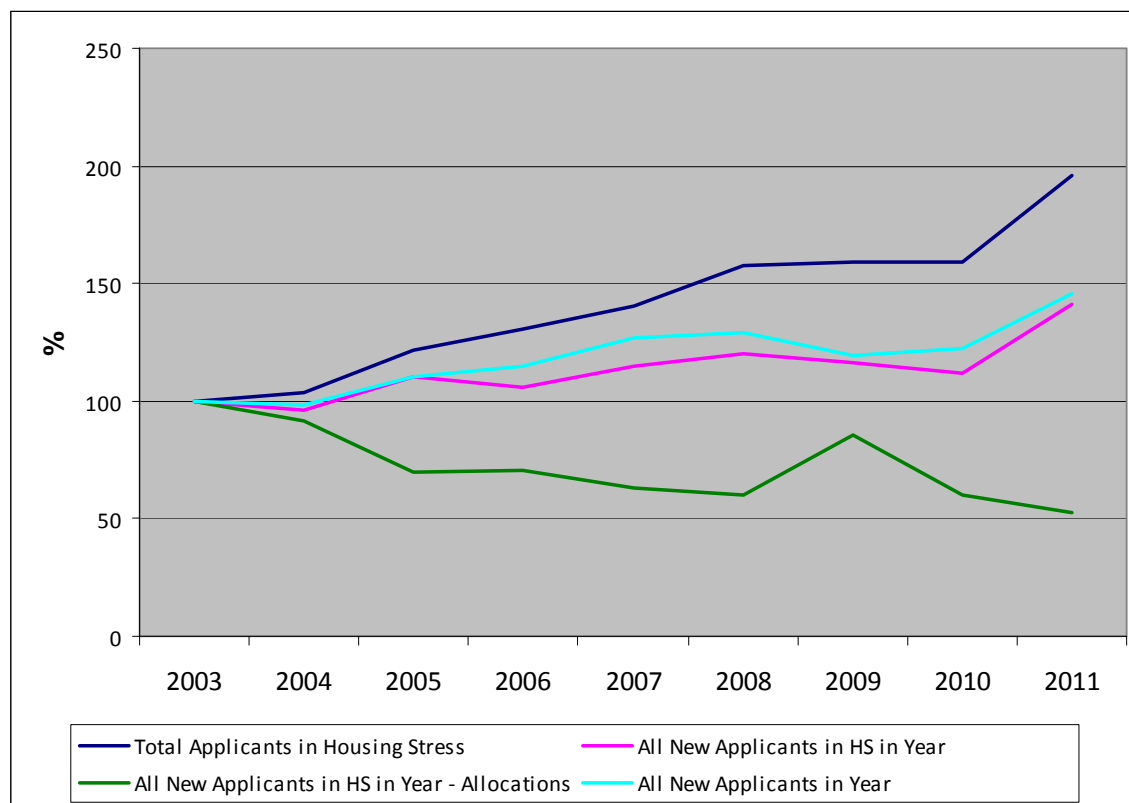
The upward trend in the total number of waiting list applicants in housing stress shows there has been an accumulated build-up of pressure for social housing across the North West HMA.

In studying this accumulated need, it is necessary to examine the annual flow of new waiting list applicants. The annual number of new waiting list applicants from 2003 to 2011 was identified by adding together:

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

Figure 24 shows the number of applicants for each year, both new and existing applicants, allocations, and those in housing stress. In order to examine change over time, the numbers of applicants were calculated as a percentage of the total number of new applicants at 2003.

Figure 24: Percentage change in annual numbers of new waiting list applicants in North West HMA 2003-11



Source: NIHE data, 2003-11

Available data in Figure 24 shows:

- A general increase in social housing applicants in housing stress from 2003, mainly arising from increasing numbers of new applicants;
- The total number of Housing Stress applicants in 2011 was almost twice that of 2003;
- A reduction in allocations between 2003 and 2011, despite an increase between 2008 and 2009. This coincides with Table 27, and reflects lower turnover figures of existing stock during this period.
- Overall, these trends suggest that the increase in the total number of applicants in housing stress may have largely resulted from a reduction in annual supply of social housing (lettings) over time as well as a gradual increase in the annual number of new applicants. The sharper increase in demand from 2010 to 2011 would also suggest that additional factors may be responsible, and these are likely to be rooted in the continuing difficulties in the first-time buyer's market.



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 tends 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.



Dove Gardens, Bogside

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.

The 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.

Summary

The proportion of households living in the social rented sector across North West HMA, in common with the rest of Northern Ireland, has been declining for many years. The rate of this downward trend has slowed in recent years. This has resulted from an upturn in new social housing completions and a fall in house sales and other stock disposals.

The west side of Derry/Londonderry and Limavady have the largest share of social rented housing in North West HMA, and parts of the Waterside of Derry/Londonderry. The eastern part of North West HMA and the rural areas appear to be much less dependant on social housing as a share of overall tenure. This coincides with higher rates of home ownership combined with some private rented accommodation. There could, nevertheless, be a hidden need for social housing in certain communities.

The North West HMA had the highest percentage of social rented homes of all North West HMAs, and the lowest share of private sector housing. Approximately, 11.3% of social housing completions in Northern Ireland were located within the North West HMA, which is relatively high given that the area has only 8.2% of the Northern Ireland population. Most of this is generated by the social housing demand of Derry/Londonderry.

In terms of house size, North West HMA differs from Northern Ireland as a whole in its larger proportion of three bedroom properties in the social housing sector, and a smaller number of two bedroom properties. The rural areas of North West HMA are an exception, having a negligible amount of one bedroom properties but a high proportion of two bedroom properties. In terms of dwelling type, 60% of the social housing stock are houses, 21% are bungalows, and 16.7% are flats. The majority of social housing is therefore family-sized accommodation.

Across Northern Ireland there has been a decline in the number and proportion of couple households and families in the social rented sector. In addition, there has been a decline in the proportion of tenants in employment and an increase in the proportion of tenants who are economically inactive. 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 mainly accommodates households who cannot afford housing in the private rented or owner-occupied sectors. This pattern of

dependency appears to be increasing in the social housing market. Despite these trends, social housing continues to accommodate a broad range of applicants.

In the period from 2003 to 2011, the overall trend across North West HMA, despite some fluctuations from year to year, is one of increasing housing stress applicants while at the same time a reduction in the number of relets. Furthermore, the amount of new build completions was not sufficient to compensate for the sale of social housing stock over the same period. This is the case across the North West HMA, though in the rural areas figures are more sensitive and can fluctuate between years.

Allocations have varied each year across the North West HMA, but the three-year averages show that the period with the highest number of allocations was 2003-2006. The following three years showed an overall decline, but the most recent three-year period, 2009-11 has shown an increase in allocations. These trends were for all application types, homeless and transfer applicants, and were across the two study areas; Northern Ireland and North West HMA.

The increased waiting list from 2003 onwards was interrupted in 2009 by a modest decline. In 2011, however, trends returned to previous levels. The increase is an indication of an accumulated pressure on the social housing stock. The figures for North West Rural tend to fluctuate each year, but in overall terms they have also increased since 2003. With smaller waiting lists and fewer opportunities for new build, there may be issues of latent demand in certain rural communities, and/or instances of applicants waiting for a long period of time before receiving an allocation. This may be an issue for rural sustainability, and might have to be examined in the light of Planning Policy Statement 21. Other forms of tenure such as shared ownership may also offer some scope to address rural housing issues.

These North West HMA trends have broadly corresponded with the trends of Northern Ireland, however North West HMA began to increase quicker from the 2009 dip in number of applicants on the waiting list. The increase from 2010 to 2011 was also more sizeable in the North West, 12.7% as opposed to the Northern Ireland average of 4.6%. The greatest percentage increase in the North West HMA has been generated in the urban areas. The following concludes:

- At the Northern Ireland and North West HMA level there has been a build-up of pressure in the social rented sector, although this eased slightly in 2009 and 2010. In the past year, housing need in North West HMA has reached the same intensity as Northern Ireland, as measured by the applicant to letting ratio of approximately 5.1 in 2011;
- There are significant localised differences within North West HMA with Limavady town showing a low social rented pressure ratio, but Derry/Londonderry, and North West Rural had a high social rented pressure ratio. This brings the overall pressure on



North West HMA social rented stock to a level that equates to the Northern Ireland average;

- There has been a reduction in allocations over time across the North West HMA, with the exception of 2009;
- Overall, social housing trends suggest that the increase in the total number of applicants in housing stress may have largely resulted from a reduction in annual supply of social housing (lettings) over time. There does not appear to be a greater number of new applicants seeking social housing each year. The sharper increase in demand from 2010 to 2011 would also suggest that additional factors may be responsible, and these are likely to be rooted in the continuing difficulties in the first-time buyers market.

Looking ahead over the next five years, the most likely 'policy neutral' scenario is that further changes in the size of the sector are likely to be minimal. Continuing difficult economic and housing market conditions will continue to limit the capacity and confidence of the relatively small numbers of tenants in employment to purchase their current home or to purchase on the open market.

The UK Government's plans to limit Housing Benefit for working age tenants based on the size of property they need from April 2013, suggest that it may be an opportune time to examine possible incentives or measures to release the supply of larger dwellings, including measures to assist smaller households to downsize. Alternatively there may be some scope to extend some properties or convert two properties.

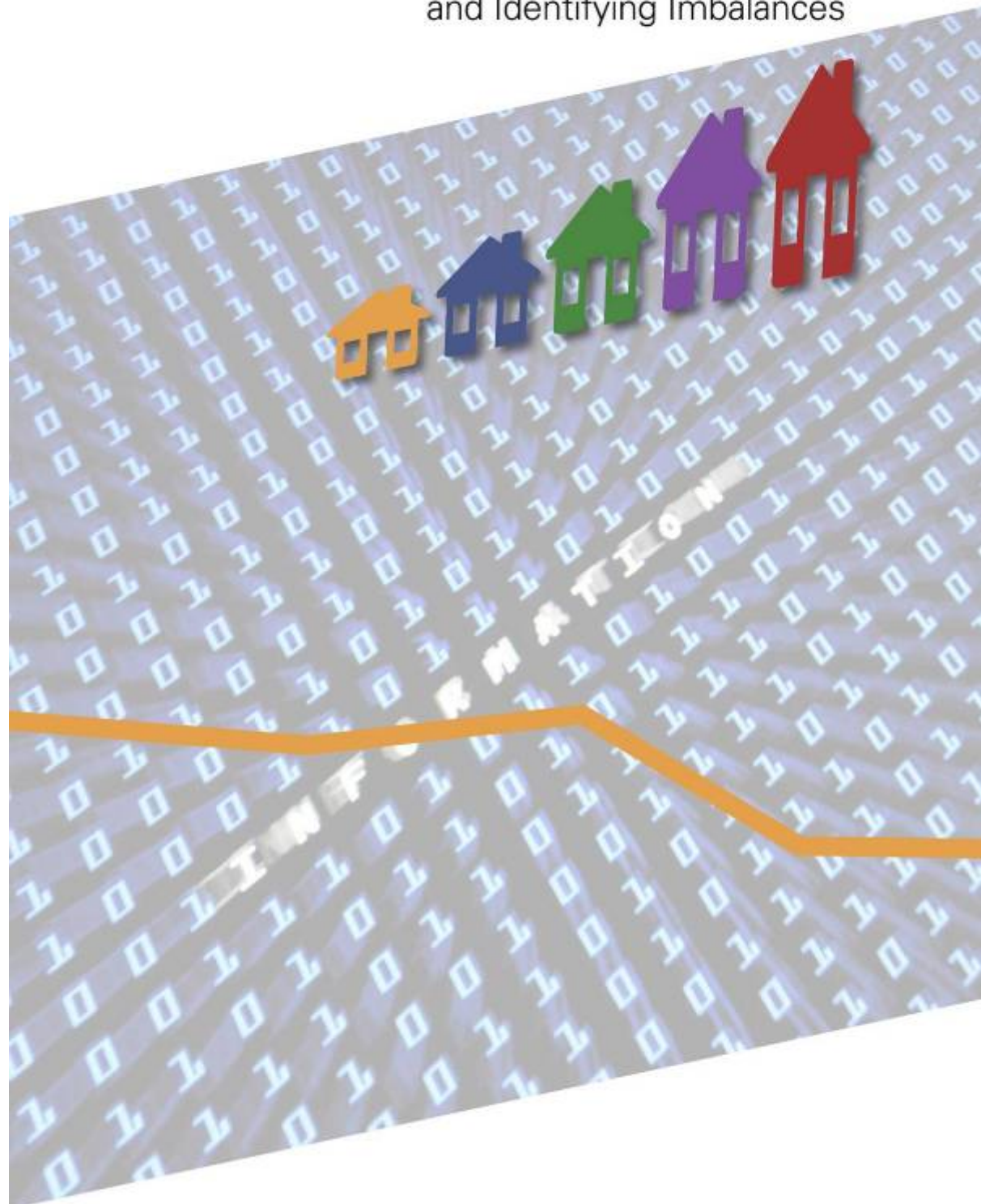
As the social sector has declined in size, the proportion of working age households outside of the labour force has also increased. In addition, there is a high risk that the amendments to Housing Benefit and Local Housing Allowance for Private Housing Benefit announced in the UK Government budget could lead to a fall in demand for private renting and a corresponding increase in the number of new applicants seeking social housing. Accommodation for the entire rental market is therefore in a state of flux, and welfare dependency is likely to be an increasing feature of social housing at least until the economy shows signs of recovery. The economic problems faced by low-income households are further compounded by issues of fuel poverty across the North West HMA. Resolution of fuel poverty remains a challenging and difficult problem due to the low incomes of tenants and current high fuel prices. The future of social housing therefore appears to be increasingly one of a residual tenure of last resort catering firstly 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 North West HMA and across Northern Ireland has reduced over recent years resulting in fewer available relets;
- New social housing has not kept 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 North West HMA are unemployed, retired or economically inactive;
- 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 gathers the evidence presented in chapters 1 to 5 to identify the main characteristics of the housing market in the North West HMA and to consider how its 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 even less likely 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 with all projections and forecasts. Nevertheless, this Housing Market Analysis 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 North West HMA and ongoing monitoring of the issues and imbalances will allow for adjustment as further evidence emerges.



Claudy Country Park, Claudy



Economics and demographics in the North West HMA

The economy and housing market are highly cyclical and entwined in the Derry Area Plan 2011 and more recently the 'One Plan for Derry-Londonderry', published by ILEX to facilitate sustainable growth and development across North West HMA. 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 Ireland. It is concerned with building upon the existing network of gateways and hubs with Letterkenny being a major gateway and Derry being recognised as having a "Major Interregional Role in Northern Ireland". 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 recognized as, 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 North West 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.

In terms of population growth, the North West HMA represents 8% of the population of Northern Ireland, and from 2001 to 2008 the population of North West HMA increased by just 3.8%, which was below the Northern Ireland average of 5.1%. The latest NISRA projections indicate that in 2010 the North West HMA had 52,790 households, which was equivalent to 7.6% of all households in Northern Ireland. The average household size in the North West HMA is larger than the Northern Ireland average, which to some extent may have buffered the region from some of the excesses of the housing market.

Between 2007 and 2010, an average of nine homes per 1,000 households were started each year in the North West HMA. While this aligns with the UK average, it is less than the Northern Ireland average of 14 during the same period. Prior to 2007, however, the rate of 'starts' in the North West HMA was double, at 18, but still less than the Northern Ireland average of 20 at the time. In addition, housing development across the North

West HMA did not occur evenly. There is evidence that the high rates of construction in the North West Rural subdivision helped to accelerate the growth of housing across the North West HMA, despite the growth in housing 'starts' not being matched by a corresponding household growth. These findings have implications for planning policy, future housing targets and regional development.

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 North West 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 perceptions 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 North West 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.

Ironically, 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 will almost inevitably mean 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 (p14-15)”

An Ageing Population

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

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

Although the ‘care’ related needs of the most vulnerable and frail older people remain a vital policy concern, it is important to note that the majority of older households that will be living in the North West 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 facilitate

older households to live independently for as long as possible. It also reflects the fact that older households prefer to remain in their own home. 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 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 the North West 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 North West 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 North West 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 across the border, it is not believed that there are sufficient benefits in the form of employment opportunities to entice significant numbers of households from North West HMA to relocate. 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 North West HMA, they may migrate to Belfast, Great Britain, or further abroad.



Glenview, Limavady

Housing Demand and Inter-Tenure Dynamics

Across the North West HMA there are clear linkages between the different housing tenures, and also between housing tenure and income. While home ownership is the dominant tenure across North West HMA, it is more concentrated in the rural areas and reduces within the urban areas and along the main commuter corridors. Income also determines tenure choice. Social housing, for example, is most common in the main urban centres and where there are concentrations of low income and welfare dependence. To some extent, the PRS, because of the availability of Private Housing Benefit for the majority of tenants, is also indicative of low income. In the North West HMA, evidence from estate agents indicates that up to 80% of PRS tenants are welfare dependent. This suggests that the PRS has the potential to provide reasonable housing options for all income groups.

Those issues have now been replaced by an equally perilous situation of low house prices, affordability problems and a collapsed sales market, triggered by a financial crisis and stricter mortgage conditions. According to local market research, this shift in

tenure choice has created a demand for private rental accommodation across the North West HMA that now exceeds supply. In the current climate of low development activity, it is likely that this will exacerbate the supply shortage and lead to an increase in rent levels.

Changes to Housing Benefit will undoubtedly impact on the various tenures of the housing market. It is anticipated that many singles below the age of 35 will seek alternative accommodation with many households in the private rented and social rented sectors seeking accommodation that better matches their required number of bedrooms to minimise the shortfall of rent payable. These movements within and between the different housing tenures should become more apparent in the next six to 12 months as leases expire or renew, and when rent reviews are carried out. Evidence would suggest there will be an increased demand for smaller sized units in both sectors, but the scale of the likely changes is yet to be determined.

The Owner Occupied Sector

A consequence of the affordability problems which emerged around 2005 has been that the growth in the rate of home ownership has halted in the North West 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 North West 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 who 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 repossession in recent months (NIHE, 2010). Figures from the Council of Mortgage Lenders (CML) also suggest that at least 5% of owners are faced with negative equity.



This suggests that some lower income homeowners in the North West 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 which would result in some degree of tenure shifting. However, given that a high proportion of current tenants in the social rented sector 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 who 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 press coverage suggesting private sector jobs are not replacing public sector job losses at the same rate as the Government had hoped.



Main Street, Dungiven

The Private Rented Sector

Increases in Private Housing Benefit claimants in all three Local Government Districts 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 the North West 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.

In the case of the North West HMA, the upturn in people originally from the area having previously moved to border villages in County Donegal returning to Derry/Londonderry to live has also contributed to the rise in demand for the rental market. In the specific case of the North West Urban subdivision, prospective tenants have been attracted by the fact that high proportions of stock in this sector are located in sought after locations.

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 LHA widens in the North West 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 LHA 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 number 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 adjustment of the LHA and the eventual introduction of the Universal Credit;
- The extent to which the private rental market is orientated (or otherwise) towards housing low-income households that are reliant on state assistance to pay their rent;
- The appetite in Northern Ireland to emulate other parts of the UK in exploring leasing of private rented properties to address homelessness and other forms of housing stress;
- The willingness of more affluent households currently in their 50s and 60s that own their home to trade down and use released equity to invest in the private rental market;
- The appetite among large scale investors such as pension funds to get involved in the housing market.

The Social Rented Sector

Changes in the housing market have also had spill over effects on the social rented sector. Since 2000 there has been a significant rise in the number of applicants in housing stress. In the eight years to 2008, the number of households on the common waiting list assessed to be in housing stress increased by over 40%. This 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.

This increase in housing stress reflects a mix of factors, not least the fall in the number of social rented dwellings that become available for letting purposes each year. The increased numbers of Housing Stress applicants has resulted in an annual increase in the number of applicants for social housing across the North West HMA, except for 2009. Evidence suggests that the PRS is playing a vital role in providing accessible housing but it is not necessarily seen as providing a satisfactory long term or permanent housing solution by a sizeable proportion of existing tenants.

Across Northern Ireland, the number of 'Right to Buy' transactions was approximately three times the number of social housing completions in the nine year period to March 2010. This 'replacement ratio' was marginally less in the North West HMA.

Changing demographics and reduced funding for social housing are likely to drive changes within this sector. The continued trend towards smaller households and an ageing population may see construction concentrating on one or two bed units rather than three bed or larger homes. These may then present housing management issues. Social landlords may be required to take action to tackle under-occupation of existing stock so that best use is made of what is available. It is almost inevitable that intermediate housing models will begin to evolve. For example, there are moves in Great Britain to fund affordable housing over and above social housing. Some housing associations have been enabled to charge affordable rents for some of their housing and use profits to subsidise social housing. It is likely that we will move in a similar direction.

Persistently weak housing market conditions and limited new construction will limit the potential for securing social or affordable housing through the use of PPS12, which has been a policy ambition for some time. Once a sustained upturn in the housing market is apparent, sensitive application of this mechanism should help to deliver more affordable housing and infrastructure. In the meantime, it may be beneficial to investigate additional approaches that might facilitate the delivery of new housing across all sectors, particularly new models of intermediate housing for sale or rent.



Responding to housing stress

The severe funding constraints set out in the NI Executive's Draft Budget 2011-15 suggests that it will be necessary to look at a variety of options to address housing need. In this context there may be potential for housing policies and social landlords to work more with the 'grain' of the market than has tended to be the case heretofore.

The Housing Executive annual assessment of housing need indicates that in the North West 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 in the region of 1,400 additional social units will be required in the North West HMA up to 2015.

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

Key Issues

Economic & Demographic

- If the construction sector and housing demand do not recover within five years, there is a risk that there may not be sufficient numbers of new dwellings to achieve the RDS housing growth indicators;
- Private housing construction increased in the North West HMA in the decade prior to 2008. This was in response to an increased trend towards one and two person households, people living longer and the ready availability of credit and finance;
- Both the Regional Development Strategy (NI) and the National Spatial Strategy (ROI) encourage cross border co-operation with the aim of the North West HMA and Donegal eventually prospering from their unique interface between two regions;
- 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 the North West 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.

Owner Occupation

- Whilst owner occupation is still the tenure of choice, its share in the housing market has decreased in the North West HMA. It is anticipated that this trend will continue in the short to medium term;
- Falling house prices have improved affordability to some degree but tighter lending criteria and a lack of confidence in the housing market has meant that demand remains stifled;
- Mortgage arrears, repossession and negative equity are a persisting risk for households in the North West HMA and across Northern Ireland.

Private Rented Sector

- Within the North West HMA the PRS share of total housing stock increased from 8% to 18% between 2001 and 2009;
- Industry commentators indicate that future cuts in Private Housing Benefit and LHA as part of fiscal austerity measures could be very consequential for the sector;
- The PRS is currently thriving in the North West HMA and if managed properly could be a sustainable housing option offering choice, quality and stability.

Social Housing

- In the period from 2003 to 2011, the overall trend across the North West HMA is one of increasing housing stress applicants and a reduction in the number of relets;
- Almost all new social housing applicants in the North West HMA registered between 2010 and 2011 were in housing stress;
- The North West HMA's waiting list increased by 12.7% after a decline in 2009, which was considerably greater than the Northern Ireland average of 4.6%.

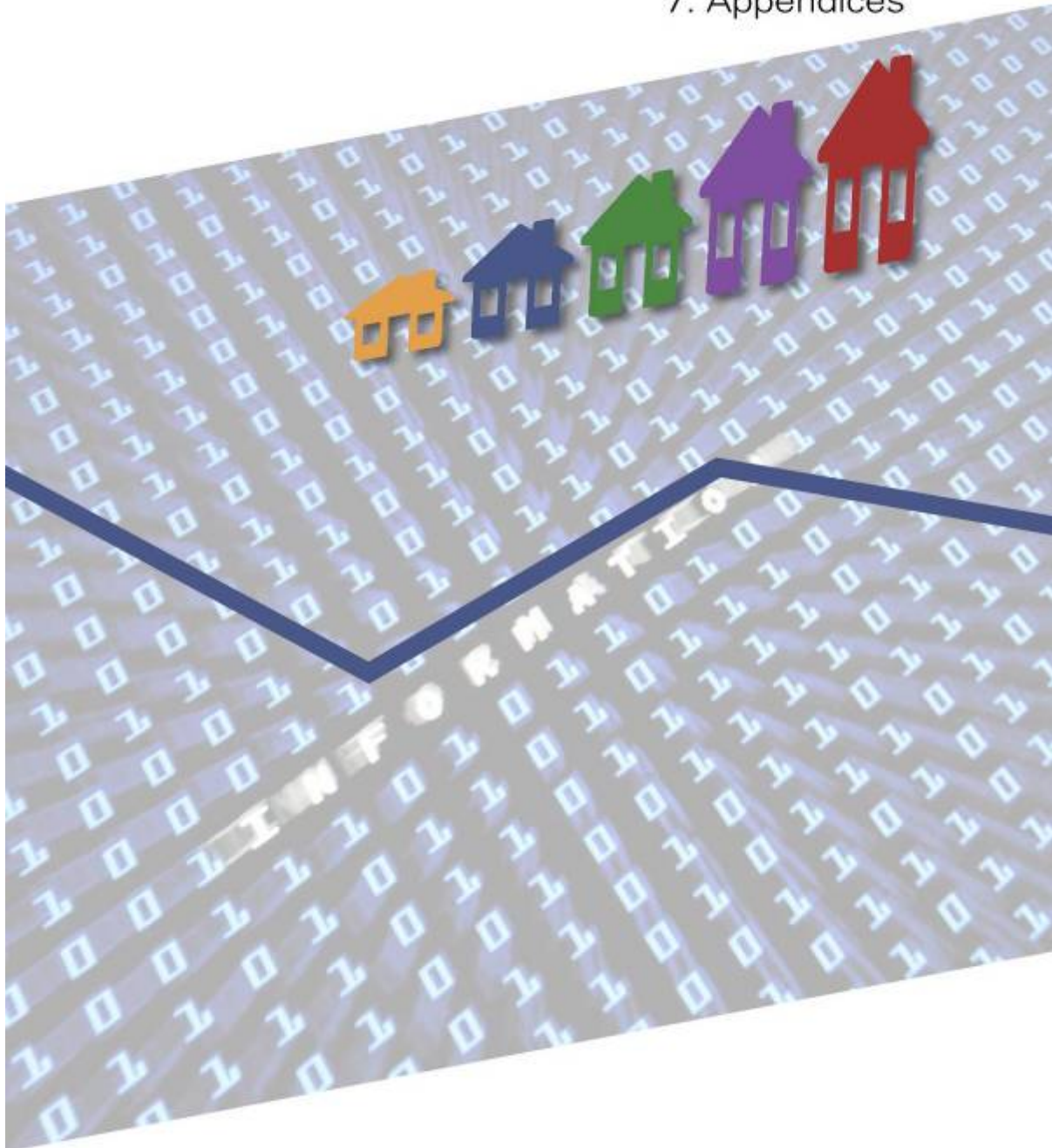
Housing Market Analysis

North West Housing Market Area



Peace Bridge, Derry/Londonderry

7. Appendices





Appendix 1: References

- Barnett, R (2009) Independent Review into Economic Policy. DETI/Invest in NI: Belfast
- Barry, R., Beatty, R., Donnelly, D., and Marshall, D (2005) Household Projections for Northern Ireland: 2002-2025, Northern Ireland Statistics and Research Agency
- Beatty, R. Fegan, G. and Marshall, D. (2006) Long-Term International Migration Estimates for Northern Ireland (2004-5): Sources and Methodology, NISRA
- Bell, J et al (2009) Experiences of Migrant Workers in Northern Ireland, Department for Employment and Learning
- Berthoud, R. (2009) Patterns of non-employment, and of disadvantaged, in a recession – ISER Working Paper No. 2009-23, Institute for Social Economic Research, University of Essex
- Brinkley, I. (2009) Recession and Recovery to 2020, the Work Foundation, London
- Browne, J (2010) The Impact of Tax and Benefit Reforms to be introduced between 2010-11 and 2014-15 in Northern Ireland. Available at:
<http://www.ifs.org.uk/bns/bn114.pdf>
- Centre for Cities (2009) Belfast: Tipping the Balance. Centre for Cities: London
- CML (2009) Homeowner housing equity through the downturn', James Tatch, CML Housing Finance Issue 01, 2009
- Cole, I. (2007) Understanding and responding to housing market change (York: JRF)
- DCLG (2007a) Strategic Housing Market Assessments (London: DCLG)
- DCLG (2007a) Strategic Housing Market Assessments – annex B household formation London
- Department of the Environment (2008) Draft Planning Policy Statement 21: Sustainable Development in the Countryside
- Department of Environment (2010b) Planning Bill Draft Explanatory and Financial Memorandum: http://www.planningni.gov.uk/index/about/planning_bill_efm_-_as_introduced.pdf
- Department of Environment (2010a) Government Response to the Planning Reform Public Consultation July - October 2009:
http://www.planningni.gov.uk/index/about/government_response_final.pdf

Department of Environment (2010b) Local Government Reform: Policy Proposals, Consultation Document.: <http://www.doeni.gov.uk/index/information/foi/recent-releases/publications-details.htm?docid=7866>

DETI Northern Ireland (2009) Labour Market Bulletin: Northern Ireland Annual Survey of Hours and Earnings

DETI Northern Ireland (2010a) Social Economy Enterprise Strategy 2010-2011: http://www.detini.gov.uk/social_economy_strategy_2010-2011.pdf

DETI Northern Ireland (2010 b) Economic Commentary June 2010: www.detini.gov.uk

DETI Northern Ireland (2010c) Economic Commentary December 2010: www.detini.gov.uk

DETI Northern Ireland (2011c) Labour Market Statistics – March 2011: http://www.detini.gov.uk/statistical_press_release_-_march_2011.pdf

Department for Regional Development (2001) Shaping our Future: Regional Development Strategy for Northern Ireland 2025

Department for Regional Development (2002) Regional Transportation Strategy: http://www.drdni.gov.uk/index/transport_planning/tp-rts_2002.htm

Department for Regional Development (2005a) Shaping our Future Together: Public Consultation Review of the Regional Housing Growth Indicators

Department for Regional Development (2005b) Planning Policy Statement 12 (PPS 12) Housing in Settlements

Department for Regional Development (2006) The Regional Development Strategy for Northern Ireland: Review of Housing Figures – Response by the Department for Regional Development to the report of the Independent Panel following the Public Examination

Department for Regional Development (2008a) Shaping our Future: Regional Development Strategy (RDS) 2025 First 5-Year Review (Report of the Process, Key Findings and Planned Actions

Department for Regional Development (2008b) Shaping our Future: Adjustments to the Regional Development Strategy (RDS) – 2025

DRD (2011) Shaping Our Future: Regional Development Strategy (RDS) 2025 Consultation 10 year Review

Department for Social Development (2007) Review into Affordable Housing Final Report



Department for Social Development (2009) Family Resources Survey, Northern Ireland, 2007-08

Department for Work and Pensions (2010b) Green Paper: 21st Century Welfare:
<http://www.dwp.gov.uk/consultations/2010/21st-century-welfare/>

Department for Work and Pensions (2010b) White Paper, Universal Credit: Welfare That Works: <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/>

Department for Work and Pensions (2010c) Impact Assessment for Universal Credit:
<http://www.dwp.gov.uk/docs/universal-credit-ia-white-paper.pdf>

Experian (2008) Northern Ireland Key Settlement Study: A Final Report for the Department for Regional Development

Government of Ireland (2002), National Spatial Strategy of Ireland 2002 – 2020 'People, Places and Potential', The Stationery Office, Dublin 2: <http://nss.ie/pdfs/Completea.pdf>

Kinghan, E., Murtagh, B., and Shepley, C (2006) Shaping our Future - Housing Review Public Examination: Report on the Panel on the Review of Housing Growth Indicators

Meen, G. (2005), 'Local Housing Markets and Segregation in England' Economic Outlook, 29(1), pp. 11-17

Newhaven Research (2010) Review of Housing Needs Assessment Formula for the Northern Ireland Housing Executive

Northern Ireland Audit Office (2009) The Performance of the Planning Service

Northern Ireland Executive (2008a) Building A Better Future -The Northern Ireland Executive's Programme For Government 2008-2011

NHPAU National Housing and Planning Advice Unit (2007) Affordability Matters, National Housing and Planning Advice Unit, Titchfield, Hampshire

Northern Ireland Executive (2008b) Building a Better Future: The Investment Strategy for Northern Ireland 2008-2018: <http://www.northernireland.gov.uk/index/programme-for-government-and-budget-v1.htm>

Northern Ireland Executive (2008c) Budget 2008-11:
<http://www.northernireland.gov.uk/index/programme-for-government-and-budget-v1.htm>

Northern Ireland Executive (2010) The Planning Bill (2010):
http://www.planningni.gov.uk/index/about/planning_bill.pdf

Northern Ireland Executive (2010b) Draft Budget 2011-15:
http://www.northernireland.gov.uk/website - draft_budget.pdf

Northern Ireland Executive (2011) Economic Strategy - Consultation on Priorities for Sustainable Growth and Prosperity:
http://www.detini.gov.uk/northern_ireland_economic_strategy

Northern Ireland Assembly Research and Library Service (2011) Briefing Note (04/11) Draft Budget 2011-15:
<http://www.niassembly.gov.uk/researchandlibrary/publications2011.htm>

Northern Ireland Housing Executive (2003) HCS 2001, NIHE Belfast

Northern Ireland Housing Executive (2007) (update). Mapping BMI and Migrant Workers in Northern Ireland, NIHE

Northern Ireland Housing Executive (2007b) Housing Need Assessment Guidance Manual (PPS12) User Guide

Northern Ireland Housing Executive (2008) HCS 2006, NIHE Belfast

Northern Ireland Housing Executive (2009) Northern Ireland Housing Market Review and Perspectives 2009-2012. NIHE: Belfast

Northern Ireland Housing Executive (2010a) Northern Ireland Housing Market Review and Perspectives 2010-2013. NIHE: Belfast

Northern Ireland Housing Executive (2010b) HCS 2009 – Preliminary Findings

Northern Ireland Housing Executive (2011) Northern Ireland Housing Market Review & Perspectives 2011-14, Belfast: NIHE

Northern Ireland Statistics and Research Agency (2008b) Size of the EU Accession (A8) Population Resident in Northern Ireland (2007), NISRA

Northern Ireland Statistics and Research Agency (2008c) Technical Annex – 2006-Based Household Projections for Northern Ireland, NISRA

Northern Ireland Statistics and Research Agency (2008d) Northern Ireland Local Area Population Projections, NISRA



Northern Ireland Statistics and Research Agency (2009a) Population & Migration Estimates Northern Ireland (2008) – Statistical Report, NISRA

Northern Ireland Statistics and Research Agency (2009b) Long Term International Migration Estimates for Northern Ireland 2007-8, NISRA

Northern Ireland Statistics and Research Agency (2010a) Report of the Inter-Departmental Urban-Rural Definition Group – Statistical Classification and Delineation of Settlements

Northern Ireland Statistics and Research Agency (2010b) Small Area Population Estimates for Northern Ireland (2008)

Northern Ireland Statistics and Research Agency (2010c) Northern Ireland Multiple Deprivation Measure 2010

North Harbour Consulting (2007) Housing Needs and Housing Market Assessment: A comparative review of methods used in England and Northern Ireland Final Report (edited version)

Perry, J. (2008) The housing and neighbourhood impact of Britain Changing Ethnic Mix, Joseph Rowntree Foundation

Robbie McVeigh R and McAfee C (2009) Za Chlebem: The Impact of the Economic Downturn on the Polish Community in Northern Ireland Northern Ireland Council for Ethnic Minorities (NICEM)

OECD (2008) Local Economic Strategy Series Review of Belfast, United Kingdom. OECD: Paris

O'Sullivan, A, Young, G Gibb, K et al (2004) Local Housing Systems Analysis: Good Practice Guide, Communities Scotland

Oxford Economics (2011) Strabane: Current and Future Needs, a powerpoint presentation prepared for Strabane District Council, June 2011:
http://www.strabanedc.com/filestore/documents/dcal_admin/Neil_Gibson.ppt#257,1,Strabane:current and future needs

Oxford Economics with FGS McClure Watters and Perceptive Insight Market Research (2009) The Economic, Labour Market and Skills Impacts of Migrant Workers in Northern Ireland, Department of Employment and Learning

The Planning Service (2009a) Northern Ireland Housing Land Availability Summary Report 2008

The Planning Service (2009b) Reform of the Planning System in Northern Ireland: Your chance to influence change: Consultation Paper

The Planning Service (2011) The Housing Land Availability Summary Report 2010 issued by the Planning Service in January 2011

Scottish Government (2008) Housing Needs and Demand Guidance, Edinburgh

Ulster Bank (2009) Quarterly Economic Bulletin December 2009. Ulster Bank

Ulster Bank (2010) Northern Ireland Purchasing Managers Index June 2010 Survey:
<http://www.ulsterbankcapitalmarkets.com/economicindicators.aspx?gid=ni&ind=26>

Ulster Bank (2011) Northern Ireland Purchasing Managers Index February 2011 Survey:
<http://www.ulsterbankcapitalmarkets.com/economicindicators.aspx?gid=ni&ind=26>

Ulster University (2011) Northern Ireland quarterly House Price Index 2010 quarter 4:
<http://rpp.ulster.ac.uk/research/housing-index/q4-2010.pdf>

Ulster University and NIHE (2011) Performance of the Private Rental Market, Belfast Metropolitan Area January-June 2010 (Published January 2011)

Watkins, C. (2001) The Definition and Identification of Housing Submarkets, Environment and Planning

Welsh Assembly Government, (2006) Local Housing Market Assessment Guide

Whitehead C, Monk S, Clarke A, Holmans A and Markkanen S (2009) Measuring Housing Affordability: A Review of Data Sources, University of Cambridge

Wilcox S (2006) The Geography of Affordable and Unaffordable Housing: And the Ability of Younger Working Households to become Home Owners, Joseph Rowntree Foundation, York

Wilcox, S (2007) Housing market affordability in Northern Ireland, Northern Ireland Housing Executive and Chartered Institute of Housing in Northern Ireland

Wilcox, S (2009) Housing market affordability in Northern Ireland update: Northern Ireland Housing Executive and Chartered Institute of Housing in Northern Ireland

Wilcox S and Bramley G (2010) Evaluating requirements for market and affordable housing, National Housing and Planning Advice Unit

Young, G., O'Sullivan, A., and Gibb, K (2009) Northern Ireland HMAs



Appendix 2: The Policy Context

Introduction

This chapter describes the strategic housing and planning policy context within which the North West housing system functions. This appendix 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 four years from 2011/12 to 2014/5. This includes the block allocation to the Northern Ireland Executive. The spending plans will require Whitehall and the devolved administrations to make the deepest cuts for over 65 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 terms of housing, a 50% cut in grant funding for social rented and other forms of affordable house building was introduced. The budget also confirmed measures to reduce Housing Benefit and other welfare benefit expenditure by some £18 billion over four years with most of these measures being introduced from 2011 or 2012. These measures are explained in more detail later in this chapter.

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. Housing measures announced included:

- the introduction of a mortgage indemnity scheme, where first time buyers may be able to acquire 95% mortgages;
- an extension of Right to Buy with a 50% discount for social tenants who wish to buy their homes;
- an extra £50 million for empty homes strategies; and
- a fund of £400 million for 'Get Britain Building' to assist stalled house construction projects.

Welfare reform

On 11 November 2010, UK Government announced plans to introduce a 'Universal Credit' from 2013 to replace most in work and out of work benefits²³ 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 the intention to calculate 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;
- LHA rates will be up rated using the lower Consumer Price Index (CPI) measure as opposed to the Retail Price Index (RPI) from 2013/14.

The degree of uncertainty means it is not possible to be definite about the impact of public expenditure reductions and welfare reforms on the housing system, although some possible impacts are discussed in this report.

²³ 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.



The Northern Ireland Programme for Government - Building a better future - and budget

The Northern Ireland Executive's (NI Executive) over-arching aim is to build a peaceful, fair and prosperous society. The Draft Programme for Government 2011-15 sets out five strategic priorities to promote this aim:

- Growing a sustainable economy and investing in the future;
- Creating opportunities, tackling disadvantage and improving health and well-being;
- Protecting our people, the environment and creating safer communities;
- Building a strong and shared community;
- Delivering high quality and efficient public services.

In March 2011, the NI Executive published a budget setting out proposed spending plans for 2011 to 2015. The above priorities are to be guiding principles for Government policies, strategies and programmes

The background for the budget is the significant reduction of levels of funding available as part of the UK Government's Spending Review in October 2010. 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%. The Department is seeking to offset some of this reduction in funding by achieving savings and by maximising income from other sources such as leveraging in additional funds from the private sector.

Projected expenditure on 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. It is envisaged that the Housing Executive's programme of modernisation and rationalisation will result in staff and running cost reductions. A review of maintenance spending, improved asset management and increased rental income are also to provide savings and revenue.

Supporting Strategies

The Programme for Government identifies a number of strategies and plans, which will promote the aims, priorities and commitments of the programme. These provide further

details about the intended policy direction on specific matters. Aside from the RDS, which is discussed later in this chapter, important policy strategies for this HMA report are those relating to economic development and regeneration.

The top priority for the Programme for Government is to grow the Northern Ireland economy. Consequently, the Northern Ireland Executive published a draft economic strategy 'Priorities for Sustainable Growth and Prosperity' (November 2011) for public consultation. This strategy is based around the twin aims of rebalancing the economy by growing private sector activity in the longer term and rebuilding the economy to secure employment growth in the shorter to medium term.

In terms of regeneration and tackling disadvantage, the 'People and Place: A Strategy for Neighbourhood Renewal' (DSD, 2003) identified several communities that experience high levels of deprivation. It encouraged community, voluntary, government agencies and the private sector to work together to deliver goals associated with community, economic, social and physical renewal. Currently there are four neighbourhood renewal areas in Derry/Londonderry and one in Limavady town.

Planning and Local Government reform

Reform of the NI Planning System

The planning system in Northern Ireland is undergoing a programme of 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 LPP.

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.



Local government reform

Reform of local government is also ongoing. It involves a reduction in the number of local government districts 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. The proposed new councils are summarised in Table 29.

It is intended that the new councils will receive powers of well being and community planning. It is proposed that local government districts 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.

Table 29: Proposed New Local Government Districts

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

Planning Context

The Regional Development Strategy (RDS)

The first RDS "Shaping our Future", was issued by the Department for Regional Development (DRD) at the end of 2001. Consistent with commitments given in 2001, the RDS was reviewed in 2006 and 2010. In January 2011, a draft revised RDS to guide development to 2025 was issued for consultation.

The RDS 2001-25 provides an overarching strategic framework, to help achieve a strong spatially balanced economy, a healthy environment and an inclusive society. The RDS also contains a commitment to sustainable development.

The RDS contains a Spatial Development Strategy (SDS), to support balanced spatial economic development and growth between the wider Belfast area and the rest of Northern Ireland. Features of the SDS include:

- The Belfast Metropolitan Area (BMA), which is identified as the region's engine of growth and where the aim is to ensure it can compete with European cities;
- The Derry Urban Area is described as the economic hub of the North West;
- Rural Northern Ireland, where the priority is to promote decentralised growth through focusing development on a network of main and local hubs.

The draft Revised RDS 2010 proposes a changed spatial framework. It is proposed that a sub-regional approach should replace the 2001 HUB based SDS so that:

- Development would continue to be directed towards the principle cities of Belfast and Derry/Londonderry;
- There would be nine 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 nine sub-regional centres;
- There would be Gateways and Economic Corridors based around transport interchanges.

RDS housing requirements

The RDS 2001-25 and its Spatial Development Strategy (SDS), aims to influence the geography of development across Northern Ireland. The RDS, therefore, sets 'Housing Growth Indicators' (HGIs) to guide distribution of housing in the region. The RDS projects housing growth required to respond to changing 'housing need'²⁴

The RDS originally identified a net additional housing requirement for 160,000 additional dwellings between 1998 and 2015 throughout Northern Ireland. The HGIs allocate a proportion of the regional net additional housing requirement to each LGD. These allocations were intended to provide a starting point for assessing future net housing additions required at the local level through the Development Plan process.

The five year RDS review, DRD (2005a) proposed that the 1998-2015 figure of 160,000 should be revised upwards to 200,000. In 2006, an independent panel recommended that the HGI for Northern Ireland should be increased to 208,000 for the period to 2015. This recommendation was accepted by DRD.

²⁴ The RDS figures on 'housing need' include households that are able to pay for housing as well as those that cannot. The RDS use of the term 'need' is usually termed 'total net housing requirement' elsewhere in the UK.



The draft Revised RDS 2011-25 'provide an indication of the net additional housing requirement for 2008 to 2025. At 189,500, 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 draft Revised RDS 2011-25 also emphasises that there should be a minimum of five years supply of housing land within local government districts.

RDS housing requirements for the North West HMA

The North West HMA, as noted in Chapter 1, extends across Derry and Limavady LGDs and includes a small area of Strabane LGD. The 2001 RDS's 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 30 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 draft Revised RDS 2011 for the period from 2008 to 2025 are also summarised. It confirms that whilst the projected net additional housing requirement has fallen back at the North West HMA level, as at the Northern Ireland level, the share of net additional requirements allocated to the North West HMA has not changed.

This reflects that the method adopted to identify net housing additions has been 'rolled forward'. Therefore, the RDS 2001-25 intention that the 48% of the regional housing figure should be allocated to the BMA and hinterland area and the remaining 52% to the rest of Northern Ireland to help achieve balanced regional development remains unchanged.

Table 30: Housing requirement spatial allocation (housing growth indicators) 1998 to 2015 and proposed allocation to 2025.

LGD	Original allocation RDS 2001 1998-2015	DRD Revised allocation 2008 1998 - 2015	DRD Proposed allocation RDS10 Year Review
-----	--	---	---

					2011 2008-2025	
	No	%	No	%	No	%
Derry	12,700	7	15,000	7	13,700	7
Limavady	3,100	2	4,300	2	3,900	2
Strabane	3,500	2	4,300	2	3,900	2
Northern Ireland	160,000	100	208,000	100	189,500	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 new social housing development predicated on the findings from Housing Needs Assessments prepared by the Housing Executive. A review of PPS 12, which includes a review of developer contributions and other measures to support social and intermediate housing is ongoing;
- PPS 21 seeks to strike a balance between rural development and rural conservation. It provides for the consolidation of existing residential clusters and for farmhouses to be built in suitable locations to support rural communities. Policy CTY 5 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 Derry Area Plan 2011, Limavady Area Plan 1984-1999, Limavady Local Plan (South East lands) 1989-1999, the Strabane Area Plan 1986-2001 and the Draft Northern Area Plan 2016.

NIHE Housing Need Assessment

The RDS 2001-25 and the Revised RDS 2011-25 are based on a 'plan, monitor and manage' approach to provision of housing land. This approach requires regularly updated evidence on a range of matters, particularly at the development plan level.



This includes evidence, such as updated figures on housing construction, land availability and local housing needs. 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. As PPS 12 states, the Housing Executive:

“... will provide a Housing Need Assessment (HNA) in relation to identified areas of the housing market to assist DOE Planning Service in their preparation of development plans. The findings of the HNA will be taken into consideration in the preparation of a development plan and will be updated at regular intervals during the life of the plan. The findings of the HNA will influence how development plans will seek to facilitate a reasonable mix and balance of housing tenures and types to cater for the identified range of housing needs”.

Housing need and Housing Market Assessment

The Revised RDS 2011-25 clarifies the HGI figures provide a starting point for assessing housing growth and should be interpreted in light of local assessments of housing need and local housing market conditions. It is now recognised that assessment of cross tenure housing need is more robust if the findings are embedded within a wider local housing market assessment.

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

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

It is important to note that guidance prepared to support local government districts analyse local housing systems in Great Britain all set out a general approach but permit different methods to be employed. In part, this is because the ‘real world’ environment in which different housing systems operate means that a single standardised approach is unlikely to be appropriate for all HMAs. These differences include local housing market conditions, the availability of statistical data and other evidence available, and the different spatial scales at which housing system analysis is conducted.

Conclusions

The North West 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 North West 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 local government districts to adopt a more integrated approach to spatial planning and to find new ways to ensure that local plans align with the community plan ambitions as well as the ambitions of the RDS.

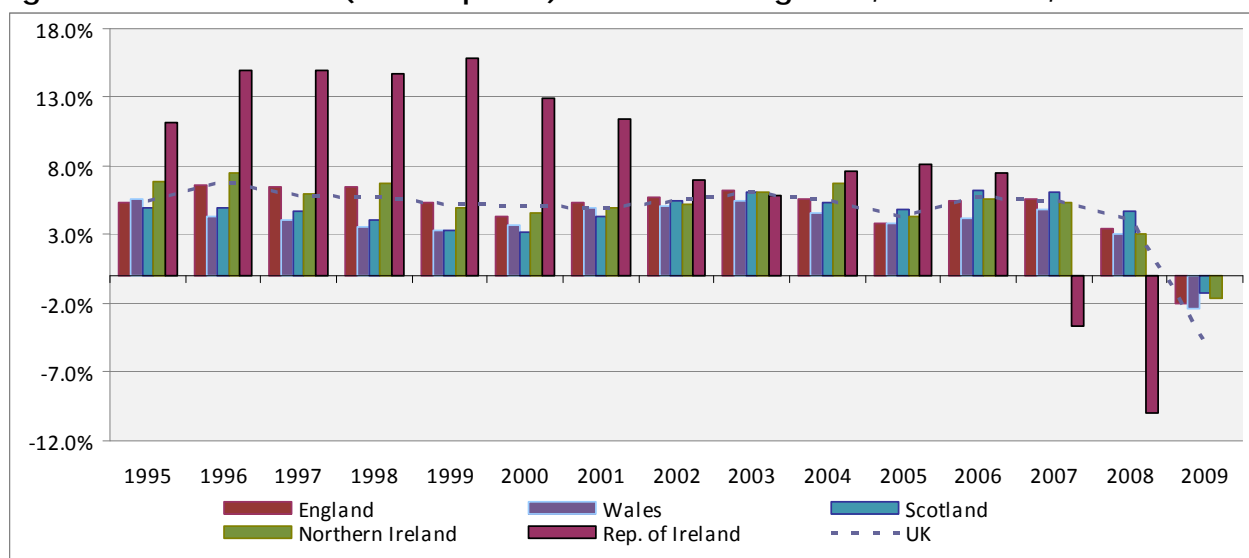
In terms of the proposed revisions to the spatial framework underpinning the RDS 2011-25, it remains to be seen whether the sub-regional centre and cluster approach outlined in the draft Revised RDS 2011-25 will prove acceptable to citizens and local government districts and whether the use of Housing Growth Indicators will be taken forward. In the case of the North West HMA it will be important to maintain a watching brief in terms of future development and to ensure that its housing market responds to the challenges set out on the RDS.



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. GVA is an agreed measure of the value of the goods and services produced within the economy. It is the 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

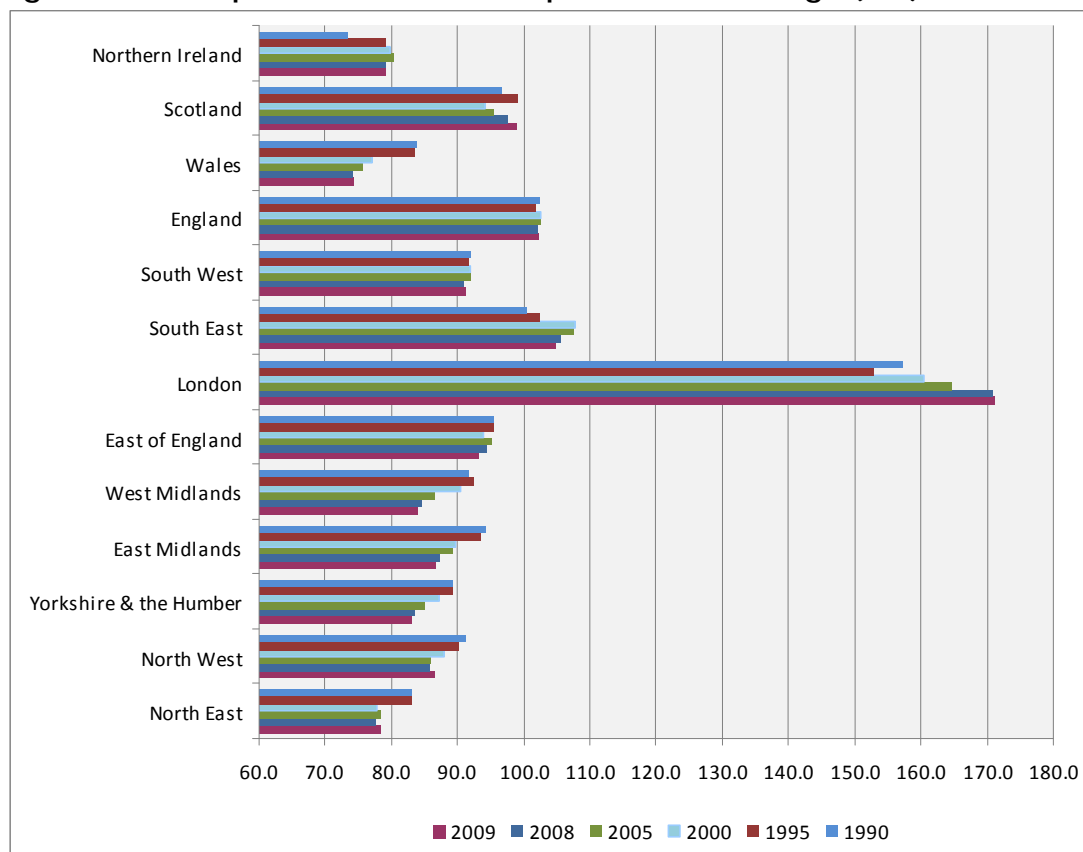


Source: ONS (December 2010) total annual workplace based GVA 1990-2009 per head at current prices
Note: UK figures are Extra- Region and exclude statistical discrepancy and offshore contribution that ONS do not assign to any region. Also, the estimates presented are current prices and do not take account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



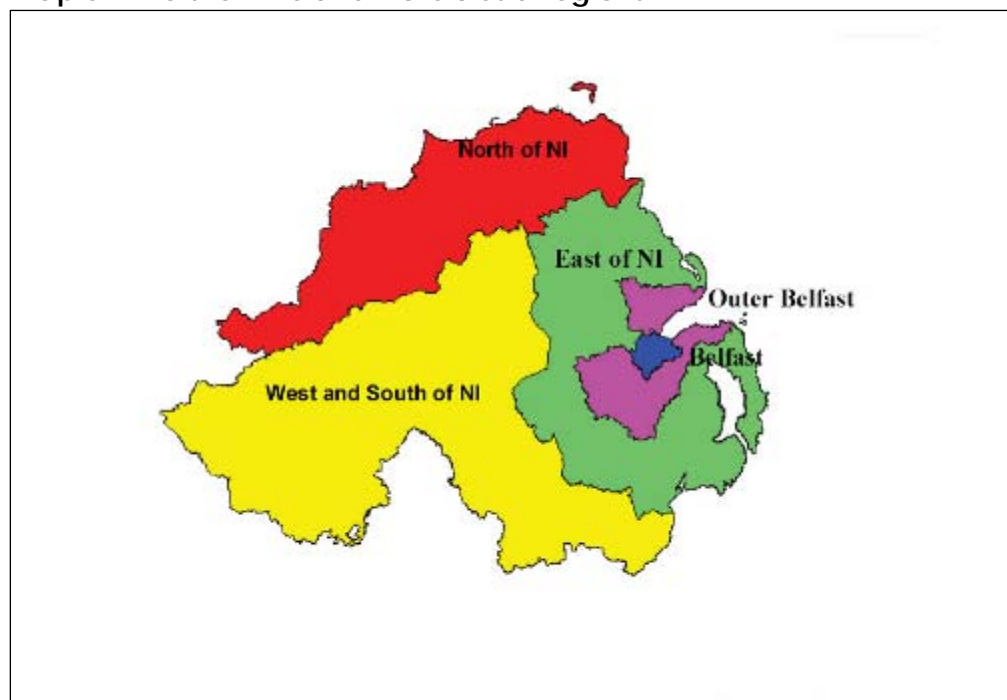
goods and services. Lending became even tighter as banks sought to rebuild their balance sheets. This exerted further downward pressure on GVA as companies found it difficult to secure finance to help them adjust to the downturn in demand. The construction industry has been particularly affected by this 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 3 will shape economic, labour market and housing market conditions for several years to come. Moreover, the pace of recovery in the North West 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 North West 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 North West 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 Sub-regions



The North West HMA lies within NUTS 3 region of 'North of Northern Ireland' (UKN04) which comprises the local government districts of Derry, Limavady, Coleraine, Ballymoney, Moyle and Strabane.

Table 31: GVA Growth for Northern Ireland split by area 1995 – 2008

NUTS 3 Area	Total GVA 1995 £ (million)	Total GVA 2008 £ (million)	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

Source: ONS (2010) GVA NUTS 3 tables (current prices and workplace based).

Notes: ONS produce GVA for the Nomenclature of Units for Territorial Statistics (NUTS), which is a European Commission's statistical classification. GVA figures are published down to NUTS 3 level. Further details can be found at: <http://www.nisranew.nisra.gov.uk/census/geography/nuts3.html>
ONS published revised historical figures for all previous years in December 2010

Using the NUTS 3 data for the sub regional areas it is possible to make assumptions about the relative GVA growth within the North West HMA based on the relative figures for North of Northern Ireland NUTS 3 area as follows:

- From 1995 to 2008, the average annual growth rate for North of NI was 4.7%. This compares to a Northern Ireland figure of 4.9% and a UK figure of 5.4%;

Housing Market Analysis

North West Housing Market Area



- While growth has occurred, it has been at a lower rate than for Belfast and Northern Ireland as a whole and the North of Northern Ireland sub-region is one of the least economically productive areas of the UK;
- From 1995 to 2008, there has been an increasing gap between the GVA of the sub-region and the Northern Ireland average. This illustrates the strength of the Belfast Metropolitan Area as the economic driver of Northern Ireland over this period.

While the sub-region mirrors much of the general trends for Northern Ireland in terms of economic production by sector (see table 32), it differs from the other sub-regions in several significant ways:

- From 1995 to 2008, the production sector declined as a share of local GVA compared to Northern Ireland. The most likely explanation is that the traditional manufacturing base of the sub-region suffered from competitive pressures, and the development of other economic activities did not sufficiently offset this loss;
- Public administration and services increased their overall share of local GVA in the sub-region in the period 1995-2008. This contrasts with the overall trend in Northern Ireland which showed a decline in the same period. The relative strength of services and administration has helped to maintain the economy in the North West HMA area in the recessionary years that followed 2008.

Table 32: GVA for Northern Ireland and the North of Northern Ireland economy by sector, 1995-2007

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
North of Northern Ireland				
	Total GVA 1995 (million)	Total GVA 2008 (million)	As % of local GVA 1995	As % of local GVA 2008
Agriculture, forestry and fishing	£148	£70	7.6	2.0
Production	£500	£551	25.6	15.6
Construction	£126	£366	6.5	10.4
Distribution, transport and communication	£328	£726	16.8	20.6
Business services and finance	£190	£613	9.7	17.4
Public administration, education, health & other services	£660	£1,205	33.8	34.1
Total GVA	£1,951	£3,530	100	100
Rest of Northern Ireland				
	Total GVA 1995 (million)	Total GVA 2008 (million)	As % of GVA For RNI 1995	As % of GVA for RNI 2008
Agriculture, forestry and fishing	£582	£337	4.6	1.3
Production	£2,865	£4,343	23	17.2
Construction	£666	£1,890	5.4	7.5
Distribution, transport and communication	£2,252	£5,186	18.1	20.5
Business services and finance	£1,798	£6,009	14.5	23.7
Public administration, education, health & other services	£4,279	£7,532	34.4	29.8
Total GVA	£12,442	£25,296	100	100

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

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

Housing Market Analysis

North West Housing Market Area



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.

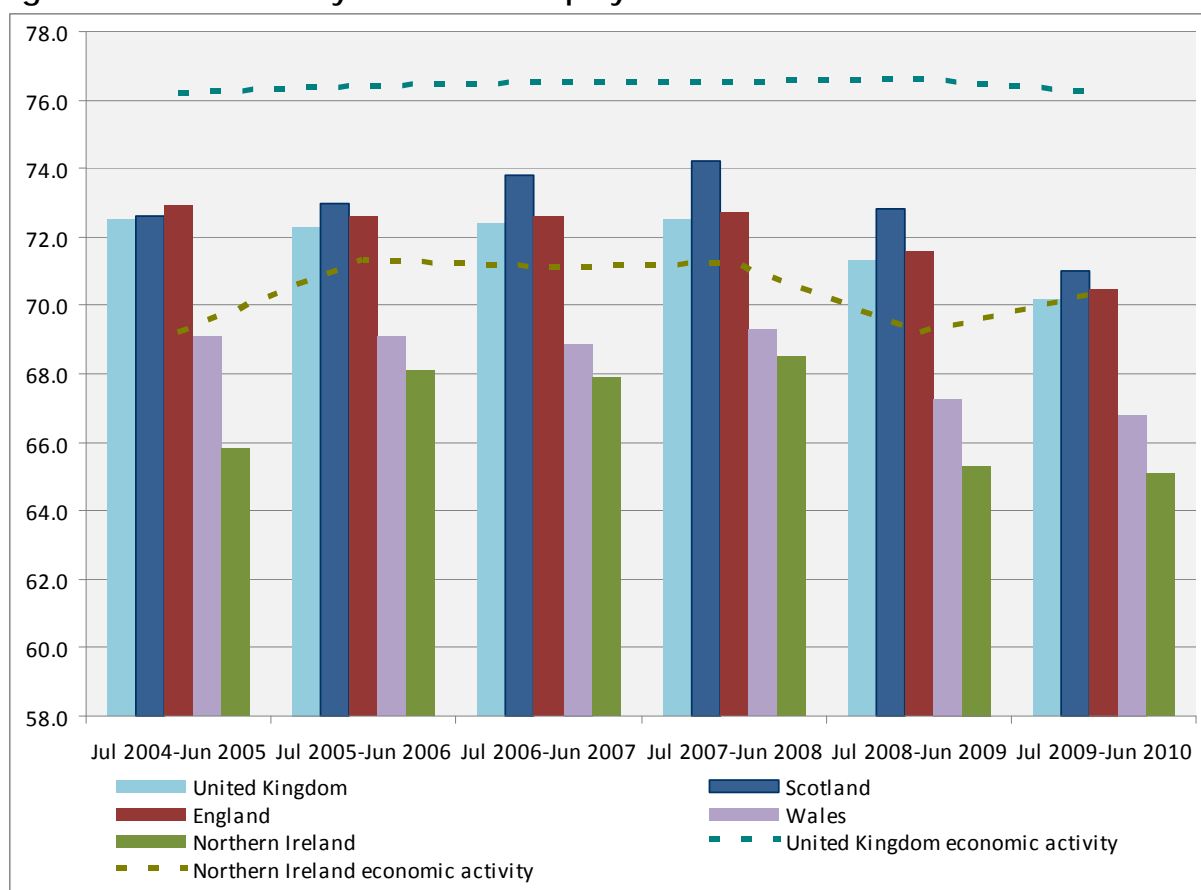
Production is made up of mining and quarrying, manufacturing, and utilities supply.

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)

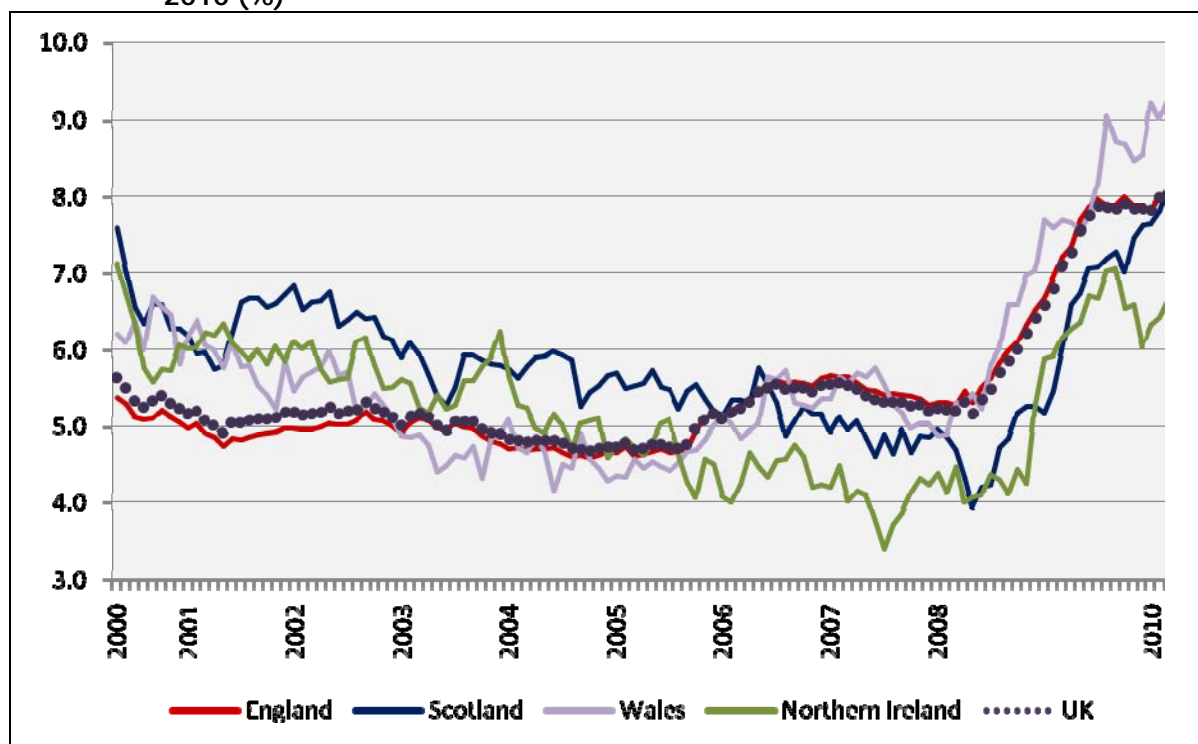
In spite of the improved economic performance in the decade to 2010, economic inactivity rates remained persistently higher than in any other UK region. In the year to September 2008, some 27% of the working age population of Northern Ireland were classified as economically inactive compared to the UK



average of 21%. 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 five years:

- Around one in six have retired before reaching the age of sixty-five 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 ten 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, 2000-2010 (%)



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 33 summarises alternative NISRA population projections for Northern Ireland for the period 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 substantial 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 number of people living in Northern Ireland in the long term.



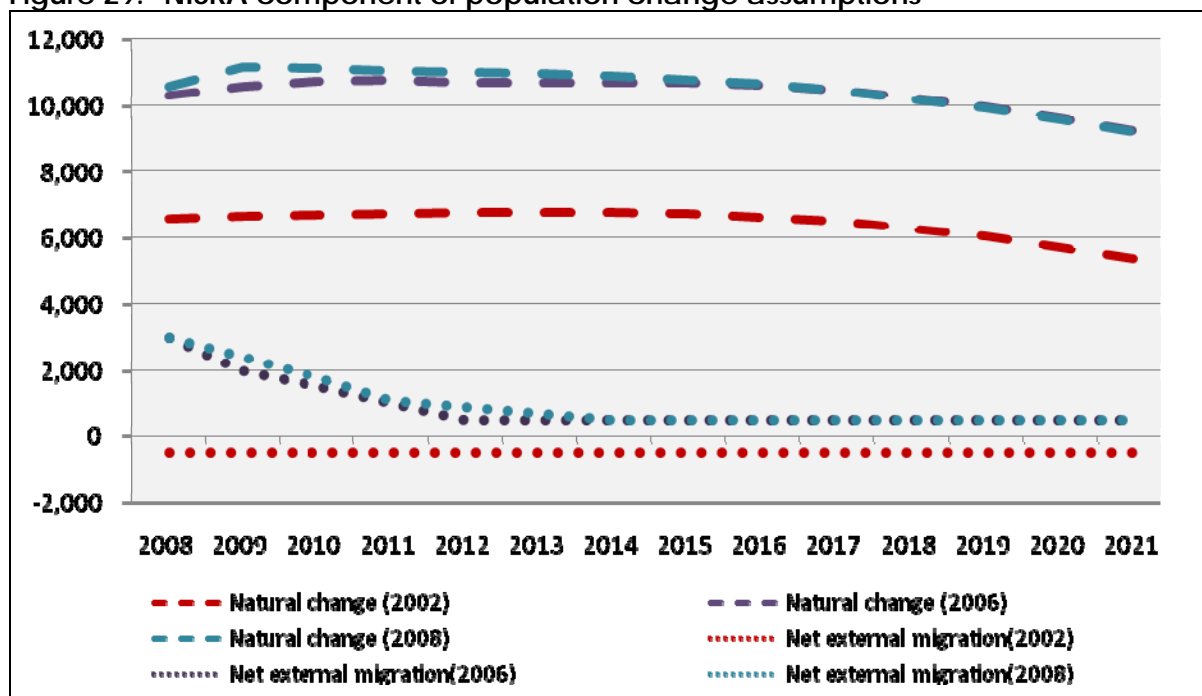
Table 33: NISRA alternative Northern Ireland population projections

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

Source: NISRA - <http://www.nisra.gov.uk/demography/default.asp3.htm>

Notes: Figures rounded up by NISRA

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 2002²⁵. 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 modest (around 500 per annum) from 2014 onwards.

Oxford Economics (2009) have suggested that the 2004 to 2008 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 reduce. McVeigh et al (2009) and Bell et al (2009) suggest that, whilst a mass exodus is unlikely, fewer migrants will move to Northern Ireland in the coming years than in the four years to 2007 inclusive. 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 the same for much of the coming decade.

Components of population change

The main components of population change are:

- Natural change (the difference between births than deaths);
- Internal migration, which refers to migration within Northern Ireland; and
- External migration, which refers to migration from Great 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 that in the decade to 2004 the Northern Ireland population increased by an average of 7,000 persons each year (0.4%). This figure more than doubled to 16,100 between 2004 and 2008 (0.95%).

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.



Household Change

Northern Ireland projections

NISRA latest 2008-based household projections are summarised in table 34. 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 flows from a combination of the changing age structure of the population and the continued trend towards single and smaller person households.

Table 34: 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 of single person or two person households. By 2023 therefore, over six out of ten households living in Northern Ireland may comprise of one or two adults;

- The number 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. This may be partly explained by the fact that this category includes households that contain individuals aged 16-18 that are still in full time education.

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 detailed in the 2006-based projections²⁶. 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 North West HMA, which are summarised in Table 35. It shows:

- NISRA project 59,900 households may be living in the North West HMA by 2023, which is significantly higher than the comparable rate for Northern Ireland;
- Derry LGD is predicted to have the greatest increase in households within the North West HMA. Between 2010 and 2023, households are predicted to increase by 12%;
- Limavady LGD is forecast to increase by 11% over the same period of time.

Table 35: NISRA 2008-based household projections for North West HMA 2010-23

2008-based	2010	2015	2021	2023	change 2010-15	change 2010-21	change 2010-23
North West HMA	53,400	56,300	59,000	59,900	5.4%	10.5%	12.2%
Northern Ireland	706,400	749,200	794,400	810,400	6%	12%	15%

Source: NISRA 2008-based household projections (2010)

Figures rounded to be consistent with NISRA reporting conventions

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.



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 respondent incomes from earnings and other sources. In 2009/10 there were 2,041 fully co-operative and 77 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 a spouse (if applicable) and any dependent children living in the same place. 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 described 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 considers its modelling procedures to be commercially sensitive, but it is understood that the CACI Paycheck model uses 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 we have little reason to think the pattern would be significantly different;
- Data from the most recent four years of Expenditure and Food Survey (EFS), which annually collects information on some 6,000 household's resident in the UK²⁷, 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.

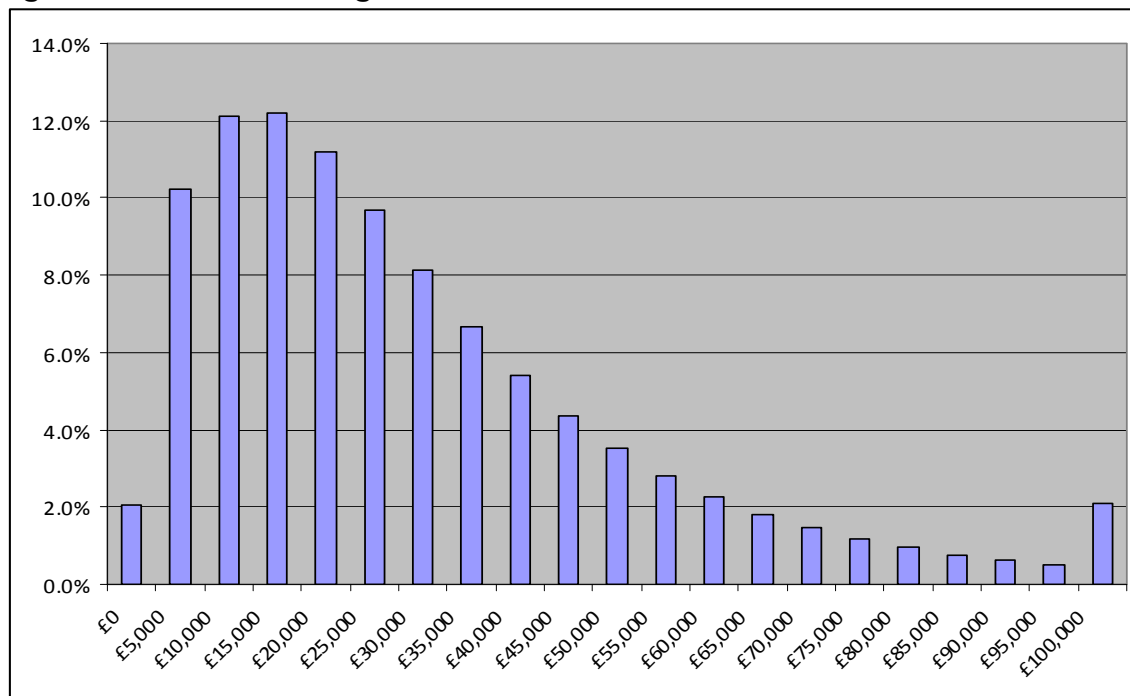
It is possible that for some small areas (such as postcode units) the model incorporates very few (if any) actual observations, and instead relies solely on imputed data created from the known relationship between income and household characteristics. CACI data is regularly updated but it is not designed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

Figure 30 shows the distribution of households in the North West HMA for the £5,000 bands of household income according to CACI Paycheck in 2010. About half of households have an income between £5,000 and £35,000. Just 2% of households had a gross 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, North West HMA, 2010

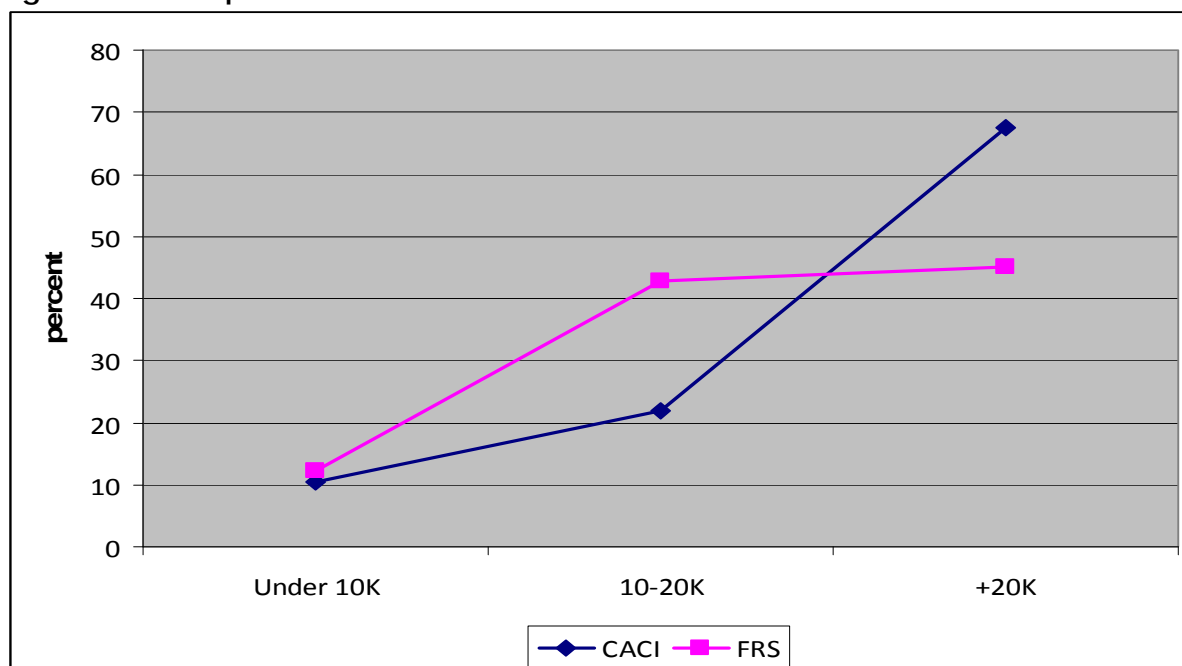


Source: CACI Paycheck 2010

Figure 31 below 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 information suggests that a much higher proportion of households have a gross income of over £20,000;
- In contrast, 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 35.5% respectively).

Figure 31: Comparison of FRS & 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. Northern Ireland has a higher proportion of large adult households than the UK average, and this will tend to boost gross household income. As comparisons between the FRS household and benefit unit income distributions illustrate, the choice of measurement unit has a clear impact on the 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 that information 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 the North West 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

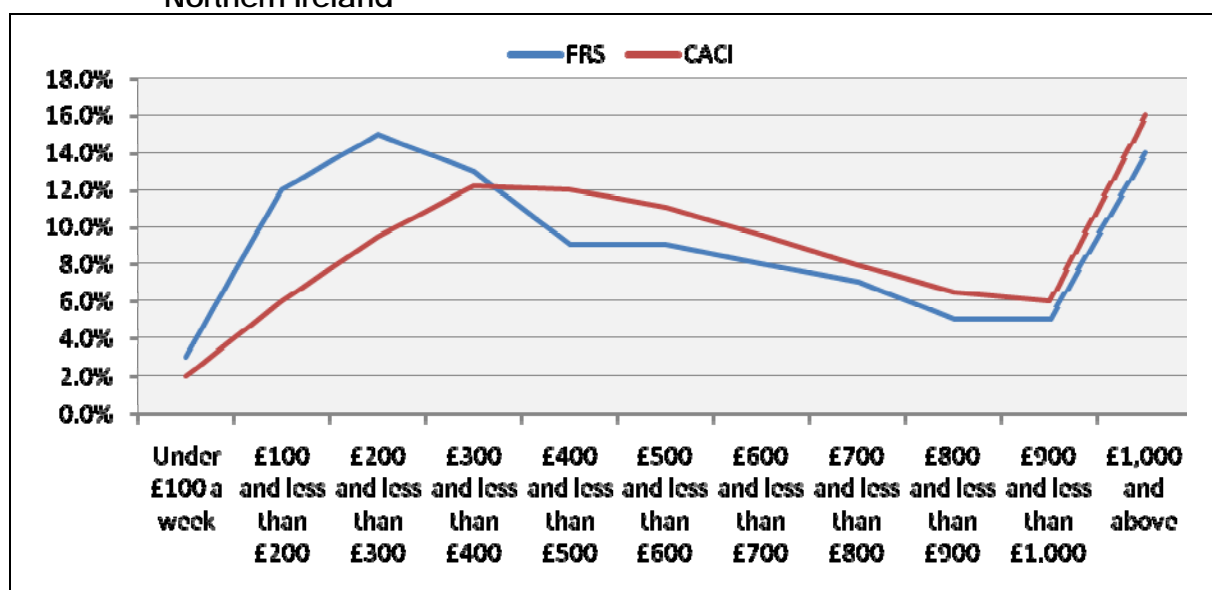


and between localities. This is difficult for the FRS income imputation to allow for;

- By contrast, we believe CACI seeks 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, and provide 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” (page 4)

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 the North West HMA, we were interested to find out if the housing market boom in the 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 the North West 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 36 shows, in the period from 2001 to 2008, NISRA household projections for Northern Ireland 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 36: % 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 dataset²⁸ 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 reports stock figures for 31 March each year whereas projections relate to the 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 direct relationship between households and occupied dwellings in any given year. Nonetheless:

²⁸The 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.



- Over time it is customary to see a relatively close relationship between the two variables. Usually they are 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 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 37 compares the occupied stock to projected household ratio for Northern Ireland, and the North West 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 showed little change. Therefore the gap between the numbers of occupied dwellings and the projected numbers of households appears not to have widened to any great extent;
- Similarly, the North West HMA has shown no significant divergence from the number of occupied housing stock and the projected household numbers;
- Similar to Northern Ireland, the North West HMA experienced the greatest divergence in 2007 between projected housing numbers, and the numbers of occupied units, but two years later this had rebalanced.

Table 37: Occupied stock as a % of households in Northern Ireland and North West HMA 2001-10

Year	Northern Ireland	North West HMA
2001	99%	99%
2002	99%	99%
2003	100%	99%
2004	100%	100%
2005	100%	99%
2006	99%	98%
2007	97%	96%
2008	98%	99%
2009	99%	100%
2010	99%	99%

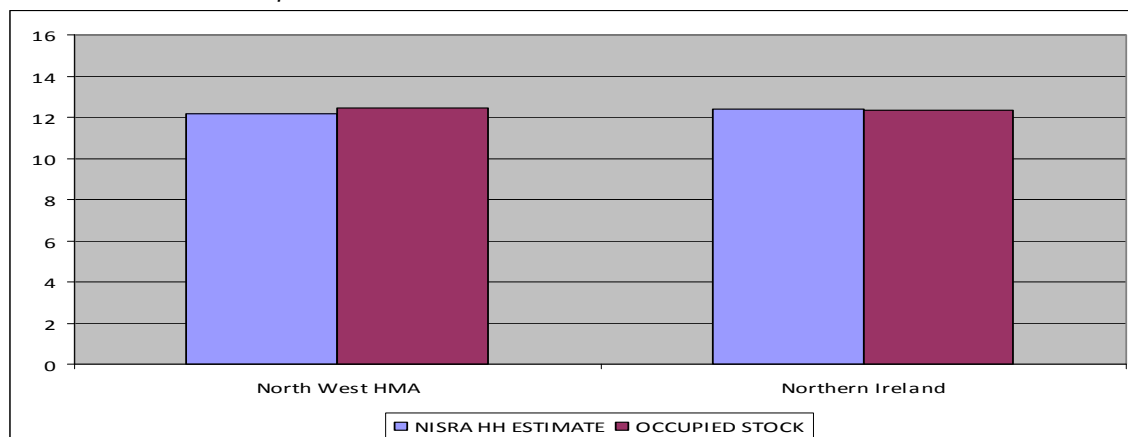
Source: NISRA (2010 household projections and NISRA (DSD) ward level occupied stock estimates published on NINIS aggregated up to selected geographies. Figures for 2007 should be treated with caution as there appears to be some under-reporting of occupied stock in some wards

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 2010, the projected household growth and the growth in occupied dwellings in Northern Ireland both increased by approximately 12%. In the North West HMA the respective figures were similar. As figure 33 shows over this period, the North West HMA is generally consistent with Northern Ireland. The rate of occupied dwellings has increased at approximately the same rate as the projected housing growth figures.

Table 38: Percentage 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 subdivided 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 vacancies²⁹ 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 HCS 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 North West HMA.

Housing market dynamics

Figures for the North West HMA suggest that the rate of new build starts may not have been as vigorous as other parts of Northern Ireland, and this could have helped to dampen the rate of unoccupied dwellings. Chapter 3 describes that in the ten year period from 2001 to 2010, only the number of new-build starts represented only 64% of the Housing Growth Indicators over the same period. In 2010, Limavady LGD overtook Derry City Council area in terms of new build starts despite the population being considerably smaller. Overall, however, the downtrend in construction across North West HMA would have, to some extent, buffered the area from more extreme housing surpluses

Other HMAs

It should be noted that some of North West HMAs in Northern Ireland also appear to have experienced lower rates of household growth than NISRA projected. These include Newry HMA, Dungannon HMA and parts of Belfast HMA.

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.

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.

Conclusion

Although figures at LGD level are considered less robust than at national level, it would appear that the North West HMA has experienced less household growth than projected prior to the economic downturn. Some contraction of the construction industry from 2007 onwards 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 North West HMA. There is likely to be few significant changes in the housing market over the next few years as the housing market settles and until the financial markets improve. In the interim, consideration may be given to advancing other housing options, for example intermediate housing. This could encourage household growth in line with NISRA projections.



Appendix 8: Stock condition

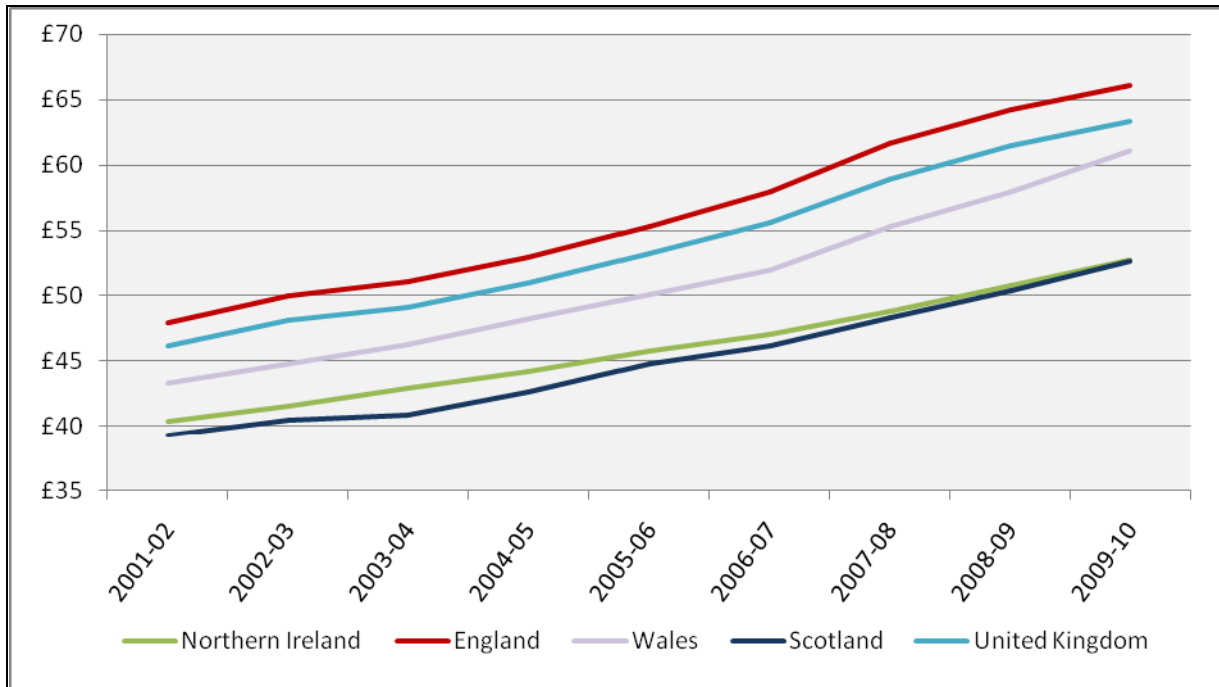
Information from the HCS 2006 provides some insight into the condition and quality of housing at LGD level. In Derry LGD, unfitness was 2.3% compared to around 2.8% in Limavady LGD. The Northern Ireland average was around 3%. There is also a distinct urban/rural split with unfitness higher in rural areas. We suspect this is the case in both Northern Ireland and the North West HMA. Vacant dwellings comprise the bulk of 'unfit' housing stock at 57%. 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, 26% of all dwellings in Derry LGD failed the standard, and 28% failed in Limavady LGD. Both figures are above the Northern Ireland average of 22%. The majority of social rented dwellings in Northern Ireland which failed this standard in 2006 did so on the basis of 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 2009 HCS is not comparable due to a change of survey boundaries as stated earlier.

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 targets will be delayed within Housing Executive stock as improvement schemes have had to be delayed or reconfigured as a result.

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)

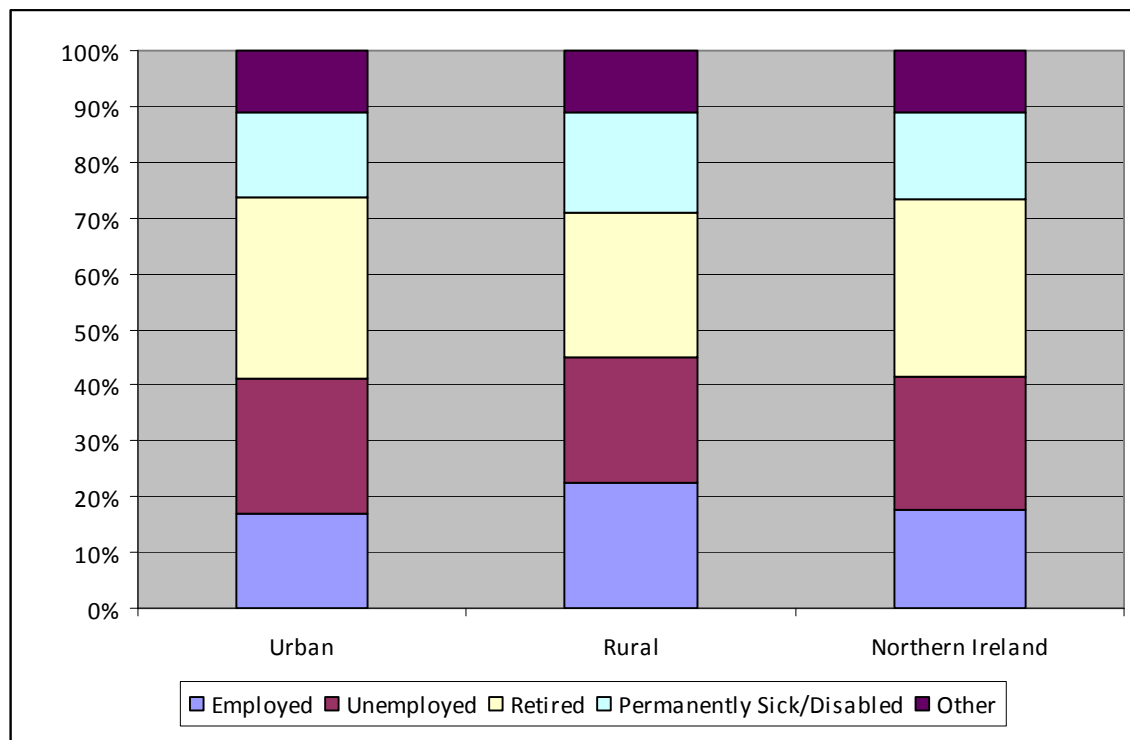


Appendix 10: Characteristics of Social Housing Tenants by Urban/Rural % Breakdown (2006)

	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 £7000	20	24	20
£7000-£29999	76	72	76
£30000+	4	4	4

Source: HCS 2006

Figure 33: Economic Status of social renters by urban/rural breakdown



Source: HCS, 2006



Appendix 11: Total Housing Requirements

The Consultative RDS (DSD, 2011) issued in January 2011 includes updated housing growth indicators. These indicate a requirement for some 90,900 new houses over the 17 years to 2025. This equates to an average of some 5,350 units per annum, which is slightly lower than the 2006-based figure of 5,800. A similar downward adjustment has occurred in respect of the rest of Northern Ireland and 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 indicators 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.

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 number 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 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.