



Northern Ireland's Housing Market

**Review and Perspectives
January 2011**

Introduction



- ⌘ Review & Perspectives: key strategic document
 - ☒ Statistics and qualitative research
- ⌘ The most recent statistics
 - ☒ Housing stock
 - ☒ Northern Ireland's economy
 - ☒ Demographic factors
 - ☒ The Waiting List and the need for social housing
- ⌘ Owner-occupation and affordability – the key challenge

The Housing Stock: House Condition Survey (2009)

A number of key messages:

- ☒ Increasingly modern: 34% of stock post-1980
- ☒ PRS: 125,000 (17%) - (81,000; 12% in 2006)
 - ☒ 12% vacancy rate in prs. [Vacant properties – 44,000 2009]
- ☒ Unfitness 2.4% (18,000) [3.4% in 2006]
- ☒ Energy: 90% oil & gas heated (88% in 2006)
- ☒ Decent Homes – 23% failed in 2006
- ☒ Fuel Poverty: 44% (34% in 2006)

Physical standards are generally good but Fuel Poverty remains a “wicked problem”

The NI Economy

- ☒ Increasingly affected by events in the world economy – significant rise increase in unemployment (63,000 [7.6%] – an increase of 28% since Q4,2009 - but 36% of people of working age are workless!) – economy to remain weak in 2011 – significant tightening of public expenditure will add to difficulties and increase the already high levels of benefit dependency.
- ☒ Construction industry (10% of GDP) particularly badly hit as a result of the downturn in the housing market – e.30,000 lost jobs during recession (CEF). Increase in social housing programme offers opportunity for economic stimulus via the local economic multiplier effect (1.7 – Smith & Bailey, 2009)

Demography 2008–2018

⌘ Growth in population: 7%

☒ Age profile (2008-2018)

☒ Children < 16 will increase by 12,000 (1%)

☒ No of pensionable age to increase by 9%

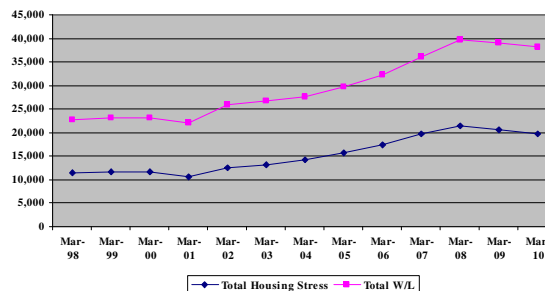
☒ No 75+ to increase by 34,000 - (30%) to 147,000

☒ Household formation set to grow by 12% – more important but more dependent on economic factors

☒ No of single households to grow by 45,000 (32% of all households in 2018).

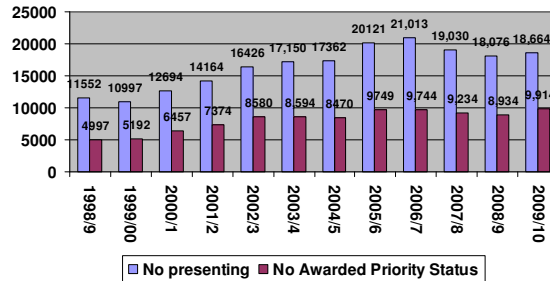
Waiting List (Social Housing)

⌘ Trends 1998-2010



Homelessness (Social Housing)

⌘ Trends 1998-2010



Need for Social Housing

⌘ Net Stock Model 2006-15 (2010 Update)

- ⊠ Additional demand 95,500
- ⊠ Additional (net) Supply..... 77,500
- ⊠ Deficit..... 18,000
- ⊠ + vacancy, mismatch & backlog = **2,500** *pa*

- ⌘ Waiting List analysis also indicates a similar level of output required to address housing need
- ⌘ Important that supply does not outstrip demand

Private Rented Sector (Buy-to-Let)

- ⏏ Rapid growth in sector 2006-2009
- ⏏ By 2009 125,000 prs dwellings (17%)
- ⏏ Importance of Housing Benefit (£200m)

Figure 11: BMA: Lettings and Average Rent, 2007-2009

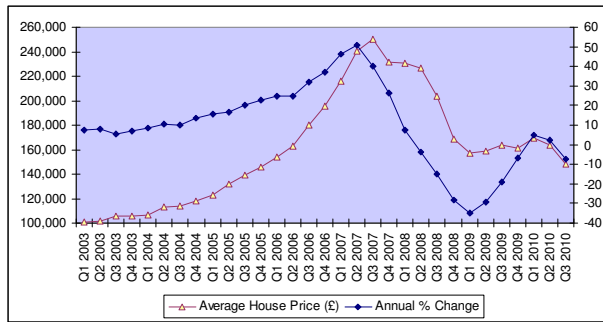


Source: propertynews.com

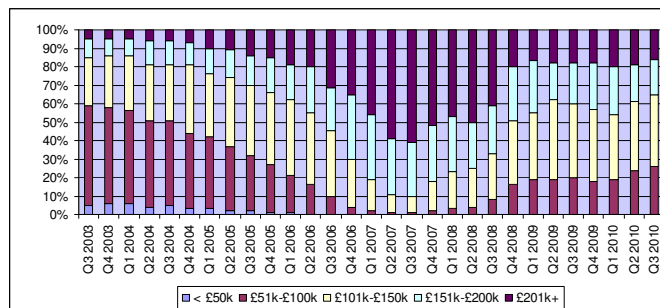
Owner Occupation Key Figures

- ⌘ Proportion of stock in owner occupancy fell in 2009 (62% from 66% in 2006)
- ⌘ Private sector new build of 5,500 in 2008/09 & 6,800 in 2009/10 [BUT: 14,000 2005/06]
- ⌘ Average house price Q3, 2010 = £148, 243 [£164,017 in Q3, 2009] – an annual weighted decline of 7.6%
- ⌘ Peak to trough reduction of 40+%

Affordability (1) (House prices 2003-10)



Affordability (2) (% of sales price 2003-10)



Affordability (3)

⌘ Median income to advance:

⊗ 3.51 in 2007 >>> 3.19 in Q3,2010

⌘ Proportion of transactions to ftbs:

⊗ 27% in 2007 >>> 45% in Q3,2010

⌘ Two key issues:

⊗ Deposits: typically 25% - continuing caution by lenders – more stringent checks

⊗ Buyer confidence – labour market issues

Conclusion

⊗ Deep recession brought about by adjustment to years of unsustainable increases in consumer debt and house prices – recovery hindered by tighter credit conditions, weakening employment and 'negative equity'.

⊗ Key challenge for policy makers and the housing sector is to reawaken confidence in the private sector – on the basis of a new realism in terms of prices and mortgage availability