



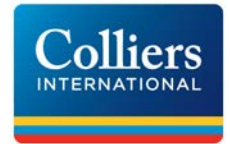
REPORT TO BELFAST CITY COUNCIL'S DEVELOPMENT
PLANNING & POLICY UNIT TO CONSIDER THE IMPACT OF
ITS PROPOSED HOUSING POLICIES (AS SET OUT BELFAST
LOCAL DEVELOPMENT PLAN DRAFT PLAN STRATEGY) ON
THE RESIDENTIAL PROPERTY MARKET LOCATED WITHIN
THE PLANNING AREA.

APRIL 2019

PREPARED BY
COLLIERS INTERNATIONAL

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BELFAST CITY COUNCIL - EMERGING HOUSING POLICY PAPER

INTRODUCTION

This paper has been produced in response to a request from Belfast City Council's Development Planning & Policy unit to consider the impact of its proposed housing policies (as set out the Belfast Local Development Plan (LDP) Draft Plan Strategy (DPS)) on the residential property market located within the planning area. In carrying out this instruction, Colliers International have considered the following:

- High level analysis of the housing market in the Belfast district as a whole, with reference to benchmark land values, build costs and sales values;
- An assessment of the potential market impact of the emerging LDP housing policies on the delivery of residential development in the district, both positive and negative;
- An evaluation of the different models available for the delivery of affordable housing as a proportion of wider residential developments – e.g. land transfers, construction and sale, type of affordable housing, etc. – and the implications of each for the viability/feasibility of development and the relative benefits/disadvantages of such approaches in terms of market impact;
- An identification of any geographical variances in the housing market within the city, with reference to the viability of delivering residential development;
- Consideration of the political context within which housing is delivered in Belfast and the implications this may have for the transfer of models for delivering affordable housing from other jurisdictions; and
- Identification of any examples of mixed tenure housing development delivered within the NI context and lessons that can be learned from such experiences.

METHODOLOGY

In addressing this matter, Colliers International is of the opinion it is wise to consider the potential impact of the emerging policy within different zonal areas of the city, as commercial reality dictates that different forms of development will be more or less appropriate depending on the location. For example, suburban development will be of a different physical form to development in Belfast City Centre; and in particular the inner core of the City Centre.

This paper sets out the different areas of Belfast City where the emerging policy in the Draft Plan Strategy will have the capacity to have profound commercial and viability differences between locations albeit we should clarify this exercise examines only Belfast City Council's district boundary but recognises that the functioning housing market is much broader than this. This is then followed by a context section that examines the current approaches to delivery of affordable housing in NI and the other models available in other jurisdictions. The Council's proposed policy approach is outlined, with an assessment of its potential effect. A number of recommendations are set out and these are summarised at the end of the paper.

The areas of Belfast City being considered are detailed below.

City Centre (including City Centre core)

The City Centre plays a significant role in the regional economy, with a multiplicity of land uses, serving a wide catchment area beyond its plan area boundary. To remain competitive, a supply of good quality office accommodation is required in the City Centre to support new business investment and job creation. In addition, as the City Centre’s retail offer continues to evolve, it is essential for the long-term viability of the City Centre that a greater focus is placed on increasing its residential population.

Unlike many cities of a similar size across the UK and Europe, the existing residential population of the City Centre is low. However, this is likely to change significantly in the near future with the re-location of Ulster University into the north of the City Centre with growth in purpose-built student living accommodation already leading to improved vitality and liveability.

It is of singular importance that the LDP helps deliver a high quality city living environment. Indeed, there is a symbiotic relationship between the growth of a city’s office sector and its city housing stock and as a consequence, it is of vital importance to Belfast that its City Centre housing provision aligns with its growing office stock. Any restriction in housing provision, may impede the existing momentum of FDI corporate occupiers seeking to invest in the City Centre therefore housing stock will be required in significant numbers.

For the purposes of this paper, the City Centre core is defined as that area of the City Centre bounded by the west bank of the River Lagan, Ormeau Avenue, Bruce Street Link, Great Victoria Street, the Inner Relief Road and Donegall Street returning back to the west bank of the River Lagan at Custom House Square. The **City Centre core is outlined in red** on the map below, along with the different zonal areas within the core and the wider City Centre. Due to a lack of large scale sites, coupled with design challenges and viability issues created by higher land values (competing land uses), the city core is specifically identified as being particularly challenging for the delivery of housing.

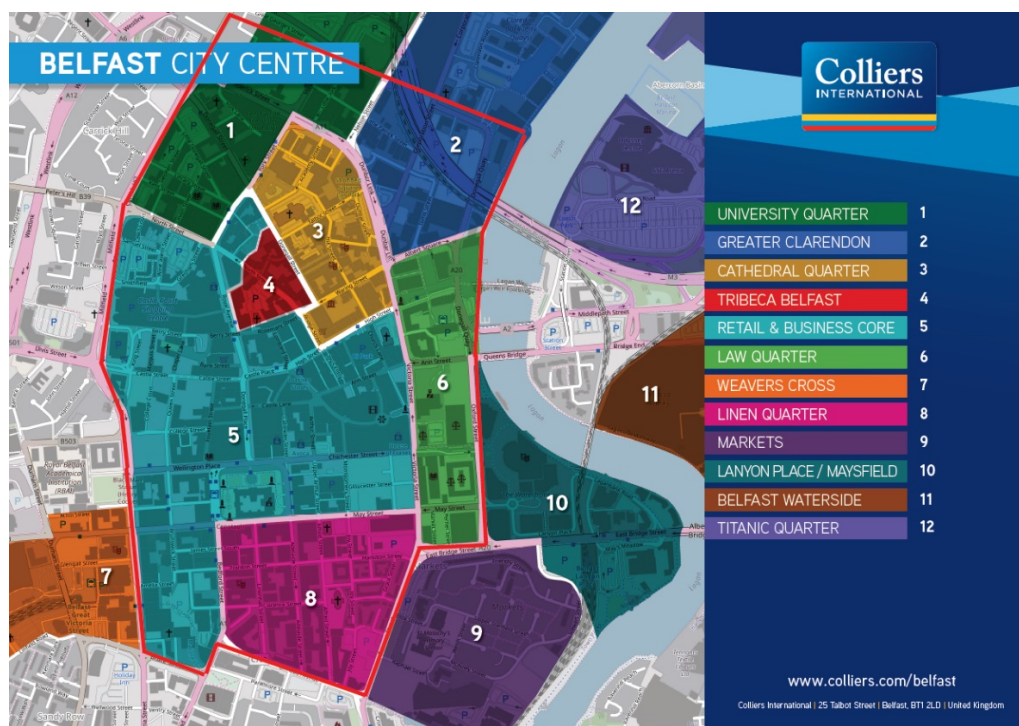
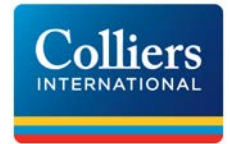


Figure 1: City Centre core and central ‘zonal’ areas



Inner city

The inner city, which Colliers would identify as those areas positioned on the outer edge of the City Centre core, is characterised by a predominance of high density residential development, often including established residential areas of terraced housing and social housing developments interspersed with industrial uses and commercial development. The changing economic climate and decline in traditional manufacturing has left a legacy of industrial sites that have potential to be redeveloped for medium-high density residential development in close proximity to existing facilities and services.

Glider Hubs

The term Glider Hubs in this paper aligns with the terms District and Local centres as referred to in the Council's Draft Plan Strategy. Located along the city corridors, with good accessibility and well served by high quality transport connections, higher density residential development can typically be supported in close proximity to such centres. Examples include Connswater / Kennedy Centre (district centres) or Ballyhackamore / Finaghy (local centres).

The city corridors are typically characterised by a mix of uses with clusters of small commercial units having formed in a number of places, providing local shops and services for the surrounding residential neighbourhoods. District and local centres acting as key service centres for surrounding communities. They fulfil an important complimentary retail role in providing consumers with convenience and choice in locations outside of the City Centre.

Outer Belfast / Suburbs

The outer areas of Belfast typically contain a greater proportion of housing than industrial and commercial development. Dwellings tend to be larger and lower density moving into the suburbs, with the majority of properties taking the form of semi-detached and detached houses with private gardens. As already noted above, the functioning housing market is much greater than the limit of the Belfast City district boundary. In the context of outer Belfast, this has implications in terms of competition from neighbouring districts such as Lisburn & Castlereagh and Antrim & Newtownabbey, particularly for this type of lower density housing.

CONTEXT

Social Context

The social context in Belfast can be seen as a tale of two cities. It is home to a growing and affluent population, the growth in those living in the city lags behind many other areas of NI and most other cities of a similar size across the UK. Although Belfast is home to some of the most affluent communities in NI, it is all home to some of the most deprived communities. The population (estimated at 340,220 in 2017) is characterised by a growing number of children, young people and a rapidly ageing population. There is a high level of owner occupied housing in many areas of the city and also a strong reliance on socially rented housing. One of the issues arising from the traditional delivery of social housing is segregation. This has resulted in areas characterised by disadvantage and often separated by peace walls and barriers. The contested spaces provide opportunities for developing shared meanwhile community projects that would help build trust and confidence to improve social cohesion.

Environmental Context

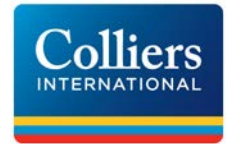
Belfast has one of the most striking landscape settings to be found in any city in the British Isles. It lies at the head of Belfast Lough in the lower reaches of the valley of the River Lagan and is flanked to the north west by the Divis and Black mountains and on the south east by the gentler slopes of the Castlereagh and Holywood Hills. Cognisant of our natural heritage, development pressures need to be balanced with the restoration and conservation of our natural heritage and environment. The reuse of brownfield sites and the proposals for higher density development throughout the city, as set out in the DPS, should assist with this objective.

Economic Context

The Belfast City Council area accounts for 30% of all jobs in Northern Ireland and generates £35,791 GVA per head¹. The Northern Ireland Composite Economic Index (NICEI) results show that NI economic activity was estimated to have increased by 0.4% in real terms from Quarter 2 (April – June) 2018 to Quarter 3 (July – September) 2018. The index increased by 2.1% over the year to Quarter 3 2018. Belfast has witnessed a revival in recent years in terms of inward investment, including significant regeneration within the Titanic Quarter and waterfront areas, major growth in tourism and the Ulster University redevelopment in the City Centre.

There are opportunities to support and promote the continued regeneration of the City Centre to attract inward investment and encourage a more diverse economy that will contribute to an enhancement in liveability and quality of place. This will need to be supported by a strong and sustained growth in new residential accommodation in the City Centre. Household growth and a larger population have increased the demand for housing, which building supply has not met. Outside of the need for more quality and affordable accommodation, there is a need to ensure that economic expansion balances the creation of skilled, high paid jobs with lower-skill, lower-wage jobs. Too many of the latter type has been one of the contributory factors to the affordability issues.

¹ Belfast Facts and Figures, Belfast City Council (April 2017)



Affordability Issues

Given the knowledge that housing supply has not been keeping pace with the additional demands generated by demographic change, it would be logical to assume that the cause of higher house prices is a lack of supply.

Empirical analysis indicates a weak relationship between land supply, housing supply and rates of house price growth. It also suggests almost no relationship between land supply and other factors that impact affordability such as transport costs, energy bills, food expenditure and access to employment.

There are a number of factors leading to affordability issues including; salary to loan ratio, ability to sell, current income and zero contract working arrangements, however the biggest impediment to purchase is the requirement for housing equity/deposit. The financial markets have produced a matrix of mortgage packages that ought to allow most parties to obtain a mortgage, however in the majority of cases, a deposit in the region of £15,000 - £20,000 will be required so clearly this is a fundamental barrier to entry.

Even assuming that increased supply equals more affordability, as the vast majority of sales are from the second hand market, it would take a very long time (and a sustained policy approach over many political cycles) for increased supply to impact on price. The logic of this statement however does not stand up to scrutiny given that a primary objective of the Belfast Agenda is to actually grow the City Centre population and the population of Belfast.

Evidence from the Council's own housing monitor, following a baseline assessment for 2015, shows that of the land available to accommodate 23,500 housing units, almost 19,000 units were on committed sites (i.e. with planning approval). This reinforces the assumption that more planning permissions do not necessarily mean more housing supply. Notwithstanding the above figure, the NIHE's Housing Market Analysis (Sept 2017) outlines a significant affordable housing need for Belfast (940 social homes and 630 intermediate annually).

Other factors that have contributed to affordability issues in Belfast include:

- The vulnerability of housebuilding to economic cycles is exacerbated by the fact it occurs at the intersection between three complex markets – land, construction and home sales. Historically, this has made housing developments less attractive to create than other types of development in terms of the build-to-sell model.
- Geographical challenges across Belfast, resulting from the legacy of the Troubles and the city's divided communities, with a mismatch between the location of available land and those requiring affordable accommodation.
- Local authorities in NI have no role in housebuilding.
- Inefficient use of existing housing stock.
- Land market dynamics including strategic land trading, e.g. by off shore companies, land-banking, unrealistic market expectations and structures of land and property markets.
- Quantitative easing has increased asset values and weighed heavily on savings and wages, which has resulted in housing becoming less affordable for many over time.
- The funding model is different between traditionally phased house builders and more recent large-scale one-off Build to Rent and Build to Sell projects.

Drivers of a more sustainable housing supply include the availability of land in areas of housing need, the availability of both public and private finance, local developer capacity, addressing the backlog in demand since the market downturn and avoiding delays in obtaining all statutory consents.

There also needs to be a clear focus by all stakeholders to work together to effect changes to legislation operating practices etc. as necessary to assist in the increased delivery of affordable housing.

RECOMMENDATION 1

There needs to be a renewed focus by all stakeholders to work together to effect changes to legislation, operating practices etc. as necessary to assist in the increased delivery of affordable housing.

In relation to the availability of land, it is considered that a more proactive approach needs to be taken in terms of transparency and access to land, particularly public sector assets, together with a more robust land management and development strategy and more efficient use of the city’s existing housing stock.

RECOMMENDATION 2

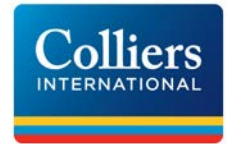
- a) Provide developers with access to a register of surplus public sector lands, along with clear, up-to-date information on planning approvals, made fully accessible to the public.
- b) Encourage the Council and other statutory landowners to be more proactive in land management and land assembly.
- c) Via the use of legally enforceable contracts, developers proposing to acquire public sector sites must be put under an absolute obligation to build and to do so within a pre-determined time limit.
- d) Supplement private sector provision by enabling the public sector to also develop new housing, and adopt a more holistic, balanced policy approach to the housing sector as a whole.
- e) Make more efficient use of the existing housing stock in the city.

Current Approaches to Affordable Housing Delivery

The current policy approach to the delivery of affordable housing in Northern Ireland is through the provision of:

- **Social Rented Housing:** housing provided at an affordable rent by a HA that is registered and regulated by the DfC as a social housing provider. Social rented accommodation should be available to households in housing need and is offered in accordance with the Common Selection Scheme, administered by the NIHE, which prioritises households who are living in unsuitable or insecure accommodation.
- **Intermediate Housing:** consists of shared ownership housing provided through a registered housing association and helps households who can afford a small mortgage, but that are not able to afford to buy a property outright. The property is split between part ownership by the householder and part social renting from a registered housing association. The proportion of property ownership and renting can vary depending on householder circumstances and preference.

These are outlined in more detail below.



1. SOCIAL HOUSING

New social housing is currently delivered by registered Housing Associations (HAs) as part of the Social Housing Delivery Programme (SHDP), typically funded through a combination of grant funding administered NIHE, and bank loans. The level of grant subsidy at present in NI remains higher than the rest of the UK (c. 50%).

NI is the only jurisdiction within the UK with a statutory house sales scheme still in operation, currently extended to Housing Associations (HAs). In respect of the c. 50% funding by private loans, the recent Office of National Statistics (ONS) decision to reclassify HAs as public sector for accounting purposes, could effectively halve the amount of funding available for social housing stock. The Department for Communities have recently completed a consultation exercise on the ending of the House Sales Scheme, with the aim of seeking the reclassification of HAs back to the private sector. Dependent on the outcome, this could result in fundamental changes to funding models in the future.

Given that the majority of social housing developments to date have been delivered in single identity, mono-tenure developments, the delivery mechanisms for mixed tenure development are not well established or tested. As a consequence, consideration needs to be given to the mechanisms relating to procurement.

RECOMMENDATION 3

Social housing – any procurement issues need to be resolved to give clarity to the process, e.g. how a developer nominates its preferred HA to bring forward the affordable element of a scheme. This procurement process is widely used throughout the UK and therefore a workable solution should be achievable in a Northern Ireland context. Consideration also needs to be given to the implications of allocation policies on the wider development that are beyond the influence of a private developer.

2. CO-OWNERSHIP HOUSING

Co-Ownership is Northern Ireland's regional body for shared ownership. They are a registered housing association and industrial & provident society, regulated and funded by a combination of private finance and the Department for Communities. Co-Ownership helps people get onto the property ladder who cannot do it by themselves. There are many reasons why people need help to buy a home – difficulty in raising a deposit, low income or non-permanent employment are some reasons. Over the period since the crash in 2008, Co-ownership has been the cornerstone of the housing market, particularly in the context of outer Belfast.

Co-Owners take as large a share as they can afford to start with, between 50% and 90%. They can then increase that share at any time by buying more of their property.

- Available for new and resale properties throughout N.I.
- Only for First Time Buyers purchasing between 50-90% of property value
- Maximum property value of £165,000
- Minimum of 2 bedrooms
- No separate price bands depending on location

Deposit

Saving for a deposit remains one of the major challenges for prospective home buyers in Northern Ireland who wish to take their first step onto the property ladder. Co-Ownership provides a solution for those unable to raise the necessary deposit amount needed to access homeownership. During 2017/18, more than half of people who purchased with Co-Ownership did so without a deposit (56%).

Outcomes

Co-ownership has been vital to suburban developments, the following examples are set out below:

- Ferrard Meadow, Antrim - 45 sold properties phase 1, 16 (35%) of sales via Co-ownership
- Lynn Hall Park, Bangor - 80 sold properties, 20 (25%) of sales via Co-ownership

Household composition – Co-ownership

Single person households were most common during 2017/18, making up almost half of all Co-Ownership purchasers (45%) whilst a combined total of 43% of purchasers were couples at time of application. One in every ten households was a single parent (11%), reflecting the continuing need for affordable homeownership amongst this customer group.

Age Profile

The average age of a Co-Ownership homebuyer during 2017/18 was 32, remaining unchanged from last year. Reflecting the general trend for later entry into home ownership, 28-32 is now the most common age group for Co-Ownership purchasers, shifting from 23-27 last year. This increase is evidence of continuing affordability issues, in many cases, forcing later in life first home purchases.

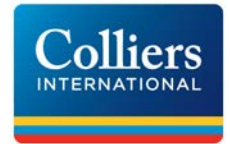
RECOMMENDATION 4

Co-ownership must become a stakeholder in housing strategy and must be encouraged to change its prevailing matrix to mirror demand, particularly in the City Centre where it needs to participate in supporting 1 bedroom apartments and increasing its funding threshold on 2 bedroom apartments. This action will have a significant impact on the ability of first-time buyers to purchase apartments and give confidence to developers to deliver homes that match the demand of those wishing to live in the City Centre.

3. RENT TO OWN

Rent to Own is a new initiative operated through OwnCo Homes Limited, Co-Ownership's private subsidiary and is at pilot stage at present. Rent to Own is a fixed-term rental commitment with an opportunity for home ownership at the end. It helps renters who cannot access home ownership to turn around their fortunes within a fixed term tenancy period of three years. Rent to Owners choose a new build property they hope to own one day and pay a market rent for it, receiving a 25% rebate of rent paid at the end of the tenancy if they buy the property. This rebate, coupled with their down payment of £2,500, can then serve as a property deposit and can help them access a mortgage.

- Co-ownership product with the same criteria as above but for new homes only
- Currently only delivered by Co-ownership HA
- Up to 3 years to purchase the property
- 25% of the rent is refunded to use as a deposit



Other Affordable Housing Delivery Models - UK

The SPPS recognises that the definition of intermediate housing may change over time to incorporate other forms of housing tenure below market rates. Other products, such as those operating in the rest of the UK, are explored in more detail in the section below. Currently, the co-ownership model is the only readily available intermediate product available to Belfast residents (a pilot Rent to Own scheme also exists). A number of additional intermediate products are available in other jurisdictions as set out in the sections below. Evidently, the NI housing market and indeed the Belfast market has its own nuances and cannot be directly compared with the rest of the UK. The question remains whether the following products, if applied here, would be more or less viable than the current affordable offering in Northern Ireland.

4. DISCOUNT MARKET SALE

This is a low cost home ownership product where a new build property is purchased at a discounted price with the developer essentially carrying the cost differential. This discount is usually around 20% and the scheme is to help low and middle earners get onto the property ladder. Housing should be genuinely discounted below prevailing market value and, to ensure that such housing remains affordable in perpetuity, a developer or government agency may retain a 'golden share' to ensure that discounts are maintained in future sales.

A recent example is at Park Avenue Heights, Belfast (Choice/ Maple & May) – 13 affordable homes consisting of 6 apartments and 7 town houses (2 Bed apartments selling for £125,000).

It is important to note that this product does not match the definition of affordable housing as set out for NI in the SPPS. That said this example shows that discount market sale does work in Belfast and could form part of the affordable accommodation offering but as a delivery mechanism, it is probably best left to housing associations.

5. HELP TO BUY (EQUITY LOAN SCHEME)

A 'help to buy' equity loan involves a third party (often a government agency) providing a low interest loan for part of the cost of a newly built home, which could help reduce the amount needed as a deposit to access mortgage finance.

The Government lends up to 20% of the cost of a newly built home, buyers require a 5% cash deposit and a 75% mortgage to make up the rest. No loan fees are payable on the 20% loan for the first five years. The following figures from England are correct as at to 30 June 2018:

- Over the period since the launch of the Help to Buy: Equity Loan scheme (1 April 2013 to 30 June 2018), 183,947 properties were bought with an equity loan.
- The total value of these equity loans was £9.90 billion, with the value of the properties sold under the scheme totalling £46.52 billion.
- Most of the home purchases in the Help to Buy: Equity Loan scheme were made by First Time Buyers, accounting for 148,863 (81 per cent) of total purchases.
- The mean purchase price of a property bought under the scheme was £252,888, with buyers using a mean equity loan of £53,793.

- In London, the maximum equity loan was increased from 20% to 40% from February 2016, and since then to 30 June 2018, there were 9,470 completions in London, of which 7,885 were made with an equity loan higher than 20%.

6. AFFORDABLE RENT

Affordable rent is accommodation subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable). Rents should be genuinely discounted from prevailing market rates and would not include private rentals that are subsidised by housing benefit. Affordable rent homes are available to applicants in housing need that have household incomes of up to £71,000 (if moving into one or two bed homes) or £85,000 (if moving into three bed or larger homes).

An example of this product is in London. *London Living Rent* is a type of affordable housing for middle-income Londoners. These homes will have lower rents, with the cash saved on rent going towards a deposit for the tenant's own home.

RECOMMENDATION 5

The adoption of UK housing delivery models must be treated with caution, particularly given the challenging conditions of the Belfast property market. The private development sector requires certainty around its revenue outcomes, so the introduction of obligations around affordable rent and discount pricing may lead to land banking in the short term and will not bring forward much needed development. The market will require a period of transition to enable future land sales to reflect the new policy context. Housing associations may be best placed to pilot new affordable products with public sector support before being rolled out more widely.

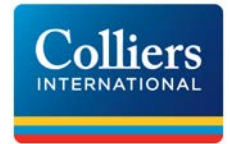
Private Rented Sector (PRS) and Build to Rent (BTR)

At this stage, it is important to highlight the contributions of PRS, which offers an alternative to home ownership and social rented housing. PRS has taken a large part of the slack caused by historic under provision of social homes. Primarily consisting of small private landlords, a more recent offering to the rental market is BTR. This is, in essence, large purpose-built new housing developments where all the properties are built for rent, not for sale. It is widely considered that, in 15 or 20 years' time, more people will rent in the UK than own their homes. This trend results from the lack of affordable 'built-for-sale' housing stock.

BTR output across the UK has increased by 49% in 2017/2018, with 4,000 units, and is set to increase to 10,000 units over the next two years². Large pension funds and property developers are investing in BTR in increasing numbers as it offers sustainable, well located, quality investments, providing income from short to long-term rental contracts.

The continued expansion of BTR has positive implications for Belfast City Centre as it is a residential model that, subject to addressing key property fundamentals, is readily fundable. For Belfast, the delivery of such product could mean that BTR could have a similar positive impact on housing provision as that realised relatively quickly by PBSA Development following the relocation of UU to the north City Centre.

² Chapman Taylor, 2018 (UK context)



Council's Proposed Policy Approach

On 1 April 2015, Belfast City Council became the local planning authority for Belfast as part of the wider reform of local government. The Council are now responsible for the majority of planning functions for Belfast, including local development planning – the preparation of a new Local Development Plan (LDP) that will set out a clear vision of how the Council area should look in the future by deciding what type and scale of development should be encouraged and where it should be located. This marks the most significant change to the Northern Ireland (NI) planning system in over 40 years and presents the Council with an unprecedented opportunity to address the development challenges within Belfast in a more co-ordinated way.

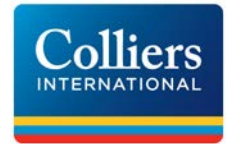
Alongside this, new Community Planning responsibilities were also introduced, with a statutory link between the Community Plan and the LDP. The Community Plan is created by a partnership of key city stakeholders, residents and community organisations and sets out a joint vision and long-term outcomes and ambitions (by 2035) for Belfast's future, as well as outlining our priorities for action over the next four years. In 2017, the city's first community plan, the Belfast Agenda, was published and details the 20 year vision for the city. A key target within the Belfast Agenda is to increase the population of Belfast by 66,000 by 2035. As the spatial reflection of the Belfast Agenda, the emerging LDP seeks to articulate where and how this growth should be accommodated.

The Council is currently preparing a new statutory LDP for the City. The Plan will set out the legal framework for how the city will develop over the 15-year period to 2035. Following consultation on the Preferred Options Paper (POP) in 2017, the Council published the draft Plan Strategy on 23 August 2018. The draft Plan Strategy builds on the ambitious growth aspirations contained in the Belfast Agenda, including broad policies to facilitate 31,600 additional homes and 550,000 sq m of employment floorspace by 2035. It contains a range of cross-cutting policies addressing issues such as sustainable development, positive place-making, community cohesion and good relations and environmental resilience, as well as a number of thematic, topic-based policies.

In relation to housing, the draft policies of most relevance to this study include:

- A Settlement Strategy that seeks to break Belfast City down into key Settlement Areas (Policy SD2), such as Belfast City Centre, Inner City, Outer Belfast and 'City Corridors' linking a network of district and local service centres;
- Detailed guidance on the density of residential development (Policy HOU4) based on the Settlement Areas defined in Policy SD2 – draft policy HOU4 sets out a range of density bands for these areas, providing for densification within the City Centre, along city corridors and in close proximity to district and local centres, etc. It also sets out minimum densities of greater than 350 dwellings per hectare that will apply to tall buildings in the City Centre;
- An Affordable Housing policy (Policy HOU5) which seeks a minimum of 20% of new units to be provided as affordable housing in all developments of five units or more, or on sites of 0.1 hectare or greater. Importantly in the Belfast context, affordable housing is defined as including both social housing and intermediate housing with flexibility to adapt this definition in the future as new intermediate housing products are developed;
- A Housing Mix policy (HOU6) to secure an appropriate mix of sizes, types and tenures to meet identified needs; and
- The introduction of the adaptable and accessible housing standards for all new residential developments (Policy HOU7), as well as a range of policies to improve the overall design quality of development.

Although many of these policies within the LDP are likely to have implications for the delivery of housing in the future, the most notable change from existing planning policies is that relating to affordable housing. It has therefore formed a key consideration in this research, alongside the broader policy requirements outlined above. It is anticipated that the Plan Strategy, when adopted, will be supported through the adoption of a range of Supplementary Planning Guidance (SPG). An indication of the range of SPG to be produced is contained within the draft Plan Strategy, which includes an SPG relating to Affordable Housing. It is anticipated that this work will focus on the practical mechanisms available for the delivery of affordable housing as a result of the policy.



ASSESSMENT OF THE IMPACT & EFFECTIVENESS OF THE PROPOSED HOUSING POLICIES

Trends for smaller units of accommodation

Social Housing is working successfully within the delivery of suburban housing but has not yet been tested within higher density developments positioned close to City Corridors or District/Local Centres.

Co-ownership is currently an important cog in encouraging development and is currently working because the financial matrix established by Co-ownership can deliver product. If there is meaningful price inflation, Co-ownership could decline unless it adopts an inflationary approach to its own matrix. Secondly as currently structured, co ownership is only available on 2+ bed units which is out of step with prevailing trends for 1 bed accommodation.

The research completed to help inform the Draft Plan Strategy (Housing Market Analysis Update, NIHE 2017) notes that there is an increase in single person households throughout the UK, reflecting a mix of factors including higher divorce rates, a higher numbers of adults delaying marriage and child bearing until they are in their 30s and older people continuing to live for a much longer time. It states that “we know that smaller households (single households and two adults, without children), currently make up 72% of all households” and, without any changes in the rate of the growth of the population, “by 2037, it is projected that small households will make up 75% of the population.” Existing trends therefore suggest that “changing demographics would suggest that future housing provision within Belfast should largely comprise accommodation suitable for smaller household types, and specific accommodation for the older generation.”

When the projected population changes are factored into the picture through the Housing Growth Options Report, prepared by Turley in 2016 to inform the Belfast LDP, it is clear that the strongest growth will be generated “in smaller households with two residents or fewer”. The report concludes that “this has implications for the size and type of housing needed to accommodate the city’s growing population.” Furthermore, an addendum to this Study looking at the ‘Size and Type of Housing Needed’ (Turley 2017) found that there was a stronger tendency in Belfast than the rest of the UK for smaller households to occupy smaller accommodation with fewer rooms.

In relation to affordable housing in particular, NIHE states that “single person households and small families account for three quarters of the total waiting list, reflecting the trend toward smaller households, evident throughout Northern Ireland. The predominance of single and smaller family households and the welfare reform agenda will mean that new social housing will comprise a high proportion of one and two bedroom dwellings. This will mark a departure as much of the social housing stock reflects the earlier redevelopment programmes which mainly provided family housing.” It is therefore logical that the supply of housing under both social and intermediate affordable housing definitions should place greater emphasis on small and affordable accommodation types.

Application of Draft Policies within Belfast

It is considered that, subject to some acknowledgement that higher density development ought to be considered in close proximity to accessible district and local centres, the proposed LDP housing policies can be made to work in the inner city and outer Belfast. However, the same positivity cannot currently be applied to the City Centre / core and certainly without changes to current delivery mechanisms. These delivery issues are explored in more detail below and addressed through the recommendations set out.

Delivery Issues Relating to City Centre Core

1. CONSTRUCTION COSTS

Construction costs continue to rise across Northern Ireland with the greatest impact being on higher density developments – the primary delivery method within the City Centre. Most developers price City Centre construction at approximately £150 per built sq. ft. As can be seen in figure 2 below, construction costs for residential development have risen consistently since 2012.



Figure 2: Construction inflation

2. CAPITAL VALUES

Belfast City Centre remains an emerging and unproven residential market. As such, capital values are averaging £250 per sq. ft. (compared to £150 per sq. ft. in the suburbs) which leaves £100 per sq. ft. for site acquisition, planning, professional fees and developer’s profit. This does not represent significant scope for error, especially when more straightforward development opportunities present themselves elsewhere in Europe (see funding comment in Section 4).

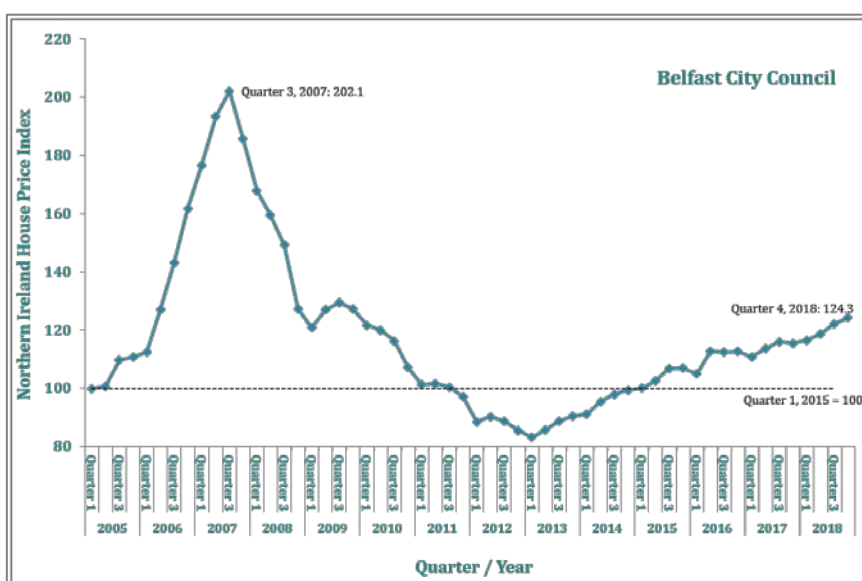
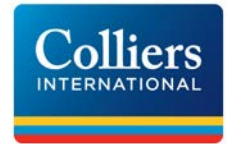


Figure 3: House price fluctuation since 2005



As the table below illustrates, there has been considerable pricing fluctuation within the Northern Ireland market and as a consequence, stakeholders responsible for the delivery of housing product need to de-risk the procurement process as far as possible.

However, it is considered that this risk could be offset in Belfast by the proposed certainty offered by the Council's aspiration for higher density development.

3. PLANNING CONSIDERATIONS

The emerging trend across Europe is for single/smaller household units and that comment is applicable across all age spectrums. When commenting on recent trends in City Centre living generally across the UK, the Housing Growth Options Report (Turley 2016) identifies "*distinct characteristics*" in City Centre markets "*with a strong demand and concentration of privately renting households and large numbers of apartments and high-density schemes, aimed at single person and couple households*". These human requirements need to be recognised by planning and all stakeholders in the planning process, acknowledging that the City Centre is unlikely to be able to meet the full range of housing need on its own. We need to look at implementing new ways of living. There is a younger generation coming through that is far more experimental.

As acknowledged earlier, in less than 20 years' time, it is likely that more people will be renting than owning their own homes. With income levels and access to credit being a barrier for many, the Council's draft Policy HOU5 is therefore necessary to ensure increased provision to service this demand. In this context, significant opportunities are presented by PRS and particularly the more recent BTR sector. In terms of the efficient delivery of new housing, the potential for modular construction should also be explored.

RECOMMENDATION 6

Assess opportunities for implementing new ways of living. There is a younger generation coming through that is far more experimental – significant opportunities are presented by the Build to Rent and Private Rented sectors. The potential for modular construction to fast-track new provision should also be fully explored.

The trend for smaller household units is reflected in the research undertaken to inform the LDP Plan Strategy. NIHE (2017) notes that the growth in smaller households means that housing needs could be met through an increased supply of smaller units, with apartments and terrace house types expected to remain the most popular. However, the House Builders Federation's 'Room to Move?' Report (2015) notes that "*those who remain single will tend to buy more space as their income rises over their working life. And a large proportion of the projected growth in one-person households will be among the elderly, many of whom will remain in their family home.*"

Specific to Belfast, the Housing Market Analysis (NIHE 2017) notes the importance of the link between the economy and the housing market, with economic performance, income levels and the structure of employment all being important contributing factors in the mix and tenure of housing required. For example, they suggest that "*a growth of professional and higher paid jobs may increase demand for family housing, while increased service and customer care posts may attract younger, single people seeking smaller and lower value dwellings, many of which will be rented.*"

It needs to be accepted by all participants that City Centre living requires, in addition to quality housing, a range of supporting infrastructure components, some of which a City Centre can deliver (offices, retail, bars and restaurants) but some that it cannot realistically deliver (schools, hospitals etc). Although it can be argued that the fringes of the City Centre offer a range of such facilities e.g. St Malachy's, Blythefield, St Mary's, Primary Schools, RBAI, Methody, Ormeau Park, Royal/City/Mater Hospitals, it remains to be seen whether the City Centre can offer the appropriate environment for family living.

There is still a lack of understanding of the cost being attributed to Section 76 Agreements. The emerging Council Developer Contributions Framework (published for consultation in August 2018) should help to clarify some of these requirements but there remains a potential impediment to development if developers remained concerned that they will be financially responsible for delivering or supporting a broad range of infrastructure, particularly within a congested City Centre location. It should be noted that not all affordable housing provision can be considered a 'developer contribution' in the traditional sense, as in some cases (e.g. social housing) the affordable housing itself is in most cases fully funded by grant funding or through private finance of a HA, providing a competitive return for developers. The 'contribution' in such cases is through access to land for affordable housing that would otherwise be unavailable, rather than a financial cost.

4. FUNDING

The funding for land assembly and development in outer Belfast is an entirely different financial proposition to City Centre development. Development outside the central areas of the city can be completed in phases with further construction brought forward in response to demand. In contrast, City Centre development requires the developer and funder to commit to the entirety of the project in one singular and significant monetary investment.

Funding for City Centre development is not provided by traditional banks, rather it comes from institutional and/or international investors who have a remit to invest almost anywhere on the globe. International money will invest in a jurisdiction and in a product that provides it the best returns with the lowest friction of delivery. In the context of the Council's draft housing policies, one could take the hypothetical scenario of a residential block of c. 100 units, requiring an international funder to commit in the region of £20million (site, professional fees and construction costs). It is considered that, with such sums involved, and taking account of particular policies such as HOU5 (affordable housing), potential investors may be dissuaded, thereby limiting the quantum of high-quality City Centre living.

Unless a number of potential risks can be overcome, it is unlikely that an international investor is going to choose Belfast as its preferred location for investment, particularly in the light of opportunities within other cities across the UK and Europe. The risks that Colliers identify include:

- Uncertainty of an unproven City Centre residential market;
- Political uncertainty as a result of Brexit and the lack of a devolved administration in NI;
- Planning uncertainty with the risk of additional costs associated with affordable housing requirements and other potential supporting infrastructure (via s76); and
- Unproven social dynamic in mixed tenure communities in the NI context and resultant impact on sale/lease of private accommodation



Unlike other cities in the UK, Belfast City Centre does not have a model to stimulate sales especially among first time buyers. Throughout England, the *Help to Buy* scheme (referenced above) has given developers the clarity needed to deliver and plan more homes and is consistently supporting those borrowers who need it most. There is therefore a need for a broader range of intermediate housing products to be made available in NI to reflect stimuli available in other jurisdictions.

With the current restrictions being applied (min 2 bed, max £165,000 etc.), it is not feasible for developers to deliver residential product in the City Centre that matches the co-ownership criteria. As of February 2019, the average apartment price in Belfast City Centre (including both new build and resale stock) of those available for sale and with at least 2 bedrooms is £187,000, well above the current limit of £165,000.

Co-ownership need to change their criteria for a defined area within the City Centre – the co-ownership matrix for the City Centre needs to mirror demand. This action will have a significant impact on the ability of first-time buyers to purchase apartments and give confidence to developers to deliver homes that match the demand of those wishing to live in the City Centre. Accordingly, any change made would not be prohibitive and demonstrates that the Council's proposed policies, particularly on affordable housing, would not undermine the market. Therefore, Colliers would recommend the following:

RECOMMENDATION 7

Within the City Centre core, greater latitude and flexibility of the application of the LDP may need to be applied in the short term, until such times as significant development momentum has been created and a clear and understandable City Centre living market established. The use of viability testing is therefore vital in the application of the new policies, particularly for early developments within the City Centre core.

There is also a need for new intermediate housing products that would work in the City Centre context, as well as changes to existing products to reflect price inflation and differentials for the City Centre. For example, it is recommended that the following pricing schedules are employed to facilitate the co-ownership model in a City Centre context:

- 1-bedroom apartments with a maximum purchase price of £165,000
- 2-bedroom apartments with a maximum purchase price of £190,000

As an indication of the impact this would make for first time buyers, below is a brief calculation of the monthly costs:

1 bedroom @ £165,000

- Deposit required: 0%
- 50/50 Share
- Monthly mortgage: £307
- Monthly Rent £172
- Total: £479 per month

(As of Feb 2019, the average 1 bedroom in Belfast City Centre to rent was £750)

2 bedroom @ £190,000

- Deposit required: 0%
- 50/50 Share
- Monthly mortgage: £354
- Monthly Rent £199
- Total: £553 per month

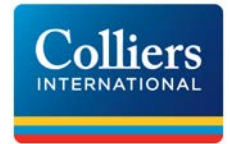
(As of Feb 2019, the average 2 bedroom in Belfast City Centre to rent was £1,100)

5. CAR PARK REQUIREMENTS

Colliers do not hold to the view that car parking is required for City Centre living. If Belfast City Council is committed to taking the car out of the City Centre, then it is counter intuitive for statutory stakeholders to demand car parking with apartments.

6. RATE COLLECTION

One sector of City Centre living that does have the potential to deliver floor space, in principle at least, is the funding model of Build to Rent (BTR). However, already we are seeing early interest in this sector being impacted by the Department of Finance's chosen methodology of rate collection. Across the UK, the industry norm is that the Rating Authority invoices and collects from each occupant of the BTR unit its rates liability (rates are a tax on occupation). The prevailing strategy in Belfast is for the Rating Authority to invoice the developer for the collective rates liability for the created BTR units. Although not necessarily a planning issue, this impacts the delivery of planning objectives in relation to City Centre living by limiting one of the most vital of residential delivery platforms – Build to Rent.



SUMMARY

Whilst Colliers have reservations about the application of the LDP to the City Centre core, it is nonetheless our view that outwith that specific geographical area, there is no overriding impediment to the draft policies set out in the DPS contributing to the supply of affordable housing in Belfast. As discussed in the report, there are geographic sensitivities around this and going forward we would suggest that some new affordable housing products are made available to encourage uptake. Belfast does have a number of challenges in terms of developing a residential base in the City Centre, along with challenges in terms of incomes and the ability of younger residents to purchase property. There will be a growth in the rental sector – many of the new City Centre developments are likely to be funded by international pension funds. This could be secured in part through the planning process, but in the first instance, public sector intervention in the form of a market stimulus may be required.

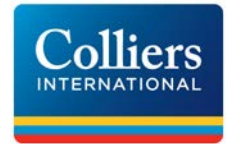
With the uncertainties surrounding Brexit, together with the new proposed suite of housing policies, it is considered appropriate that the council arrange to monitor the implementation and impact of the policies, particularly relating to the provisions for affordable housing. We understand that the planning process requires annual monitoring to be conducted in relation to the LDP once it is adopted, with a more formal review mechanism to be carried out every 5 years. However, where annual monitoring helps identify delivery issues, it may be necessary to review implementation more often than this.

RECOMMENDATION 8

The impact of the emerging policy could be profound on the City Centre core and as a consequence the policy must facilitate a review mechanism. We would suggest that a significant review ought to be carried out every three years and this to be a fact based analysis set against pre-determined outcomes, objectives, etc.

Summary of Recommendations

1. There needs to be a renewed focus by all stakeholders, including DfI, NIHE and NIFHA, to work together to effect changes to legislation, develop innovative ways of funding and new operating practices as necessary to assist in the increased delivery of affordable housing.
2.
 - a) Provide developers with access to a register of surplus public sector lands, along with clear, up-to-date information on planning approvals, made fully accessible to the public.
 - b) Encourage the Council and other statutory landowners to be more proactive in land management and land assembly.
 - c) Via the use of legally enforceable contracts, developers proposing to acquire public sector sites must be put under an absolute obligation to build and to do so within a pre-determined time limit.
 - d) Supplement private sector provision by enabling the public sector to also develop new housing, and adopt a more holistic, balanced policy approach to the housing sector as a whole.
 - e) Make more efficient use of the existing housing stock in the city.
3. Social housing – any procurement issues need to be resolved to give clarity to the process, e.g. how a developer nominates its preferred HA to bring forward the affordable element of a scheme. This procurement process is widely used throughout the UK and therefore a workable solution should be achievable in a Northern Ireland context. Consideration also needs to be given to the implications of allocation policies on the wider development that are beyond the influence of a private developer.
4. Co-ownership must become a stakeholder in housing strategy and must be encouraged to change its prevailing matrix to mirror demand. This action will have a significant impact on the ability of first-time buyers to purchase apartments and give confidence to developers to deliver homes that match the demand of those wishing to live in the City Centre.
5. The adoption of UK housing delivery models must be treated with caution, particularly given the challenging conditions of the Belfast property market. The private development sector requires certainty around its revenue outcomes, so the introduction of obligations around affordable rent and discount pricing may lead to land banking in the short term and will not bring forward much needed development. The market will require a period of transition to enable future land sales to reflect the new policy context. Housing associations may be best placed to pilot new affordable products with public sector support before being rolled out more widely.
6. Assess opportunities for inventing new ways of living. There is a younger generation coming through that is far more experimental – significant opportunities are presented by the Build to Rent and Private Rented sectors. The potential for modular construction to fast-track new provision should also be fully explored.



7. Within the City Centre core, greater latitude and flexibility of the application of the LDP may need to be applied in the short term, until such times as significant development momentum has been created and a clear and understandable City Centre living market established. The use of viability testing is therefore vital in the application of the new policies, particularly for early developments within the City Centre core.

There is also a need for new intermediate housing products that would work in the City Centre context, as well as changes to existing products to reflect price inflation and differentials for the City Centre. For example, it is recommended that the following pricing schedules are employed to facilitate the co-ownership model in a City Centre context:

- 1-bedroom apartments with a maximum purchase price of £165,000
 - 2-bedroom apartments with a maximum purchase price of £190,000
8. The impact of the emerging policy could be profound on the City Centre core and as a consequence the policy must facilitate a review mechanism. We would suggest that a significant review ought to be carried out every three years and this to be a fact based analysis set against pre-determined outcomes, objectives, etc.