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Department for Communities
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Department for Communities – Review of the Living over the Shops Scheme: Analysis of Need and Demand – Final Report

September 2016

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1 EXECUTIVE SUMMARY

1.1 Introduction

In April 2016, PACEC Ltd was appointed by the Department for Communities (DfC) to undertake an analysis of the need and demand for the Living over the Shops (LOTS) Scheme.

1.2 Research Requirements

Within the Terms of Reference issued by the DfC, there are two clear research requirements to be addressed by this report, namely to establish detailed information and evidentiary data on:

- The need for Government intervention to stimulate wider private sector investment in the conversion of vacant or underused commercial or retail premises into new dwellings; and
- The likely level and location of demand for dwellings within the traditional commercial and retail premises in towns and city centres.

Furthermore, the Terms of Reference also sets out a range of research aims and objectives. These aims and objectives, and where they have been addressed in this report, are detailed below.

Research Requirement	Addressed in Section
An analysis of the need for Government intervention (both financial and non-financial) to stimulate growth in dwellings located in town and city centre areas	Section 4.5 Vacancy Rates Section 4.6 Need for Government Intervention Section 6 Stakeholder Interviews
Commentary on the type(s) of interventions which will best stimulate further private sector investment (i.e. grant, loan, works, advice)	Section 4.6 Need for Government Intervention Section 6 Stakeholder Interviews
Analysis of the levels of likely public demand to dwell in town and city centre areas which are traditionally seen as commercial or retail rather than residential	Section 5. Demand for Town and City Centre Living
Identify the potential areas which demand of this kind are likely to be located	Section 5.4 Demand for Town and City Centre Living in Northern Ireland
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Analysis of ways in which any homes created under a new scheme could be made affordable for potential private rented tenants or owner occupiers looking to the future	Section 5.6 Rental Values and Affordability of Living over the Shops
Analysis of the opportunities for new schemes to potentially contribute to wider regeneration schemes planned or envisaged within the next ten years.	Section 3. Policy, Strategy and Funding Context Section 6. Stakeholder Consultations Section 7. Case Studies

1.3 Key Findings

The key findings and recommendations of the report are set out below:

a. **There is a clear need for Government intervention in order to improve sustainable housing supply.**

- This research identifies two indicators of market failure within the commercial and residential property sectors, namely:
  - Housing shortage and affordability issues, as evidenced through upward pressure on rental values and housing stress levels[1]; and
  - Considerable and persistently high non-domestic vacancy levels over a number of years (approximately 20% on average, compared to GB rates of approximately 10-14%).
- Each of Northern Ireland's eleven council areas and 41 town centres reflect different property markets with varying degrees of activity. Within some town and city centre areas, there is a clearer market failure argument than within others, as evidenced through vacancy rates and consultation with agents and councils.
- This report highlights that the growth of the private rental market, from 10% of the market in 2003/4 to 21% in 2013/14, is attributable to issues of affordability, mortgage lending restrictions and economic uncertainty, and that supply of housing within the sector is not sufficient to meet considerable estimated household growth across Northern Ireland's Local Government Districts.
- Letting agent consultations have indicated that a number of rental properties are experiencing considerable demand from prospective tenants, and that this oversubscription is placing an upward pressure on rental values (with average rents in Northern Ireland increasing by 2%) between 2013 and 2014[2], and recent HomeLet statistics highlighting that average monthly rents (based on new tenancies) in 2014 in Belfast were £579 per month, and grew to £606 in 2015 reflecting a rise of 5%, exceeding that of UK cities such as Sheffield and Leicester (4%).

b. **Potential beneficiaries of the scheme have identified the need for financial support to provide a suitable incentive to convert dwellings, and the need for flexibility to enable support to be provided across varying schemes.**

- Council and commercial property agent consultees have clearly indicated their preference for grant funding as the best stimulant for further investment, however, this is not surprising given the relatively low risk and high reward available to the prospective recipients of grant funding.
- Tax breaks and fiscal incentives are less likely to be applicable within the devolved context, however, tax relief has been available for similar schemes in the past e.g. the Flat Conversion Allowance introduced in 2001 and withdrawn in 2013. The Department should therefore investigate the potential for other non-direct finance initiatives as part of a revitalised scheme. This could comprise an element of investment support, subject to the size of the LOTS scheme, with dedicated support officers supporting applications and identifying further forms of funding, support and relief.

[1] Approximately 22,100 households identified as in housing stress in 2014/15 (NISRA)
[2] UU/NIHE Rental Indices (2013/14)

- Furthermore, our case studies indicate that within Scotland's Town Centre Housing Fund, a mix of grant and loan funding (on a 50/50 basis) provided suitable incentive for take-up given the low-interest nature of the loan (2% per annum, for up to ten years) and that this loan was typically required to enable the grant funding. This approach may help to improve value for money, as well as increase the landlord's personal investment in the scheme. The Department should consider the extent to which such an approach may be feasible or efficient with regard to any future funding.
- A mix of grant and loan funding, potentially to a higher threshold may offer a sufficient level of provision required to stimulate private sector investment, whilst minimising public sector contributions.

c. **There is clear demand for town and city centre living across Northern Ireland, evidenced by the growth of under-30s within the private rented market. However, there are areas in Northern Ireland where these properties also appear to be in demand from older persons.**

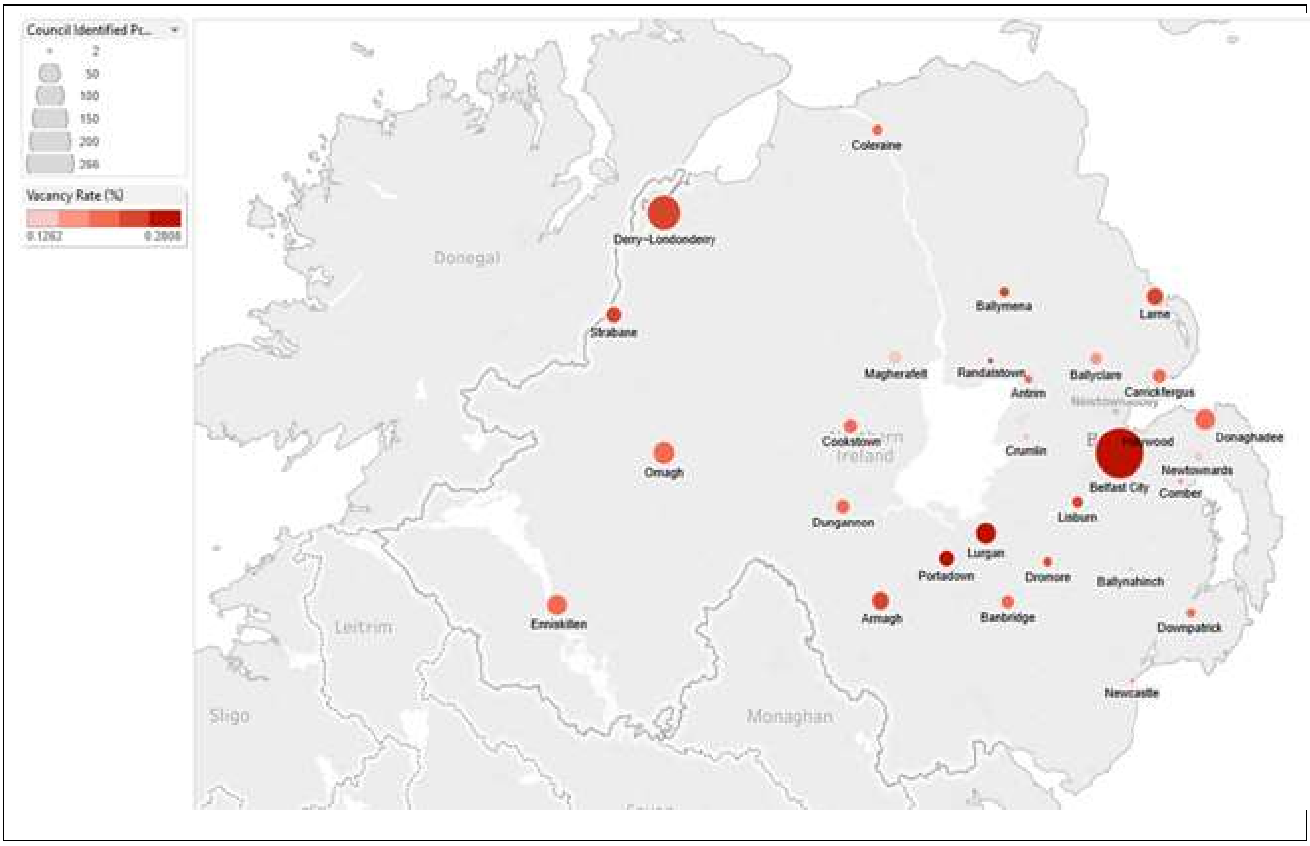
- Research undertaken by the Centre of Cities (2015) has shown that city and town centre residents are most likely to be young, single students and professionals, and that they live there because they want to be close to restaurants, leisure and cultural facilities, with easy access to public transport and their workplace. Furthermore, the number of young professionals choosing to live in UK city centres (aged 20-29) has almost trebled between 2001 and 2011.
- Consultations with letting agents in Northern Ireland indicated that the demand for housing in town and city centres has been driven by the general increase in population, the decrease in household sizes, and in particular the growth of single person households. Consultees also stated that strongest demand they experienced came from smaller household groups including single people, young couples with no dependents, young professionals, single parents with dependents and the retired.
- A review of Census 2011 data has validated these findings, with those living in town and city centre flats less likely to own their property (22%) than the NI average (71%); and more likely to live within a single person household (40% compared to NI average of 11%).
- Council feedback indicates that demand is particularly high for one to two bed households, from younger singles and couples with no dependents. However, in one council area (Lisburn and Castlereagh), it was also stated that demand exists among older retired persons within the town centre. Given the projected ageing of the Northern Ireland population, this may prove to be an increasing trend.

d. **There are towns and cities in Northern Ireland with high commercial property vacancy rates and anticipated population growth, where a LOTS scheme might help address future housing and regeneration needs.**

- The key determinants of demand for town and city centre living within Northern Ireland are population growth, rents and affordability, as well as proximity to goods and services. Given that all of the local councils anticipate population growth over coming years, and currently have some degree of housing stress, there is likely to be demand across all of the respective town and city centres.
- However, this demand varies within each council area, as does the market's ability to meet this demand through increased supply.

- Overall, this review has identified up to 3,600 vacant and under-utilised non-domestic properties across Northern Ireland, and following consultations with the eleven councils, a conservative estimate of 1,015 properties may be suitable and eligible for a LOTS style conversion as evidenced in the map below, taking into account factors such as town centre masterplans, planning constraints, and accessibility.

Figure 1.1: Map of Council Identified Supply of Properties[3]



Source: PACEC (2016), LPS (2016)

- Belfast is identified as an area with significant challenges regarding its non-domestic vacancy rates, however, given its critical mass of activity and city centre development, a LOTS scheme is only likely to generate impact in areas outside the city centre e.g. along arterial routes.
- Areas such as Armagh, Banbridge and Craigavon, Lisburn and Castlereagh, Mid Ulster, and Newry, Mourne and Down all have a high level of projected household growth (between 24-27% until 2037), as well as non-domestic vacancy rates of approximately 25%. These vacant properties offer these areas with a potential opportunity to address future shortages in accommodation supply.

[3] The key within Figure 1.1 contains two variables. The colour of the area relates to the official non-domestic vacancy rate (April 2016) as identified by LPS; with a darker colour demonstrating a higher vacancy rate for non-domestic properties. The size of the area relates to the number of properties identified by the respective council as being suitable for a LOTS style conversion scheme within a particular town, with a larger area representing a greater number of properties identified.

e. LOTS style properties tend to be among the most affordable type of properties within the market, with conversion offering potential for enhanced affordability compared to new build units.

- Consultation with agents has indicated that LOTS style properties tend to be among the most affordable, with rents typically being the region of £350/£400 per month for a 1 bed property;
- Stakeholder consultation has also indicated that the total cost of converting a non-domestic vacant property into residential usage is often lower than the cost of a new residential build, which helps reduce the financial risk of any funder/investor;
- There may be scope for a revitalised LOTS scheme to link future funding provision to a commitment by applicants to charge affordable rents, as per the HCA Affordable Homes Programme in England. This would improve the supply of affordable housing in town and city centres and would broaden the scope of any future scheme to include the social sector.

f. A LOTS scheme provides clear opportunities to contribute to, and benefit from, wider regeneration schemes

- Consultation with council representatives has indicated that there are clear opportunities for a LOTS scheme to contribute to housing-led regeneration, given the potential impact on increasing town and city centre populations, increasing footfall, increasing business investment, improving the night-time economy, and creating new urban communities with close proximity to goods and services. As a result, any investment made within a revitalised LOTS scheme is likely to have a positive impact with regard to:
  - employment outcomes through the direct creation of construction sector jobs;
  - economic impact with improved use of assets and increased rateable values for councils;
  - physical regeneration due to a reduction in vacancies and improved usage of public space; and
  - social regeneration due to an increase in urban concentrated populations.
- Given its potential contribution to housing and regeneration, a future LOTS scheme also has clear complementarity with schemes such as the Urban Development Grant and the Heritage Lottery Fund's Townscape Heritage Initiative. In taking forward any future scheme, the DfC should aim to maximise the leverage available from other relevant funding sources.

2 BACKGROUND TO THE RESEARCH

2.1 Introduction

In April 2016, PACEC Ltd was appointed by the Department for Communities (DfC) to undertake an analysis of the need and demand for the Living over the Shops (LOTS) Scheme. The following section provides:

- an overview of LOTS;
- details of the requirements of the research project; and
- a summary of the approach used to address the research objectives and any constraints/limitations impacting on the research.

2.2 An overview of LOTS

The former LOTS scheme was introduced in 2002 providing grant assistance to encourage the creation of private rented, affordable living units within vacant or underused upper floor areas of commercial premises.

In June 2002, Lisburn and Derry~Londonderry were selected to pilot the Living over the Shop (LOTS) scheme. The scheme was restructured and renamed in December 2003, with the scheme referred to subsequently as the 'Town Centre Living Initiative Areas' (TCLIA) scheme. Both of the LOTS pilots were approved as TCLIAs in December 2003. Their progress was positively evaluated in November 2004, and it was agreed by the former Department for Social Development (DSD) in March 2005 that the TCLIA should be extended across Northern Ireland.

In January 2006, Cookstown, Dungannon, Dromore and Lurgan were designated as TCLIAs, with Ballymoney, Donaghadee, Downpatrick, Enniskillen and Strabane also receiving designation in January 2007. In November 2007, the NIHE Board stated its intention to widen the scheme to smaller rural settlement and arterial routes in Belfast. In January 2008, Ballynahinch, Armagh, Antrim, Omagh and Ballycastle were also designated as TCLIAs. Portaferry, Newtownstewart, Bushmills and Tandragee were subsequently designated as rural pilots, with the Shankill Road / Woodvale, Sandy Row / Donegall Road, and the Newtownards Road designated as an arterial route pilot.

The scheme was evaluated by NIHE, and considered the period from 2002 to 2009. In total, across the 11 areas reviewed, a total of 38 schemes were identified as completed (11 renovation grants, 27 HMO grants) with a total TCLIA grant payment of £900,000 to facilitate the creation or upgrade of 101 properties across NI i.e. approximately £9,000 per property. This means that across the six year period, there were approximately 640 eligible properties for TCLIA funding, of which 378 expressed an interest (60%). Of those interested, 230 (61%) issued a schedule of work, from which 55 were approved for funding. 38 were found fully eligible and were provided with grant funding to enable the completion of the 101 properties.

It should be noted that these figures only take account of TCLIAs operational (in March 2009) for at least two years, as settlements designed within a shorter timeframe were not considered to have been operational for a sufficient period of time to enable a meaningful evaluation of progress. For the areas set up within less than two years of the evaluation[4], a further £356,000 of funding was identified (by March 2009) to support 7 renovation projects (£117k), 1 HMO project (£27k), 21 Disabled Facilities Grant (£168k), 10 Home Repair Assistance Grants (£30k), and 9 repair projects (£14k).

2.2.1 Recommendations

A 2014 review[5] set out the recommendations from the 2009 evaluation[6] which were considered to be relevant for a future revitalised LOTS scheme. These included:

- "Seek to further existing linkages and partnership working with other funding bodies by encouraging the take-up of joint funding opportunities, where available (Heritage Lottery Fund, Department for Social Development (now DfC), Department of Agriculture and Rural Development (now Department of Agriculture, Environment and Rural Affairs)).
- Explore the potential to encourage the take-up of the tax incentives available under the Flat Conversion Allowance scheme (FCA). [Please note that the Flat Conversion Allowance scheme ceased as of 6th April 2013].
- Encourage the proactive marketing of the scheme with a view to consolidating the number of applicants progressing schemes through to approval and completion."

In discussions with NIHE and Heritage Lottery Fund Townscape Heritage Initiative representatives, DfC also identified further potential considerations for a revitalised scheme, including:

- The need for council input, buy-in, and observation of local demand for private renting;
- Consideration to be given to the model of funding. It was felt that an increase in eligible expenditure limit from £25,000 (single unit)/£30,000 (multiple units) could augment affordability and improve uptake. As such a pro-rata basis might be preferable to encourage multi-unit projects. Other stakeholders have also suggested a move from a grants approach to the provision of loan funding.
- Consideration to base eligibility criteria on the building and not the owner;
- Consider re-branding the scheme as current title of LOTS/TCLIA can be misinterpreted; and
- NIHE to potentially remain responsible for administration given expertise and experience.

Appendix 1 sets out the administration and funding principles of the TCLIA, as well as its associated outputs, outcomes and impacts over the period 2002-2009.

2.3 Study Terms of Reference

The Terms of Reference (ToR) for this study identifies two key requirements that the project will need to address, namely to establish detailed information and evidentiary data on:

- The need for Government intervention to stimulate wider private sector investment in the conversion of vacant or underused commercial or retail premises into new dwellings; and
- The likely level and location of demand for dwellings within the traditional commercial and retail premises in town and city centres.

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[4] These areas include Antrim, Armagh, Ballycastle, Ballynahinch, Belfast arterial routes, Bushmills, Newtownstewart, Omagh, Portaferry and Tandragee.
[5] DSD (2014) Review of the Living over the Shops/Town Centre Living Initiative Area Scheme
[6] NIHE (2009) TCLIA Evaluation

The ToR also provides the aims and objectives of the research. These are as follows:

- An analysis of the need for Government intervention (both financial and non-financial) to stimulate growth in dwellings located in town and city centre areas;
- Commentary on the type(s) of interventions which will best stimulate further private sector investment (i.e. grant, loan, works, advice);
- Analysis of the levels of likely public demand to dwell in town and city centre areas which are traditionally seen as commercial or retail rather than residential;
- Identify the potential areas which demand of this kind are likely to be located;
- Detail on the demographics of those who would wish to make their home within traditional town and city centre commercial / retail areas to establish the type, location and size of dwellings which any intervention would seek to help create;
- Analysis of ways in which any homes created under a new scheme could be made affordable for potential private rented tenants or owner occupiers looking to the future; and
- Analysis of the opportunities for new schemes to potentially contribute to wider regeneration schemes planned or envisaged within the next ten years.

DfC also highlight the outputs which the final report must include, namely:

- Review the current provision for assistance to permit the conversion of commercial and retail premises into dwellings;
- Consult with key stakeholders both on previous provision (i.e. LOTS assistance) and on the potential need and demand for future intervention;
- Review and comment on the effectiveness of other similar schemes in Great Britain and Ireland;
- Analyse the anticipated level and form of intervention which is needed or which would stimulate additional private sector investment; and
- Scope the locations and demographics where there is demand for town and city centre dwellings in order that intervention can be matched to demand.

The findings of this research report must be presented in the form of a comprehensive report upon which the Department can rely upon to bring forward proposals for intervention as appropriate.

2.4 Research Limitations

A number of factors limit the scope of this research and its findings, namely:

- Some Councils also signaled reluctance to quantify the number of potential properties suitable to commercial to residential conversion in their area, as a number expressed the need for a full town centre audit rather than estimate. However, this has had limited impact in reaching overall conclusions regarding the need and demand for a revitalised scheme.
- This research paper provides analysis regarding the potential need and demand for a revitalised LOTS scheme. It does not constitute formal advice with regard to matters of planning, taxation, or law.

2.5 Methodology

The following methodology was used to complete the research:

- Stage 1: Project Inception – an initial meeting with DfC representatives to: confirm the scope and final objectives of the Project; agree the work programme to be undertaken; and finalise project management and reporting arrangements;
- Stage 2: Desk Research and Data Analysis – involving a review of relevant Government policy documents and relevant research and data to inform an assessment of need and demand;
- Stage 3: Stakeholder Consultation – interviews with key stakeholders to provide access to relevant quantitative and qualitative data;
- Stage 4: Database Development – quantitative data obtained during Stage 2 and 3 will be used to develop a database of potential properties by Town/City;
- Stage 5: Case Studies – development of case studies to provide learning from comparable schemes; and
- Stage 6: Analysis & Report Development.

2.6 Structure of the Report

The remainder of the report is structured as follows:

- Section 3: Policy, Strategy and Funding Context;
- Section 4: Overview of Housing and Commercial Property Markets, including Vacant Property Data Review;
- Section 5: Demand for Town and City Centre Living;
- Section 6: Stakeholder Consultations;
- Section 7: Case Studies; and
- Section 8: Summary of Research Findings.

3 POLICY, STRATEGY AND FUNDING CONTEXT

3.1 Introduction

This section sets out the policy, strategy and funding context underlying the consideration of a revitalised LOTS scheme.

3.2 Strategy and Policy Context

The Department for Communities (DfC) was established in May 2016 as part of wider departmental reform in Northern Ireland, and encompasses all of the functions of the former Department for Social Development, in addition to a number of transferred functions from former DCAL, DEL, DOE, DETI, NIEA and OFMDFM. Urban regeneration and community development powers and budgets were due to be conferred on local councils from April 2016 but this transfer has been delayed due to policy issues slowing the passage of the Regeneration Bill. As such, the Department for Communities holds lead responsibility for urban regeneration and community development until the NI Executive confirms responsibilities are to be better delivered at the council level.

Appendix 2 sets out the strategy and policy context relevant to a LOTS scheme including:

- The Programme for Government 2016-2021 (Draft) and 2011-2015 NI Executive's Economic Strategy;
- The Investment Strategy for Northern Ireland 2011-2021;
- "Facing the Future: Housing Strategy for Northern Ireland" 2015 and Update, September 2015;
- Department for Social Development (DSD) Corporate Plan 2011–2015;
- Regional Development Strategy 2035;
- DETI Corporate Plan 2011-2015;
- Planning (Uses Classes) Order NI 2015;
- Urban Regeneration and Community Development Policy Framework; and
- Local Council Town/City Centre Strategies' and relevant Regeneration Strategies.

This analysis highlights that there are a wide range of Central and Local Government strategies and policies that a future LOTS scheme could complement and contribute towards. A summary of the core strategies and policies which a LOTS scheme could complement is included below in Table 3.1.

Table 3:1: Key Strategies and Policy Documents

Key Strategy & Policy Document	Relevance to LOTS
The Programme for Government 2016-2021 (Draft) and 2011-2015 NI Executive's Economic Strategy;	The PfG Framework (2016-21) reflects a focus on outcomes, use of indicators and measures to highlight the change enacted, and a focus on impact achieved. There are 14 strategic outcomes, supported by 42 clear indicators. Whilst all of the stated outcomes will to some extent be impacted by improving housing supply and quality, the outcomes which resonate most appropriately for town and city living under a revitalised LOTS scheme include 'creating a place where people want to live and work', and 'connecting people and opportunities through our infrastructure'.

Key Strategy & Policy Document	Relevance to LOTS
	These are supported by Indicator 8 ‘**to improve the supply of suitable housing’** which is measured by a reduction in the number of households in housing stress.
“Facing the Future: Housing Strategy for Northern Ireland” (2015) and Update (September 2015);	Facing the Future (2012-2017, updated in 2015) is Northern Ireland’s first housing strategy, and places emphasis on ‘housing-led regeneration’. It states the five main roles for Government with regard to supporting housing development: 1. Helping to create the right conditions for a stable and sustainable housing market that supports economic growth and prosperity; 2. Providing support for individuals and families to access housing, particularly the most vulnerable in society; 3. Setting minimum standards for the quality of new and existing homes and for how rented housing is managed; 4. Driving regeneration within communities, particularly those suffering from blight and population decline; and 5. Promoting equality of opportunity in housing and promoting good relations. It also formally sets out the need to ‘take action on empty homes and regenerate areas through Building Successful Communities and Living over the Shops.
Regional Development Strategy 2035;	The Regional Development Strategy 2035 sets out the spatial strategy of the Executive. It is focused upon three key strands of economy, society and the environment. The RDS 2035 is favourable towards the use of Living over the Shops style accommodation, as highlighted below: “*The use of previously developed land for new build and the adaptation and re-use of older buildings will help alleviate the pressure on open space*.” The retention and retrofitting of existing dwellings, the re-use of vacant homes and the provision of ‘living over the shop’ accommodation create the most sustainable form of housing. The potential for some under utilised land and buildings to support protected species needs to be considered when planning their re-use. The use of recycled building rubble should be encouraged to reduce the depletion of natural resources and to limit transportation of such materials.
Urban Regeneration and Community Development Policy Framework (2013)	DSD’s Urban Regeneration and Community Development Policy Framework sets out the Department’s priority objectives for urban regeneration and community development in Northern Ireland over the next decade. It sets out four policy objectives to inform the basis of any future policy or intervention including: • to tackle area-based deprivation

Key Strategy & Policy Document	Relevance to LOTS
	Housing-led development is identified as a core factor in addressing other social, economic and health inequalities, as it can address a number of the housing and social needs in communities • to strengthen the competitiveness of our towns and cities - the Framework recognises that NI towns and cities are not as competitive as many of the UK/EU counterparts with regard to employment, population base and density, and that urban regeneration has a critical role with regard to FDI, economic growth and modernisation, • to improve linkages between areas of need and areas of opportunity - this includes the strengthening of connections between key investment sites such as town and city centres and disadvantaged neighbourhoods, as well as the physical regeneration of towns and cities, sustainable brownfield development, and improving the balance of urban communities, • to develop more cohesive and engaged communities - this includes the facilitation and enablement of citizens to design and shape their own community, and the development of more homes and a growing community through a revitalised scheme may help to support this process. Overall, the Urban Regeneration and Community Development Framework makes clear reference and support for the implementation of the Living over the Shops scheme to be revitalised.
Local Council Town/City Centre Strategies and Relevant Regeneration Strategies	Each of the eleven councils have strategies, action plans and masterplans relating to their particular area and core interventions to undertaken in relation to housing and regeneration. A review of the council strategies has indicated that nine of the Council areas have either referred to the LOTS/TCLIA scheme as a positive intervention for their area in the past, or included this approach as beneficial to implement within town masterplans. This, as well as stakeholder consultation with council representatives, indicates that there is demand and interest from the Councils to consider the implementation of a revitalised LOTS scheme.

3.3 Current and Prospective Funding Context

This section considers other sources of funding for the development of commercial and retail property in town/city centres (as of June 2016), namely:

The Heritage Lottery Fund's Townscape Heritage Initiative

The HLF THI provides grant funding to community organisations of £100,000 to £2,000,000 for projects which improve the built environment of conservation areas across the UK, and aims to regenerate a disadvantaged area for the benefit of residents.

Within the previous implementation of the LOTS scheme, HLF THI funding was available to projects in Northern Ireland which sought to renovate and repair buildings in disrepair into residential use. One of the key requirements of HLF THI grant funding is the need for match funding, and the 2009 evaluation identified that £229,000 of LOTS grant provision enabled £398,000 of HLF funding to be provided for nine projects across Northern Ireland, with a total value of £1,570,000 as detailed below.

In four of the evaluated settlements, the TCLIA match funding enabled the HLF to provide THI support to nine schemes (note Dungannon and Lurgan were underway, but not completed), as illustrated in Table 3.2.

Table 3:2: Overview of TCLIA and HLF Funding in Four Settlements

Town	No. of schemes that were also HLF funded	NIHE Grant amount	HLF grant amount	**Property Owner Contribution**
Derry~Londonderry	3	£85,000	£130,000	£620,000
Lisburn	6	£144,000	£268,000	£950,000
Dungannon	0	n/a	n/a	n/a
Lurgan	0	n/a	n/a	n/a
Total:	9	£229,000	£398,000	£1,570,000

In 2014/15, an estimate of THI grant funding of £1,059,580 was provided against a total project cost of £2,374,840 within the Richhill, Portaferry, Walled City, Ballymoney and Donaghadee areas covering thirteen projects. In 2015/16, an estimate of THI grant funding of £1,049,300 was provided against a total project cost of £2,302,587 spanning thirteen projects also. This means that HLF THI is providing a total of £2,108,880 in grant funding against £4,677,427 of project costs (45%) for 26 projects.

NIHE Heritage in Housing Scheme

In January 2015, NIHE approved their first Empty Homes incentive programme called 'Heritage in Housing, and will run from April 2015 to March 2018'. This programme spans a three year period, and aims to support approximately 15 properties within identified areas of Townscape Heritage to be brought back into use as affordable housing. Over the three years, approximately £150,000 per annum (£450,000) will be made available, therefore providing approximately £30,000 of grant funding to each of the vacant and underutilised property schemes. This programme has been designed to be compatible with DfC and NIHE's strategic approach to tackling Empty Homes (Empty Homes Strategy and Action Plan 2013-18).

In consultation with NIHE representatives, four properties were brought into use in 2015/16. Two of these were in Ballymoney providing two units of accommodation, one of which was above a shop unit. A further two were in Richhill, creating three units of accommodation.

Whilst this funding would be complementary to a revitalised LOTS scheme, particularly with regard to match funding, it should be noted this is a relatively small fund available for a limited period of time.

Funding from Business Improvement Districts

In July 2014, DSD announced seven successful applicants to the Business Improvement Districts (BIDs) pilot programme in Northern Ireland. These included Ballymena, Belfast City Centre, Belfast's Cathedral Quarter, Enniskillen, Lisburn Road Belfast, Newry, and Strabane.

All of these areas received capacity-building support to establish their own BID, and at the time Minister Nelson McCausland commented that:

> *'Becoming a BID enables local traders, working alongside their local council, to self-manage and self-fund improvement projects which they feel will be of benefit to the area through tackling specific local issues and thereby attracting more visitors to the area."*

As of May 2016, five of these areas (Ballymena, Belfast City Centre, Cathedral Quarter, Newry and Strabane) have formally agreed to become established BIDs. This meant they voted in agreement of a business plan for their particular area which is based on an indicative budget of approximately 1% to 1.5% of the rateable value of their property. It is estimated that within Belfast City Centre (Belfast ONE) BID area, this could raise approximately £1.1m per annum[7] to be used for physical regeneration and improvements to their area.

The rationale behind the BID scheme is to provide businesses with an incentive to pool funds together to create a more business friendly environment, in line with their agreed needs and requirements. Since the establishment of BIDS in 2005 in England and Wales, over 180 BIDs have invested more than £300m into their local economies and societies, and in the process enabled physical, social and economic regeneration at a very local level.

The core benefits of a BID scheme include:

- BID levy revenue can only be used within the BID area;
- Businesses decide collectively on the needs for the area;
- Social benefits accrued will have economic implications e.g. improved security may reduce crime, and therefore increase footfall
- Enables a pooled budget for place promotion
- Creates a joint network to interact with councils, local agencies and public bodies.

With regard to a revitalised LOTS scheme, this could enable both an agreed voice on any need for residential regeneration in town and city centres, but also enable businesses to provide funding where and as appropriate to enable regeneration, and increase footfall for the benefit of all within the particular BID area.

[7] https://minutes3.belfastcity.gov.uk/mgAi.aspx?ID=3215

Urban Development Grant

Urban Development Grants are discretionary grants provided to help urban areas in Northern Ireland. Grants are offered so that vacant, derelict or underused land and buildings can be developed and brought back into use bringing jobs, attracting investment and improving the environment.

Physical development projects potentially eligible for UDG funding include inner and middle city housing, retail units, commercial units and light industrial units.

The scheme is administered by the Department for Communities under the provision of the Social Need (NI) Order 1986 and the European Communities Act 1972. The key objective of the scheme is to:

- To act as an enabler – where necessary – for private investment;
- To create and/or retain permanent jobs in town/city centres and disadvantaged urban areas; and
- To improve the environment of town/city centres and disadvantaged urban areas by improvements to the physical fabric.

Funding can be provided to any urban centre with a population of more than 5,000 persons, and there are three types of UDG assistance available. Firstly, assistance is available for **speculative developments** in which the grant can be utilised to support any shortfall between the cost of refurbishing and restructuring existing buildings for letting or selling, and its post completion valuation. Secondly, **restructuring grants** are available for owner-occupiers to support works to existing buildings to bring them into beneficial commercial, business or residential use. Finally, owner-occupier grants are also available in respect of **new buildings** for the use of the owners for their own businesses.

The extent of grant aid is kept within EU State Aid regulatory guidance i.e. will not exceed 10% for large firms, 20% for medium firms, and 30% for small firms.[8]

In owner-occupier cases, eligible costs are normally reasonable construction costs and professional fees. In **speculative development** cases, eligible costs will normally include:

- Current site value/acquisition cost;
- Where appropriate, site clearance and preparation costs including demolition and site security;
- Construction costs including any ineligibles identified by QS which may be germane to the achievement of a certain level of rents;
- Professional fees associated with acquisition and construction;
- Financing costs; and
- Professional fees associated with letting/project disposal.

[8] For investment projects with eligible expenditure not exceeding EUR 50 million the 10% maximum aid intensity ceiling is increased by 10% for medium sized companies and 20% for small companies as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L124, 20.5.2003, p.36). A small enterprise is defined as one who has less than 50 staff and whose turnover is less than or equal to €10 million and whose balance sheet total is less than or equal to €10 million. A medium enterprise is defined as one who has less than 250 staff and whose turnover is less than or equal to €50 million and whose balance sheet total is less than or equal to €43 million.

Given the relatively large proportion of SMEs within Northern Ireland, the UDG scheme may provide a substantial incentive for smaller businesses in ownership of an unused unit to convert or renovate it, either for residential letting or further commercial purposes.

The DfC requested applications for funding between 4th April and 13th May 2016, for a series of physical development projects including inner and middle city housing, and retail, commercial and light industrial development.

Northern Ireland Investment Fund

In 2015, the Department for Finance commissioned an external consultancy firm to undertake a feasibility study for a proposed Northern Ireland Investment Fund using Financial Transactions Capital (FTC), with funding allocated to the NI Executive by the UK Government through HM Treasury. The conditions for FTC funding is to stimulate private sector investment in infrastructure projects, with transactions made in financial assets to further policies of departments. In other words, a NI Investment Fund using FTC could be aimed at providing access to affordable finance for private sector infrastructure projects.

This study highlighted, with regard to housing investment, that SMEs have struggled to raise debt finance in recent years, and this could be an issue for housing and regeneration as small family owned businesses with vacant and underutilised assets may not be able to borrow to maximise the output from these assets e.g. facilitate a conversion into residential or further commercial space.

The former Minister for the Department of Finance has stated that the NI Executive anticipate initial funding to be available through the NI Investment Fund of c. £1bn[9]. It should be noted that within the feasibility study, it was identified that a NI Investment Fund could complement or augment funding from the European Regional Development Fund, European Structural and Investment Fund, and the European Investment Bank. The UK's recent decision to vote to leave the European Union may therefore have some impact on the design and implementation of a Northern Ireland Investment Fund in future.

3.4 Summary

Within Northern Ireland, housing and regeneration are viewed as core to improving economic, physical, social and environmental conditions, and this is reflected within the strategies and policies set out within this section.

As summarised within Table 3.3, there are a number of funding sources that might complement a revitalised LOTS scheme, which any future scheme would need to be cognisant of. There may also be future funding vehicles such as BIDs, Enterprise Zones, and the NI Investment Fund which may prove complementary to the overarching objectives and funding available to a revitalised LOTS scheme.

[9] NI Assembly (2015) Oral Questions to the Minister for Finance and Personnel – 16th February 2015

Table 3:3: Summary of Funding and Relevance to LOTS

Funding Vehicle	Relevance to LOTS
Heritage Lottery Fund's Townscape Heritage Initiative:	The HLF THI provides substantial grant funding to a number of residential schemes (estimated to provide 45% of property costs in 2015/16) in Portaferry, Walled City, Ballymoney, Richhill, and Donaghadee. The HLF THI is predicated upon the availability of match funding and requires public or private contribution of funds in order to payout. In this regard, an alignment of LOTS funding with areas of THI eligibility may provide opportunities for leverage and efficiency, as the Department may only need to provide limited funding per project to facilitate its go-ahead. The HLF has also provided funding to NI towns for over 25 years, and is likely to therefore remain a key funding stakeholder.
NIHE Heritage in Housing Scheme	The NIHE has provided £450,000 of grant funding over three years (2014/15 – 2017/18) to support projects within the aforementioned THI areas. This is due to the requirement for grant funding, with NIHE being able to 'unlock' projects as a result of providing up to £30,000 per project. However, as this scheme is due to expire in 2017/18, a LOTS scheme is unlikely to run simultaneously to this scheme but may act as a suitable replacement.
Business Improvement Districts	The Business Improvement Districts would enable local businesses to allocate funding to schemes considered complementary to local trade and investment. This could include funding for businesses to convert upper floor underutilised or vacant property space, at the discretion of the BID. However, this is likely to be one of many potential areas of expenditure for consideration by BIDs.
Urban Development Grant	UDG assistance is available for speculative developments in which the grant can be utilised to support any shortfall between the cost of refurbishing and restructuring existing buildings for letting or selling, and its post completion valuation. Grants are available for owner-occupiers to support works to existing buildings to bring them into beneficial commercial, business or residential use. Finally, owner-occupier grants are also available in respect of new buildings for the use of the owners for their own businesses. As a result, restructuring grants may be available for use by potential LOTS schemes subject to funding availability.
Northern Ireland Investment Fund	The NI Investment Fund may potentially have funding implications for a LOTS scheme, albeit the design or extent of this fund is not yet confirmed.

4 OVERVIEW OF RESIDENTIAL AND COMMERCIAL PROPERTY MARKETS

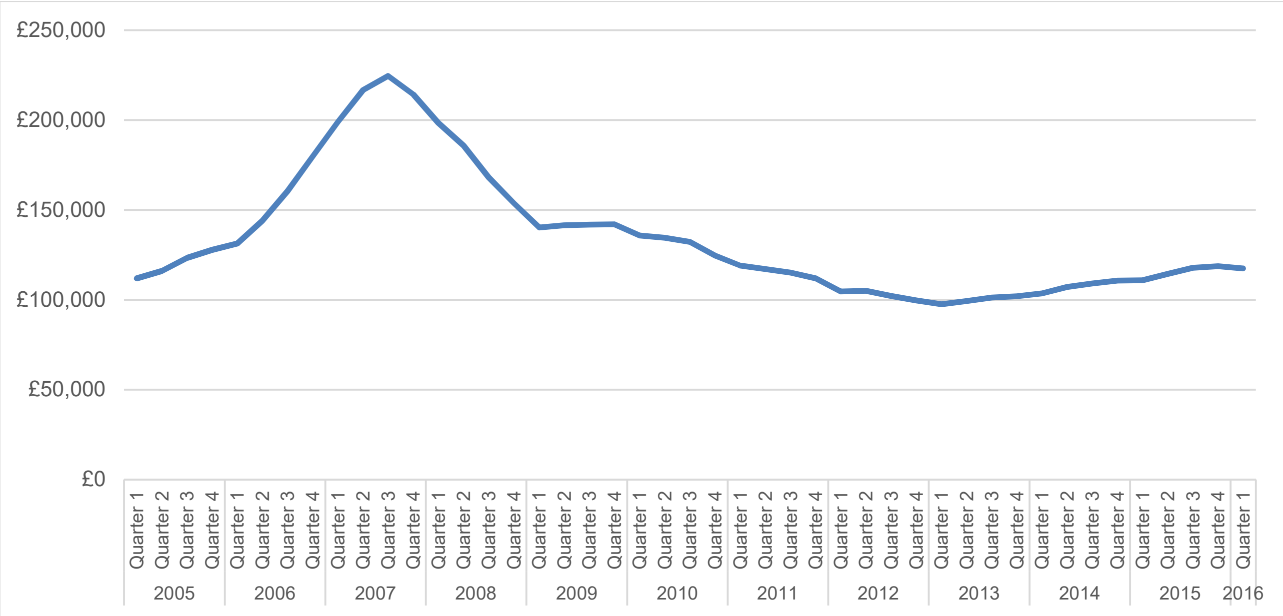
4.1 Introduction

This section sets out an overview of the residential and commercial property markets within Northern Ireland.

4.2 NI Housing Market

The Northern Ireland housing market is, as with most major economies, subject to the underlying factors of local economic performance, and demographic trends. The housing market in Northern Ireland suffered a major drop in residential property values as a result of the 2008/9 recession, with a peak to trough (Q3 2007 – Q1 2013) decline of over 50% in a number of towns and cities, and has largely since stablised.

Figure 4.1: NI Residential Property Price Index (Average Price, Q1 2005 to Q1 2016)



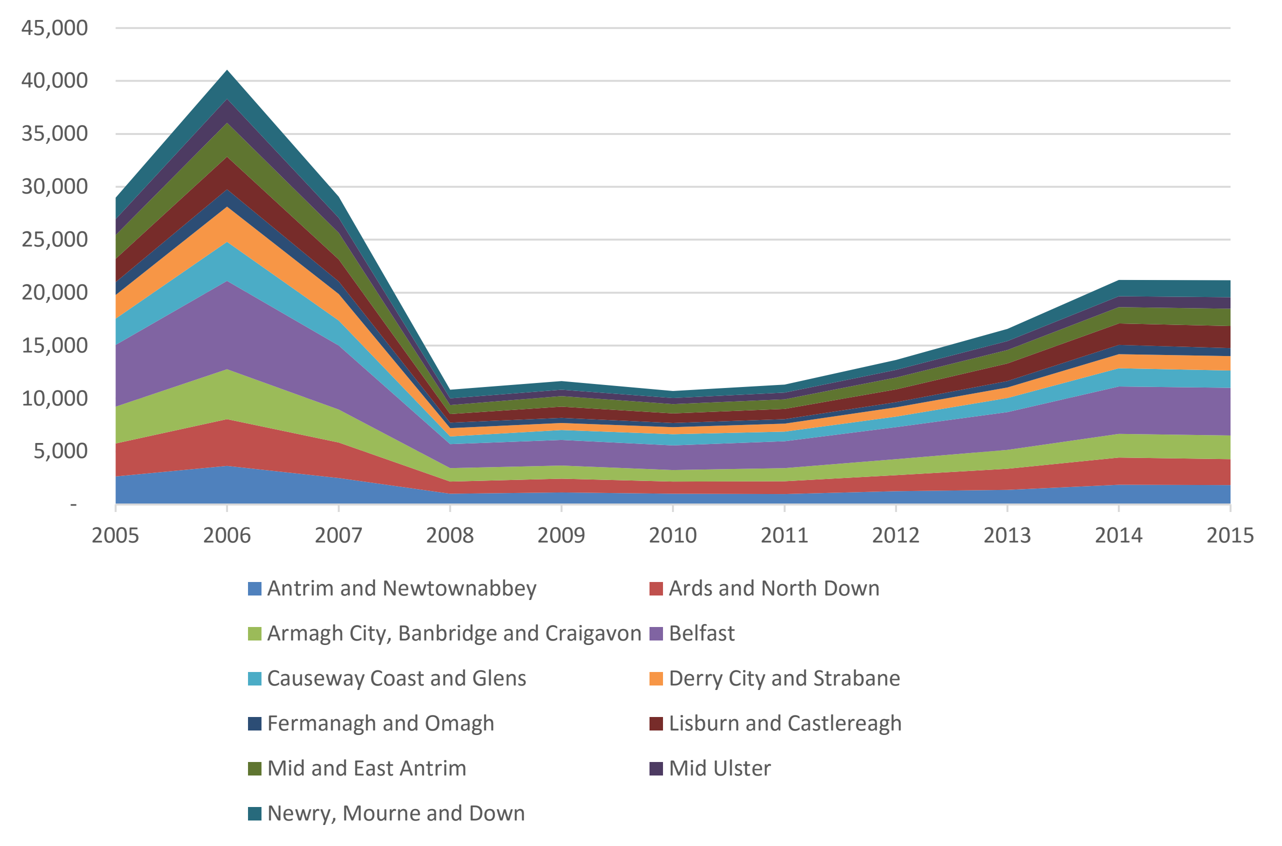
Source: UU/NIHE (2015)

At present (Q1 2016) the NI Residential Property Price Index stands at 105.9, meaning prices are 5.9% higher than they were a year ago in Q1 2015 (100). However, this is significantly lower than the Q3 2007 peak index of 202.5.

Whilst there has been an element of recovery to the residential property values in Northern Ireland, this has represented a somewhat stop-start approach quarter on quarter, with a slow general upward trend beginning to emerge since late 2013.

Residential property sales have also shown signs of recovery with year on year growth since 2010, as highlighted in Figure 4.2.

Figure 4.2: NI Verified Resident Property Sales (2005 - 2015)



Source: UU/NIHE (2015)

As shown within the graph, Belfast, Armagh, Banbridge and Craigavon have reflected the majority of residential property sales over recent years. Areas of emerging growth for property sales include Antrim and Newtownabbey and Lisburn and Castlereagh.

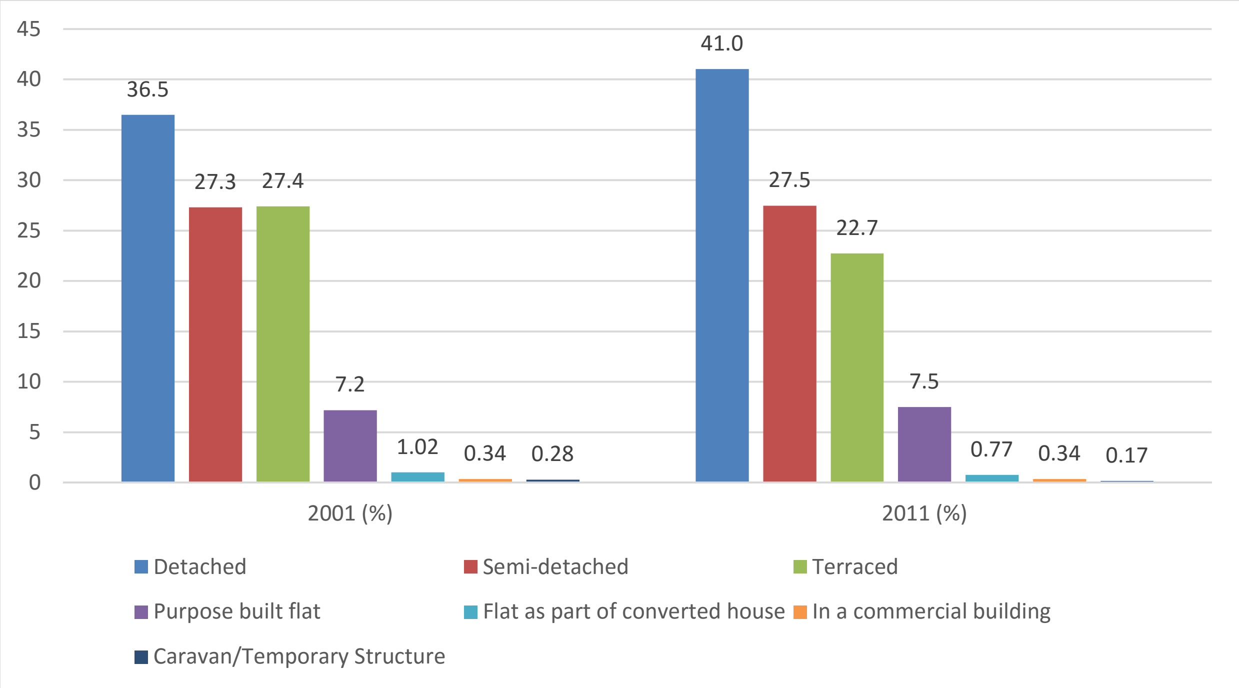
4.3 Types of Residential Property: Emerging Trends

According to 2011 Census data in Northern Ireland, there were 748,021 properties identified as residential properties. Of these properties, 703,275 (94%) were identified as homes with regular inhabitants i.e. had a recognised lead owner (in use) or tenant.

Within the 2001 census, there were 658,426 residential properties in Northern Ireland, and hence the 2001 to 2011 marked an increase in house-building and general construction activity (13.6% over the decade).

The type of housing within the market also changed over this period, as reflected in Figure 4.3 overleaf.

Figure 4.3: Residential Property Market Composition (NI, 2001 to 2011) (%)



Source: Census 2001 & 2011

As illustrated by Fig 4.3, the most significant growth in property type was for detached properties (from 36.5% to 41% of market share, and from 240,000 units to 307,000 units). This is not surprising given the construction boom until late 2007. The number of semi-detached properties also grew from 27.3% to 27.5% i.e. 180,000 units to 205,000). Terraced housing marked a moderate decline from 27.4% to 22.7% of housing units (180,000 to 170,000), and this decline was largely absorbed by a further 9,000 units of purpose built flats over the decade (47,000 to 56,000).

LOTS style dwellings are considered as being 'in a commercial building' within the Census definition, and there was a moderate increase in the number of these units across Northern Ireland, from 2,250 to 2,550 (13% increase, 0.34% of total market) over the decade.

Since 2008, housing stock has increased year on year, but with a low average growth rate (0.8% per annum between 2008 and 2015) compared to the seven year period between 2001 and 2008, in which housing stock increase by 1.5% year on year.

DfC's NI Housing Statistics (2014/15)[10] sets out housing type by Local Government District (LGD) area as above, and this highlights that the Belfast market is most unique compared to other LGDs, particularly with 21% of residents living in an apartment building (the next highest being Antrim & Newtownabbey with 11%).

However, the NI Census (2011) sets out additional categories for types of inhabited properties, and has indicated that there are approximately 2,500 dwellings across Northern Ireland which are defined as being with a commercial setting, which includes living over the shop units.

[10] https://www.gov.uk/government/statistics/northern-ireland-housing-statistics-2014-15

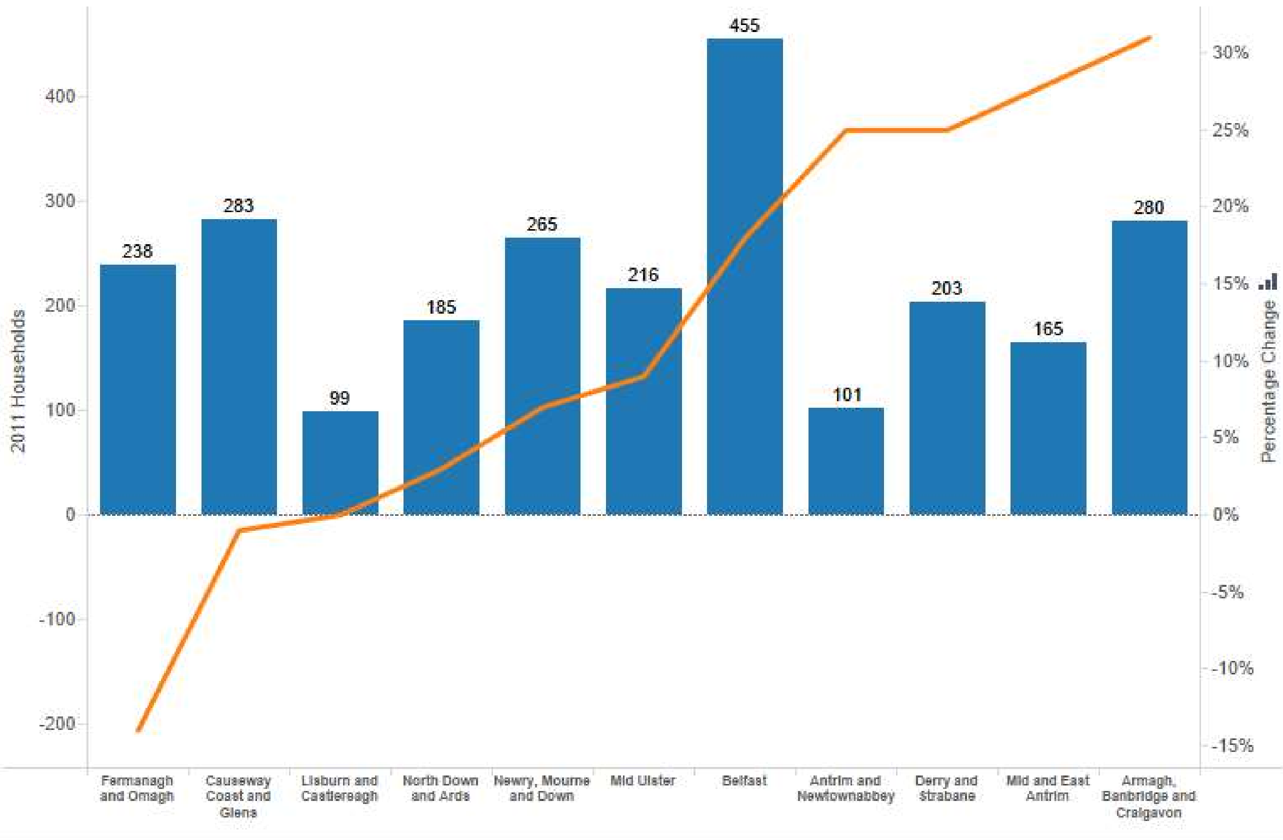
Table 4.1 and Figure 4.4 illustrates the changes in the number of households living above commercial premises over the period 2001 – 2011 by Council area, and presents PACEC's analysis of the 2011 Census estimates of LOTS style properties in Northern Ireland towns/cities. Given the market characteristics of Belfast City Council and its central appeal to a younger demographic, it is not surprising it has the highest number of LOTS style properties. However, as a percentage of total housing stock, Belfast City Council has a smaller proportion of these types of properties than six other LGDs. This may be attributable to the considerable larger apartment and terraced property market in Belfast than other areas.

Table 4:1: Number of Households living above commercial premises (Census 2001 and 2011)

Council[11]	2001 Households	2011 Households	Percentage Change
Antrim and Newtownabbey	81 (0.16%)	101 (0.18%)	25%
Armagh, Banbridge and Craigavon	214 (0.32%)	280 (0.35%)	31%
Belfast	384 (0.32%)	455 (0.3%)	18%
Causeway Coast and Glens	286 (0.55%)	283 (0.47%)	-1%
Derry and Strabane	163 (0.32%)	203 (0.35%)	25%
Fermanagh and Omagh	276 (0.7%)	238 (0.53%)	-14%
Lisburn and Castlereagh	99 (0.14%)	99 (0.18%)	Nil
Mid and East Antrim	129 (0.25%)	165 (0.29%)	28%
Mid Ulster	198 (0.47%)	216 (0.43%)	9%
Newry, Mourne and Down	247 (0.45%)	265 (0.4%)	7%
North Down and Ards	180 (0.29%)	185 (0.27%)	3%
Total (Northern Ireland)	**2,247 (0.34% of the 658,354 households)**	**2,491 (0.33% of the 748,048 households)**	**11%**

[11] Please note that quantification of 2001 Census properties in the format of 11 LGDs has been informed by the 26 legacy council statistics & local government reform boundaries. This exercise provides an indicative estimate of residential households above a commercial unit only.

Figure 4.4: Number of Residential Households living above a commercial property (2011, and percentage change since 2001)



Source: Census 2001 & 2011

Within this period (2001-2011), the total number of households grew by 14%, and the number of residential households living above a commercial property grew by 11% in this period. Therefore, the increase in residential households living above a commercial property is relatively in keeping with the market's performance.

As illustrated, Belfast has the largest number of residential properties above a commercial setting (455) given its relative size, and the number of these properties grew 18% over the decade (2001-2011). Armagh, Banbridge and Craigavon, Mid and East Antrim, Derry and Strabane, Antrim and Newtownabbey experienced growth of at least 25% over the decade indicating these areas have experienced increased supply of LOTS style properties.

4.4 Burgeoning Private Rented Sector

The private rented sector in Northern Ireland has experienced considerable growth over the past decade, comprised of 10% of homes in 2003/4 and more than doubled to 21% by 2013/14.[12] This is slightly higher than the UK average of 19%. This increase has been largely driven by the number of

[12] https://www.communities-ni.gov.uk/sites/default/files/publications/dsd/family-resource-survey-13-14.pdf

people aged 25-34 years old within the private rented sector growing from 16% in 2003/4 to 47% in 2013/14, largely attributed to a more restrictive lending environment from mortgage providers and the economic downturn post-2008. The profile and characteristics of these people renting within the sector is set out in further detail in Section 5.4.

In 2013/14, the median weekly household rent in Northern Ireland for a private sector tenant was £92, compared to £69 within the social sector (i.e. 33% higher rents). However, Northern Ireland has one of the lowest ratios between median weekly private and social sector rents (1.3 to 1, comparable to the North East of England, East of England, West Midlands, and Wales; however, lower than Inner London (2.5 to 1, or the UK as an average at 1.5 to 1).

However, given the significant increase in size of the private rented sector in Northern Ireland, there are indications of challenges with regard to affordability, particularly with some low-income households asked to pay an average deposit of over £500 in 2014 (up £85 from 2012 levels of £415) in addition to the first month's rent.[13] Within Northern Ireland, the private rented sector is also supporting to a considerable extent by Housing Benefit payments. In 2014, 71,000 private sector tenants (approximately half of all tenancies) were in receipt of some form of housing benefit. Furthermore, of these tenants, 49,000 experienced an average shortfall of £21.93 per week between their benefit entitlement and their required rental payment.

The Northern Ireland Rental Index (H1 2015) indicated that there were 11,443 rental transactions in the private rented sector in January to June 2015, which represented a 5.1% decrease on the previous six months, and a 1% decrease on the same period in 2014. With regard to rental prices, the average rental price in the second half of 2014 was £549, an increase of 2.8% from the second half of 2013. (UU/NIHE, 2015).

Furthermore, HomeLet statistics also signal that average monthly rents (based on new tenancies) in 2014 in Belfast were £579 per month, which grew to £606 in 2015 reflecting a rise of 5%, exceeding that of UK cities such as Sheffield (4%), Leicester (4%) and matching that of Manchester, albeit a smaller increase than other cities such as Glasgow (9%) Leeds (7%), and London (11%).

Considering the macroeconomic performance of the Northern Ireland economy, it is worth noting that Northern Ireland suffered the largest fall in living standards during the recession of any part of the UK, with median household income £860 (4%) lower in 2014 (£20,930, RPI adjusted, 2014 prices) than the 2007/8 peak of £21,794 (Resolution Foundation: 2014)[14]. This compares to a decline of 0.4% at the UK level, indicating that within the Northern Ireland market, rental values are increasing within the context of stagnating household income.

The private rented market in Northern Ireland within the first half of 2015 consisted primarily of terrace/townhouse (42%) and apartment (31%) property types, totalling approximately three-quarters of rental activity. Semi-detached and detached rentals represent a smaller proportion of market activity, consisting of 17% and 10% of rental transactions respectively.

[13] https://www.communities-ni.gov.uk/sites/default/files/consultations/dsd/review-role-regulation-of-private-rented-sector-consultation.pdf
[14] http://www.resolutionfoundation.org/media/press-releases/typical-incomes-up-800-a-year-in-north-east-since-eve-of-downturn-but-still-900-lower-in-south-east-as-regions-recover-at-different-rates/

Within January to June 2015, 5,196 residential properties were let within the Belfast City Council area, representing 45% of all rental transactions across Northern Ireland, despite consisting of approximately 18% of the population. In this regard, the Belfast City Council area is, by a considerable margin, the largest private rental market in Northern Ireland. Further details of the Belfast and Northern Ireland private rented sector, including number of lettings, property size, and rental values are provided in Appendix 4.

4.5 Overview of the NI Commercial Property Market

The Northern Ireland commercial property market has shown signs of recovery over recent years, with prime retailing locations in city and town centres recording their first fall in vacancy rates since 2011 (down to 14.6% in 2015). However, this is still higher than the UK average of 9.8%. There has been considerable activity within the Belfast City Centre area, in which retail vacancy rates fell from 19.8% in 2014 to 12.5% in 2015.

Within areas outside of Belfast (including Newry, Derry/Londonderry, Lisburn, Enniskillen, Ballymena, Coleraine, Omagh, Craigavon, Portadown, Bangor, Newtownards, Cookstown, Antrim, Strabane, Newtownabbey and Magherafelt) retail vacancy rates have also fallen from 17.1% in 2014 to 14.6% in 2015, suggesting a return of economic stability and consumer confidence across Northern Ireland. (Lisney: 2015)[15]

However, despite a trend suggesting reductions in longer-term retail vacancy rates across Northern Ireland, it should be stressed that Northern Ireland's vacancy and underutilisation of its land assets within city and town centres is more prevalent than within other regions of the UK.

Commercial property within Northern Ireland remains an attractive investment given its limited pricing and strong yields of 10.9% in 2014, above the European average of 9.4% and outperforming cities including Amsterdam, Copenhagen and Stockholm (Ulster University: 2014)[16] With regard to retail, 2016 is estimated by CBRE to be a busy year with retailers seeking to cement their position in highly-sought-after locations within city and town centres.

4.6 Vacancy Rates

PACEC has undertaken the following activities in order to understand the potential supply of premises currently considered vacant or underutilised with a commercial and/or retail context, which contain potential to be funded and converted to residential properties within a revitalised LOTS scheme:

- The Department for Communities Town Centre Database (published in beta format in June 2016);
- A review of the Land and Property Services statistics with regard to 'Breakdown of Non-Domestic and Mixed Properties and Vacancy Rates with Floor Area (Average) (30th April 2016);
- Provision of a Living over the Shops questionnaire, and consultations with representatives from Economic Development/Planning/Building Control departments within the eleven Local Government Districts; and
- Need and Demand consultations with property and letting estate agents within the eleven Local Government Districts.

[15] https://www.lisney.com/images/documents/665/Northern%20Office%20Retail.pdf
[16] https://www.ulster.ac.uk/aboutus/news/2015/july/continued-recovery-for-northern-irelands-commercial-property-market

As highlighted, the supply of residential properties above a commercial or retail unit in Northern Ireland is relatively small within the context of the overall housing market. The supply of these properties has grown relatively in line with market conditions with a small supply increase of over 200 units over the most recent decade. However, it should be recognised that historical supply with regard to residential units above commercial properties sets a context, it is important to further explore current vacancy and underutilisation within city and town centres, as these properties identified within this section reflect the opportunities within the market at present.

4.7 The Department for Communities Town Centre Database[17]

The DfC Town Centre Database provides an annual breakdown of non domestic property vacancy rates across 41 town centres between April 2014 and April 2016. As highlighted in the table below, non-domestic vacancy rates have remained relatively constant over this two year period, falling greatest within Belfast City (down 1.7%) and increasing most within Newry, Mourne and Down (up 1.2%). On average, non-domestic vacancy rates have fallen 0.7% across Northern Ireland within the two year period. This suggests that despite signs of economic recovery up until early 2016, non-domestic vacancy rates remain stubborn, and this may continue against a background of economic uncertainty over the coming months and years. As a result, this is an early indication signalling the need for potential intervention, particularly within areas in which vacancy rate is increasing, or decreasing slower than the NI average rate such as Newry, Mourne and Down, Lisburn and Castlereagh, and Mid & East Antrim. Arresting any increase in vacancy rates may have a longer-term beneficial impact upon reducing dereliction, improving economic activity, the aesthetics and vibrancy of the area.

Table 4:2: Non-Domestic Vacancy Rates (April 2014 and April 2016)

Council	Non-domestic vacancy rate (2014)	Non-domestic vacancy rate (2016)	Percentage Change
Belfast City Council	35.7%	34.0%	-1.7%
Armagh, Banbridge and Craigavon	25.0%	24.3%	-0.6%
Lisburn & Castlereagh	22.5%	23.6%	1.0%
Newry, Mourne and Down	21.4%	22.6%	1.2%
Mid & East Antrim	20.7%	21.8%	1.1%
Derry City & Strabane	21.3%	21.6%	0.3%
Causeway Coast and Glens	22.6%	21.2%	-1.4%
Mid Ulster	21.5%	20.9%	-0.6%
Fermanagh and Omagh	21.9%	20.4%	-1.5%
Antrim & Newtownabbey	21.3%	19.8%	-1.5%
Ards and North Down	19.1%	18.5%	-0.6%
Northern Ireland	25.5%	24.8%	-0.7%

[17] Published in beta format in June 2016

It should be emphasised that this data utilises LPS Pointer data for the 41 town centres identified by the Department, and has its own supporting metadata. The figures therefore provide an indication of LPS identified vacancy based upon registered properties. There are a number of studies undertaken by property firms and researchers across the UK pertaining to vacancy rates, which suggest lower town centre vacancy rates (typically in the region of 15% within Northern Ireland). However, these contain different methodological approaches, may not capture all 41 towns, and also may only capture ground floor units more likely to be considered occupied.

In 2014, Planning NI commissioned a research report into the health of Northern Ireland town centres and retail[18], which set out a vacancy rate comparison exercise between Northern Ireland and the rest of the UK. These figures utilise Experian data from 2013 and 2014, and highlight that proportionately Northern Ireland experiences the highest vacancy rate levels in town centres within the UK.

Table 4:3: Identification of Vacant Non-Domestic Properties and Vacancy Rate (April 2016, LPS)

Region	Vacancy Rate (Units) (2013/14)	Vacancy Rates (Floor Space)
England (excl. Greater London)	11.1%	8.5%
Wales	12.3%	10.1%
Scotland	11%	9.1%
Northern Ireland	14.5%	11.9%
UK	10.6%	8.2%

Source: LPS (April 2016)

This report will utilise the LPS statistics henceforth as a suitable indicator of vacancy rates within non-domestic properties across Northern Ireland, with recognition that these rates are likely to be at least three to four percentage points higher than within other devolved regions.

4.8 Land and Property Services: Identification of Non-Domestic Vacancies

In June 2016, LPS NI provided PACEC with a breakdown of mixed and non-domestic properties and vacancy rates as of the 30th April 2016 for the 41 Town Centres across Northern Ireland (as reported by the Department for Communities). These figures regarding total number of properties have been extracted from LPS Occupancy Vacancy data and are based on Property IDs identified through Pointer within the DfC Town Centre maps.

LPS provided two outputs regarding the overall breakdown of mixed and non-domestic properties and associated vacancy rates (which is presented within the DfC Town Centre Database), and also the breakdown on mixed and non-domestic properties suitable for conversion and associated vacancy rates. The suitability for conversion breakdown was informed by filtering property IDs registered as being not at all suitable for a residential use e.g. factories, warehouses, and public buildings.

[18] http://www.planningni.gov.uk/index/policy/spps/draft_spps/gl_hearn_main_report-2.pdf

Overall, LPS identified (as of the 30th April 2016), 21,045 properties (20,759 non-domestic and 286 mixed-use) across Northern Ireland, of which 5,228 were identified as vacant (a vacancy rate of 24.8%. Once filtered to those 'suitable for conversion', this figure totals to 16,150 properties across Northern Ireland (15,867 non-domestic and 283 mixed-use), of which 3,595 were identified as vacant and suitable for conversion (a lower vacancy rate of 22.3%).

Table 4:4: Identification of Vacant Non-Domestic Properties and Vacancy Rate (April 2016, LPS)

LGD	Total Number of Non-Domestic (LPS)	Total Number Vacant	% of Vacant Units in NI	Vacancy Rate
Antrim & Newtownabbey	578	106	2.9%	18.3%
Ards & North Down	1471	251	7.0%	17.1%
Armagh, Banbridge & Craigavon	2057	486	13.5%	23.6%
Belfast City Council	3159	887	24.7%	28.1%
Causeway Coast & Glens	1326	249	6.9%	18.8%
Derry City & Strabane	1620	367	10.2%	22.7%
Fermanagh & Omagh	1033	203	5.6%	19.7%
Lisburn & Castlereagh	675	153	4.3%	22.7%
Mid & East Antrim	1265	278	7.7%	22.0%
Mid Ulster	1151	221	6.1%	19.2%
Newry, Mourne & Down	1815	394	11.0%	21.7%
Total	**16150**	**3595**		**22.3%**

Source: LPS (April 2016)

At an LGD level, this analysis indicates that the non-domestic vacancy rates for properties suitable for conversion are highest within Belfast (28.1%), followed by Armagh, Banbridge & Craigavon (23.6%), Derry City & Strabane (22.7%), Fermanagh & Omagh (22.7%), and Newry, Mourne and Down (21.7%).

Belfast consists of approximately one-quarter of all vacant non-domestic properties across Northern Ireland given its comparative size. Armagh, Banbridge and Craigavon consists of a further 13.5% of all vacant units signalling a considerable potential supply of properties for residential conversion. This is also the case within Newry, Mourne and Down (11%), and Derry City and Strabane (10.2%).

Table 4.5 identifies vacancy rates by town and city centre, with Belfast (28.1%), Carryduff (31.8%), Coalisland (27.6%), Portadown (27.2%), Lurgan (26.4%) and Newry (24.9%) all exhibiting vacancy rates above the NI average.

Table 4:5: Northern Ireland Town Centre Non-Domestic Vacancies and Floor Space

Town Centre	No. of Properties	No. of Vacant Properties	(Vacancy Rate)	Floor Space (Average m^2)
Antrim	244	46	18.9%	134.5
Armagh	583	137	23.5%	95.2
Ballycastle	130	24	18.5%	100.7
Ballyclare	168	28	16.7%	85.9
Ballymena	677	149	22.0%	160.5
Ballymoney	239	58	24.3%	114.2
Ballynahinch	156	23	14.7%	174.5
Banbridge	328	64	19.5%	79.1
Bangor	592	124	20.9%	116.2
Belfast City	3,159	887	28.1%	154.9
Carrickfergus	275	57	20.7%	132.0
Carryduff	44	14	31.8%	102.3
Coalisland	116	32	27.6%	71.4
Coleraine	537	111	20.7%	99.0
Comber	112	20	17.9%	54.5
Cookstown	341	69	20.2%	125.7
Craigavon	83	3	3.6%	226.4
Crumlin	73	10	13.7%	62.2
Derry	1,337	304	22.7%	121.4
Donaghadee	103	13	12.6%	63.4
Downpatrick	260	55	21.2%	103.2
Dromore	96	22	22.9%	57.5
Dungannon	373	75	20.1%	77.5
Enniskillen	478	91	19.0%	85.0
Holywood	268	35	13.1%	78.7
Kilkeel	163	41	25.2%	47.6
Larne	313	72	23.0%	106.4
Limavady	225	31	13.8%	118.8
Lisburn City	631	139	22.0%	182.6

Town Centre	No. of Properties	No. of Vacant Properties	(Vacancy Rate)	Floor Space (Average m^2)
Lurgan	420	111	26.4%	104.1
Magherafelt	321	45	14.0%	91.9
Newcastle	204	36	17.6%	86.1
Newry	883	220	24.9%	105.2
Newtownards	396	59	14.9%	81.3
Omagh	555	112	20.2%	74.9
Portadown	547	149	27.2%	107.3
Portrush	105	12	11.4%	66.7
Portstewart	90	13	14.4%	68.0
Randalstown	93	22	23.7%	97.7
Strabane	283	63	22.3%	139.0
Warrenpoint / Burren	149	19	12.8%	58.6
Total	**16,150**	**3,595**	**22.3%**	**122.7**

4.9 Council Feedback

Following on from the LPS and DfC Town Centre data analysis, PACEC issued a 'Living over the Shops' questionnaire (See Appendix 3) to all eleven councils.

This questionnaire was used to support the quantification of the potential supply of commercial or retail premises across the eleven council areas that may be suitable for conversion (of which the Councils feel a LOTS scheme would be best targeted). In Q14, council representatives were asked:

"In your Council area, how many vacant or underutilised commercial/retail properties would you estimate there to be within town or city centres that could be created/converted into residential dwellings?".

The following answers were reported from each of the Council areas. It should be noted that Belfast City Council were not in a position to provide a formal quantification; however, council representatives did state that arterial routes provided a suitable opportunity for a LOTS scheme. PACEC has therefore provided an estimate of number of suitable properties within the Belfast area based upon the aggregate findings:

Table 4:6: Council reported quantification of Non-Domestic (Vacant and Under-utilised) suitable for residential conversion

LGD	Total Number of Non-Domestic (LPS)	Total Number Vacant	Council Quantification	% of LPS
Antrim & Newtownabbey	578	106	61	57%
Ards & North Down	1,471	251	62	25%
Armagh, Banbridge & Craigavon	2,057	486	148	30%
Belfast City Council	3,159	887	266[19]	30%
Causeway Coast & Glens	1,326	249	13	5%
Derry City & Strabane	1,620	367	145	40%
Fermanagh & Omagh	1,033	203	160	79%
Lisburn & Castlereagh	675	153	23	15%
Mid & East Antrim	1,265	278	60	22%
Mid Ulster	1,151	221	60	27%
Newry, Mourne & Down	1,815	394	17	4%
Total	**16,150**	**3595**	**1015**	**28%**

It should be noted that the responses provided by the councils reflect a local estimate of how many vacant and under-utilised properties may be suitable within their area for residential conversion. The most conservative estimate was provided by Causeway Coast and Glens representatives, stating they felt that 13 properties were suitable in their area. All of these properties however were considered ready for conversion at present. The highest proportional estimate (as a % of LPS statistics) was provided by Fermanagh and Omagh representatives, with 160 properties identified. The remaining councils indicated on average, 28% of the vacant properties identified by LPS would be suitable for a LOTS style conversion.

This exercise highlights the key council areas that appear to have the most capacity for improving supply are Belfast (266 properties); Armagh, Banbridge and Craigavon (at least 148 properties with particular concentration within Armagh (35 properties), Lurgan (45), Banbridge (18) and Portadown (25); and Derry City and Strabane (145 properties).

It should be emphasised that these figures provided are council estimates, and a number of councils raised the issue of a need for town centre audits to fully inform a future LOTS policy (i.e. to provide a full understanding of suitable properties, owner identification and agreement, and planning constraints etc.

[19] PACEC estimate for the Belfast City Council area.

4.10 Supply Summary

This section identified that a revitalised LOTS scheme is likely to operate within the context of:

- A slowly recovering residential property market, experiencing a burgeoning private rented sector which has doubled in size over the last decade, impacting rental supply and affordability;
- The growth of the private rented sector has been driven by younger persons aged 25-34 years old, with 16% of this cohort renting in 2003/4 to 47% in 2013/14;
- A limited reduction in vacancy rates over the past two years (down 0.7%), persisting at approximately 25%;
- A potential supply of up to 3,595 non-domestic vacant properties are suitable for conversion to residential purposes, with Council feedback indicating 1,015 properties being particularly suited to a LOTS conversion. Key areas of supply including Belfast, Armagh, Banbridge and Craigavon, Fermanagh and Omagh, and Derry City and Strabane.
- The above suggests there is a need for government intervention, and to provide an incentive to bring underutilised or vacant properties into meaningful use in order to improve the supply of rented properties/alleviate housing stress and to contribute to the regeneration of towns and cities.

5 DEMAND FOR TOWN AND CITY CENTRE LIVING

5.1 Introduction

This section sets out the demand for town and city centre living within Northern Ireland, and considers some of the demographic, societal and economic trends which will impact upon this demand.

5.2 Population Growth and Household Composition

Within the Western world, there are a number of substantive demographic and population trends occurring which impact considerably upon housing need, demand and supply. Whilst Northern Ireland has a relatively small population of 1.86 million (NISRA: 2016 estimate), this is projected to increase to 2.021 million by 2039 (an increase of 8.6% over the 23 year period). By historical standards for the province, this is relatively modest (for example, the Northern Ireland population grew by 5% between 1991 and 2001). However, this coupled with an ageing population and changing trends in home ownership and composition, places further pressure upon the need to improve housing supply across Northern Ireland.

Considering age-based demographics, it is recognised that Northern Ireland faces the challenges of housing and supporting an ageing population with the number of people over the age of 65 set to increase from approximately 260,000 in 2016 to approximately 410,000 by 2039, an increase of almost 60% over 23 years.

In addition to this, a falling birth rate also means that by 2039, the absolute number of persons between 20 and 65 (i.e. working age population) is set to fall by 30,000, from 1.08m in 2016 to 1.05m in 2039. This means that the working age population as a percentage of the total population will fall from 58% to 52%. This will have a number of knock-on implications for housing across Northern Ireland, and housing supply of smaller homes (one to two bed units) will be important in meeting this increased need, particularly as younger generations have smaller families on average, and older persons seek to downsize from larger homes in their later years.

Table 5:1: Northern Ireland Population Projections (by Age Bracket) until 2039

Age Bracket	2016 Number	2016 (%)	2039 Number	2039 (%)	Change (Relative)	Change (Absolute)
0-4	1	6.67%	115,069	5.69%	-0.98%	-7%
5-9	127,235	6.83%	115,076	5.69%	-1.14%	-10%
10-14	113,068	6.07%	118,395	5.86%	-0.21%	5%
15-19	119,168	6.40%	123,228	6.10%	-0.30%	3%
20-24	119,472	6.41%	120,443	5.96%	-0.45%	1%
25-29	124,489	6.68%	124,204	6.14%	-0.54%	0%
30-34	123,392	6.62%	118,241	5.85%	-0.77%	-4%
35-39	119,047	6.39%	106,266	5.26%	-1.13%	-11%

Age Bracket	2016 Number	2016 (%)	2039 Number	2039 (%)	Change (Relative)	Change (Absolute)
40-44	119,967	6.44%	114,225	5.65%	-0.79%	-5%
45-49	130,500	7.01%	118,902	5.88%	-1.13%	-9%
50-54	130,829	7.02%	120,151	5.94%	-1.08%	-8%
55-59	115,783	6.22%	118,629	5.87%	-0.35%	2%
60-64	97,204	5.22%	109,965	5.44%	0.22%	13%
65-69	89,677	4.81%	116,418	5.76%	0.95%	30%
70-74	76,763	4.12%	116,752	5.78%	1.66%	52%
75-79	55,647	2.99%	101,677	5.03%	2.04%	83%
80-84	39,825	2.14%	75,054	3.71%	1.57%	88%
85-89	23,677	1.27%	49,188	2.43%	1.16%	108%
90+	12,570	0.67%	39,439	1.95%	1.28%	214%
Total	**1,862,615**	**100%**	**2,021,322**	**100%**		**+ 9%**

Source: NISRA (2016)

Table 5.1 highlights that over the next two decades, Northern Ireland will need to provide suitable housing supply to meet the needs of approximately 160,000 additional people. NISRA household projections estimate that this increase in population, and change in demography will result in the creation of approximately an additional 104,000 households (by 2037). On average, this means that each 'new' household being created will on average have 1.53 persons, thereby highlighting the likelihood that the housing developers in Northern Ireland will focus residential property efforts on developing 1 to 2 bed apartments and studios, and lowering overall average household size to 2.43 persons, as reflected in Table 5.2.

Table 5:2: Household Composition and Household Size (2012 – 2037):

Household Size	2012	2037	Change	% Change
1 person	202,971	240,225	37,254	18%
2 persons	223,452	271,799	48,347	22%
3 persons	119,712	121,116	1,404	1%
4 persons	105,074	105,569	495	0%
5 + persons	74,960	73,941	-1,019	-1%
Total Households	726,169	812,650	86,481	12%
Average Household Size	2.53	2.43	-0.1	-4%

Source: NISRA (2016)

5.3 Trends in Town and City Centre Living

Whilst population growth and household size are important factors in setting out town and city centre living demand, societal changes, economic conditions and personal preferences are also having an impact on centre residency. Research undertaken by the Centre of Cities (2015) has shown that city centre residents are most likely to be young, single students of professions, and that they live there because they want to be close to restaurants, leisure and cultural facilities, with easy access to public transport and their workplace.

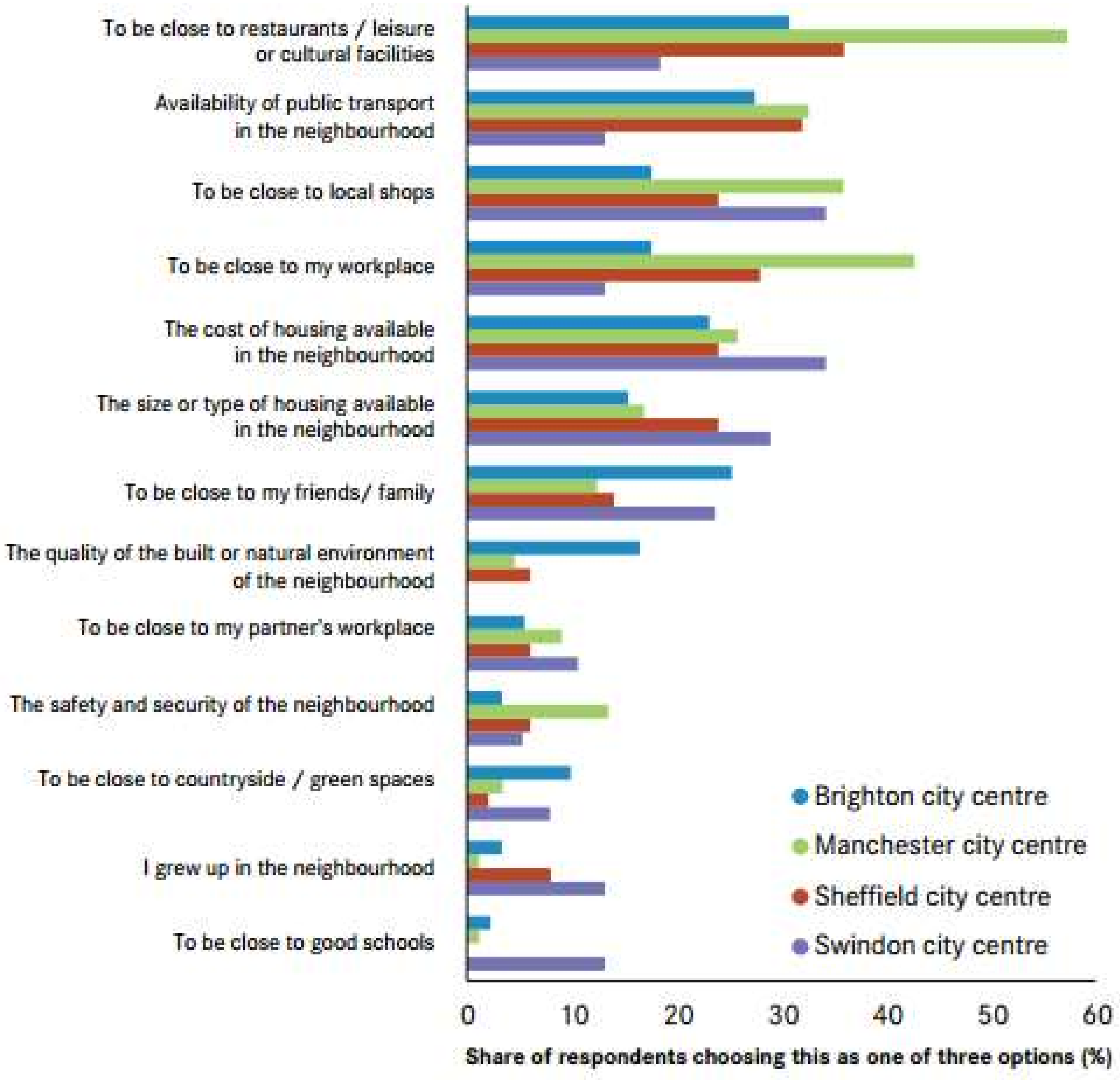
Between 2001 and 2011, across the UK, city centre populations increased by 37%, and this has been driven by larger cities such as Manchester where the population due to the increase in professionals and students has more than doubled. However, population growth for smaller and medium sized cities has been slower, with many city centres growing due to availability of lower-cost housing, rather than improvement in the city's economic conditions or regeneration.

The Centre for Cities research continues to state that city centre residential living will be driven by well-paid knowledge-based jobs, and this growth whilst welcome, will have implications for pollution, green spaces, and land availability.

Furthermore, YouGov polling (based on national polling, as well as polling of 1725 residents from Manchester, Swindon, Brighton and Sheffield) [20] has indicated that despite levels of rent and limited green space, that the number of young professions choosing to live in UK city centres (aged 20-29) has almost trebled between 2001 and 2011. Over a third of young professionals feel the primary attraction of living in city and town centres is the availability of nearby restaurants and leisure facilities, and over a quarter view proximity to their workplace as the main appeal of city centre living. Some of the main reasons reported are highlighted in Figure 5.1, which highlights that while the cost and size of housing is important to respondents, it tends not to be as important as the locational and social elements of selecting a house within the private rented sector.

[20] http://www.centreforcities.org/press/over-crowded-dirty-and-expensive-but-young-people-still-prefer-city-centre-living/

Figure 5.1: Main Reasons why respondents chose to live in their area (city polling)



Source: Centre for Cities, 2015

5.4 Demand for Town and City Centre Living in Northern Ireland

Consultations with letting agents indicated that the demand for housing in town and city centres was driven by the general increase in population in Northern Ireland, the decrease in household sizes, and in particular the growth of single person households. Consultees also stated that strongest demand they experienced came from smaller household groups including single people, young couples with no dependents, young professionals, single parents with dependents, and the retired (in particular areas where accessibility requirements are met appropriately). Overall, they felt largely as a group that demand was outstripping supply which can create challenges for affordability and accessibility.

5.5 Occupant Characteristics

In order to validate these findings, PACEC have accessed Northern Ireland Census 2011 microdata (Sample Anonymised Record)[21] which captures 5% of the views of Census respondents in 2011 (approximately 91,000 persons). This sample has then been stratified to provide the responses of those identified as living within a flat (including above a commercial unit) to filter this down to 4,986 responses.

Please note it is not possible to filter beyond this within the dataset given data confidentiality requirements, nor is an account of age provided. However, this provides some indication as to the characteristics of people living in flats and LOTS style properties in Northern Ireland, in order to understand and validate the market demand.

The key findings of this exercise are set out in Table 5.3.

Table 5:3: NI Census 2011 – Characteristics of Persons living within a flat

Characteristic/Identifier	Living in flats/apartments (incl. over a commercial unit) findings vs NI average
Sex	Men are slightly more likely than women to live in flats in Northern Ireland (53% vs 47%), compared to average distribution of 51/49%.
Living Arrangements	Within NI, the average person is more than twice (37%) as likely to be married as those living in flats (16%). Those living with flats are on average twice as likely to be cohabiting (10%), divorced (9%), or widowed (9%) than the NI average. This suggests smaller household composition for social factors.
Form of Ownership	Only 22% of those living in flats in Northern Ireland own these properties (either with a mortgage or full ownership) compared to the NI average of 71%. For those living in flats, 35% are within the private rented sector, compared to the NI average of 12%, and a further 39% rent from the social sector.
Household Size	As signaled by letting agents and councils, flats and LOTS properties tend to reflect smaller household units. 40% of flats are single person households (compared to an 11% NI average), and 35 are two person households (compared to a 23% average. As such, three-quarters of flats have no more than two people compared to a third of NI households. 52% of those living with flats consider themselves 'not in a family' compared to a NI average of 15%
Economic Activity	The economic activity of those living in flats is comparable to the NI average, with a total inactivity rate of 31% in flats against an average of 30%. The employment rate (44% of respondents) is the same for those in flats and the NI average.
Country of Origin	For those living in flats, 76% were originally from Northern Ireland, compared to the NI average of 87%. 8% of residents in flats were from EU member countries, compared to the NI average of 3%.

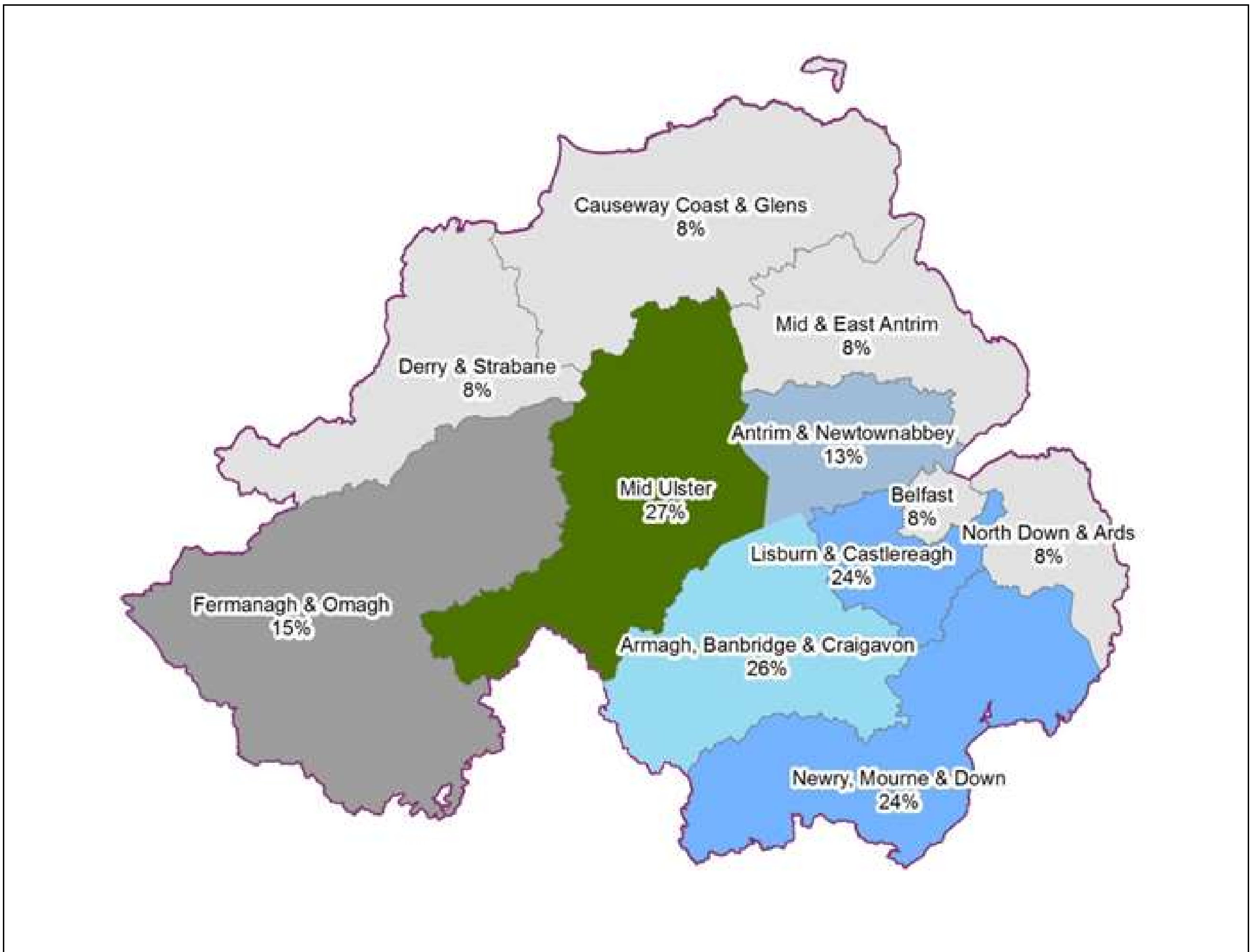
[21] Northern Ireland Statistics and Research Agency. (2015). 2011 Census Microdata Individual Safeguarded Sample (Local Authority): Northern Ireland. [Data collection]. UK Data Service. SN: 7770, http://dx.doi.org/10.5255/UKDA-SN-7770-1.

Characteristic/Identifier	Living in flats/apartments (incl. over a commercial unit) findings vs NI average
Transport: Number of Vehicles & Travel to Work	Those living in flats are three times more likely not to own a personal vehicle (47%) than the NI average (16%). This cohort are more than twice as likely to cycle to work (23%) than the NI average (11%), suggesting greater proximity to place of work.

5.6 Population Growth by Council Area

Figure 5.2 highlights projected growth in the number of households by each of the eleven LGDs, between 2012 and 2037. It is evident that projected household growth over this period of time is most active within Mid Ulster (27%), Armagh, Banbridge and Craigavon (26%), Lisburn and Castlereagh (24%) and Newry, Mourne and Down (24%). The demand of any LOTS style properties will largely be driven by population growth and affordability within the 41 urban town and city centres across Northern Ireland.

Figure 5.2: Percentage Household Growth by Council Area (2012-2037)



Source: NISRA: Northern Ireland Household Projections (2012-based)

Building upon Figure 5.2, Table 5.4 sets out each of the 11 LGDs between 2012 and 2037. Based on NISRA projections for an additional net 104,000 households in Northern Ireland within this 25 year period (i.e. from 708,600 to 812,650), it is estimated that 96% (c. 99,000 properties) of this growth will originate from one or two person households.

Table 5:4: Projected Household Changes (2012-37) by Council area

Council	Projected Additional Number of 1 and 2 person households	Projected Average Household Size (2037)	% change in number of households in the council (2012-37)
Antrim & Newtownabbey	7,733	2.37	13%
Armagh, Banbridge & Craigavon	14,382	2.57	26%
Belfast	11,056	2.22	8%
Causeway Coast & Glens	6,637	2.41	8%
Derry & Strabane	7,146	2.40	8%
Fermanagh & Omagh	7,344	2.50	15%
Lisburn & Castlereagh	10,802	2.42	24%
Mid & East Antrim	5,590	2.34	8%
Mid Ulster	9,199	2.80	27%
Newry, Mourne & Down	12,397	2.60	24%
North Down & Ards	7,340	2.29	8%
Northern Ireland	**99,626**	**2.43**	**15%**

Source: NISRA

This analysis therefore suggests that relative to size of the LGD, that Armagh, Banbridge and Craigavon, Newry, Mourne and Down, Lisburn and Castlereagh, and Mid Ulster are projected to experience considerable increases with regard to number of households, and the need for increased supply of one to two bed homes. In total, these four areas are projected to provide an additional 46,780 one to two bed households by 2037 (47% of the Northern Ireland increase in households, and these four areas consist of 73% of all NI estimated population growth (between 2014 to 2037) with an increase of 127,003 persons from an NI total of 172,949.

Therefore, with regard to population growth and the need for housing supply (particularly suitable for one to two persons), the Armagh, Banbridge and Craigavon, Newry, Mourne and Down, Lisburn and Castlereagh, and Mid Ulster areas may be of particular interest for a revitalised LOTS scheme consideration**.**

The Belfast area has the lowest projected household size of all of the LGDs (2.22 persons per household). However, the number of households is set to grow at a limited 8%, suggesting that household growth will remain constant with population growth in the area with the total number of households set to increase from 142,000 (2012) to 153,000 (2037), driven mostly by one to two bed apartment and studios.

For the remaining LGDs, household growth is expected to remain constant with population growth. Interestingly, within the Causeway Coast and Glens, and Derry City and Strabane councils, the number of one person households is set to increase (in absolute terms) more than the number of two person households by 2037, suggesting a slight variance in household composition trends by LGD.

Table 5.5 sets out projected increases in the number of households and composition, highlighting that Armagh, Banbridge & Craigavon, Lisburn & Castlereagh, Mid Ulster, and Newry, Mourne and Down are projected to experience the highest proportional increase in demand for 1 and 2 person properties.

Table 5:5: Projected Increase in Household Composition and Population by Council area (2014-39)

	Projected Increase (%) in Household Composition:					Number of Households			Pop* (2014-2039)[22]
LGD	1 person	2 person	3 person	4 person	5+ persons	Total 2012	Total 2037	% Change	% Change
Antrim & Newtownabbey	4,314 (+30%)	3,419 (+20%)	-174 (-2%)	-350 (-4%)	-156 (-3%)	54,243	61,296	13%	4%
Armagh, Banbridge & Craigavon	4,808 (+24%)	9,574 (+42%)	2,130 (+16%)	1,711 (+14%)	1,358 (+15%)	76,416	95,997	26%	23%
Belfast	4,041 (+8%)	7,015 (+17%)	1,238 (+5%)	283 (+2%)	-845 (-8%)	141,647	153,379	8%	5%
Causeway Coast & Glens	3,449 (+24%)	3,188 (+19%)	-838 (-9%)	-636 (-8%)	-582 (-10%)	54,045	58,626	8%	2%
Derry & Strabane	4,687 (+30%)	2,459 (+16%)	-692 (-7%)	-901 (-11%)	-1,072 (-16%)	56,154	60,635	8%	0%
Fermanagh & Omagh	3,155 (+28%)	4,189 (+36%)	-342 (-5%)	-251 (-4%)	-416 (-7%)	41,966	48,301	15%	8%
Lisburn & Castlereagh	4,155 (+30%)	6,647 (+38%)	544 (+6%)	1,019 (+12%)	357 (+8%)	53,275	65,997	24%	20%
Mid & East Antrim	2,696 (+18%)	2,894 (+16%)	-492 (-5%)	-424 (-5%)	-441 (-10%)	54,680	58,913	8%	4%
Mid Ulster	3,558 (+32%)	5,641 (+44%)	646 (+8%)	1,470 (+18%)	1,643 (+20%)	48,424	61,382	27%	23%
Newry, Mourne & Down	5,193 (+33%)	7,204 (+41%)	1,334 (+13%)	742 (+8%)	539 (+6%)	62,828	77,840	24%	16%
North Down & Ards	2,521 (+14%)	4,819 (+21%)	-770 (-7%)	-815 (-9%)	-396 (-9%)	64,925	70,284	8%	2%
Northern Ireland	**42,577 (+22%)**	**57,049 (+27%)**	**2,584 (+2%)**	**1,848 (+2%)**	**-11 (0%)**	**708,603**	**812,650**	**15%**	**9%**

Source: NISRA

[22] Please note that household projections run from 2012 to 2037, with population estimates from 2014-2039.

5.7 Rental Values and Affordability of Living over the Shops

Consultation with local letting agents, and a review of leading online property websites in Northern Ireland has provided a snapshot of current rents payable for Living over the Shops style properties across major towns and cities in Northern Ireland. It should be noted that these illustrate available properties in June 2016 (as discussed with agents and explored using letting websites). As highlighted below, these rental values tend to be on the lower end of the market, given considerations with regard to available space, quality of renovation, and wider factors such as lack of garden or parking spaces. However, this does mean that LOTS properties can be considered more affordable than other forms of property with regard to absolute rental values for the tenant

Furthermore, a number of the properties within the £220-£350 bracket may also be considered as studio properties i.e. may involve a single room plus bathroom thereby reducing rental costs further due to the smaller size of the home. This is important as it provides an indication that further supply of LOTS style properties could be met by demand from those potentially unable to afford other forms of private rented properties e.g. new build apartments or flats, and by those willing to live in typically smaller units (by sq. ft).

Table 5:6: Market Assessment of Rental Values of ‘Living over the Shops’ properties (June 2016)

	Rents	
Town / City Centre	**1 bed**	**2 bed**
Belfast	£400-500	£500-600
Dundonald	£400-425	£425-600
Newtownards	£400-425	£450-550
Bangor	£375 - 475	£450-550
Lisburn	£350-450	£450-600
Carrickfergus	£350-425	£400-500
Larne	£300-350	£375-475
Downpatrick	£300-350	£350-450
Newry	£280-375	£350-450
Ballymena	£275-300	£450-525
Banbridge	£220-425	£325-525
Derry	£425	£500-550
Cookstown	£400	£450-500
Portadown	£400	£360-425
Glengormley	£375	£425
Coleraine	£375	£400-450
Antrim	£300	£450-550

	Rents	
Town / City Centre	**1 bed**	**2 bed**
Ballymoney	£300	-
Omagh	£250	-
Dungannon	-	£480
Armagh	-	£325
Enniskillen	-	£500-550

Source: Consultations with letting agents and leading property letting websites (Northern Ireland)

5.8 Areas in which supply can be increased to meet local demand:

Table 5.7 combines the data for areas likely to experience household growth and the need for additional 1 and 2 bed properties, and areas of supply identified by each of the councils. PACEC has identified the linkage between supply and demand for a revitalised LOTS scheme.

Table 5:7: Matching Supply with LOTS suitability

LGD	Town Centre	Number of Properties & Location	Total Council Quantification	% of LPS
Antrim & Newtownabbey	Antrim Ballyclare Crumlin Glengormley Randalstown	7 properties (Fountain St, Church St, High St) 15 properties 6 properties 30 properties, 3 properties	61	57%
Ards & North Down	Bangor Newtownards Comber Donaghadee Holywood	45 properties (High St, Main St, Queen's Parade) 10 properties, 2 or 3 properties[23] 2 or 3 properties 2 properties	62	25%
Armagh, Banbridge & Craigavon	Armagh Banbridge Dromore Lurgan Portadown	35 properties 18 properties 10 properties 45 properties 25 properties	148	30%

[23] The council reported '2 or 3' properties suitable within both Comber and Donaghadee. For calculating total number of properties, a mid-point of 2.5 properties is utilised (which means that it is assumed a total of 5 properties will be eligible in Comber and Donaghadee)

LGD	Town Centre	Number of Properties & Location	Total Council Quantification	% of LPS
	Others	15 properties		
Belfast City Council	Belfast City Centre including 18 arterial routes	N/A	266[24]	30%
Causeway Coast & Glens	Coleraine Ballymoney Limavady Portrush	Approximately 12/13 properties identified in Coleraine (Waterside and Lodge Road areas)	13	5%
Derry City & Strabane	Derry Strabane	"Derry (Waterloo St and Shipquay St only have 47 and 33 properties respectively) of which 25 and 20 approx. are using upper floor for residential use. potential for an additional 12 and 20 units therefore 32 units from 2 streets" **Derry City and Strabane able to provide this figure for two streets only. PACEC estimate based upon two streets, plus other commercial areas in Walled City, and North/South of Walls – approximately 120 properties in Derry plus a further 25 in Strabane = 145*	145	40%
Fermanagh & Omagh	Enniskillen Omagh Carrickmore Fintona Dromore Lisnaskea Irvinestown	45 (The Brook, Anne St, Darling St, Castle St, Church St, High St, Townhall St, East Bridge St, Belmore St, Gaol Square) 50 (Market St, John St, Castle St, George St), 5 properties 20 properties 10 properties 10 properties 10 properties 10 properties	160	79%

[24]Please note that this is a PACEC estimate based upon aggregate findings, due to no quantification regarding number of properties provided by Belfast City Council representatives

LGD	Town Centre	Number of Properties & Location	Total Council Quantification	% of LPS
	Belleek			
Lisburn & Castlereagh	Lisburn Dundonald Hillsborough Moira	13 properties including (3 in Castle St, 3 in Railway St, 5 in Bachelors Walk, and 2 in Smithfield St 7 properties (Upper N'ards Rd), 1 property 2 properties	23	15%
Mid & East Antrim	Larne Ballymena Carrickfergus	30 properties (first and second floor above commercial GF), based on previous surveys, 10 (on first, second, third storeys) (Note, Carrickfergus not included in Council estimate, however deemed important by agents: PACEC estimate mid-range value of 20 to apply.	60	22%
Mid Ulster	Cookstown Dungannon Magherafelt	20 properties (Moneymore Road, Milburn St, Oldtown St, Coagh St, Orritor St, William St, James St, Burn Rd, Molesworth St, Loy St, Fairhill Rd, Chapel St, Convent Rd), 20 properties (Market Sq, Castle Hill St, Scotch St, Thomas St, Greers Rd, Ann St, Irish St, Union Place, Shambles Lane, Donaghmore Rd, William St, John St, Georges St, Church St, Perry St, Northland Row, Circular Rd, Barrack St, Milltown St, 20 properties (Broad Street Union Road Garden Street Church Street King Street Market Street Queen Street Rainey Street Meeting Street),	60	27%
Newry, Mourne & Down	Downpatrick	10 properties - 6 residential above shop units on Irish street, and 4 on Scotch street)	17	4%

LGD	Town Centre	Number of Properties & Location	Total Council Quantification	% of LPS
	Ballynahinch	4 properties - Main Street - vacant retail units		
	Newcastle	3 properties - Bryansford Rd, derelict houses in town centre		
Total			**1,015**	**28%**

5.9 Demand Summary

This section has set out that a revitalised LOTS scheme is likely to operate within the context of:

- Considerable population and household growth anticipated over the next two decades, with largest proportional growth to be experienced in Mid Ulster, Armagh, Banbridge and Craigavon, Lisburn and Castlereagh, and Newry, Mourne and Down;
- An increased demand among younger demographics to live within town and city centres rather than rural areas, given proximity to events, restaurants and family and friends;
- An ageing population, increase in single-person households, and decreasing average household size, which may result in demand for town and city centre properties (with accessibility) among older cohorts; and
- LOTS style properties currently advertised within the private rented sector are considered on the lower end of the market with regards to affordability and price. This may offer enhanced choice and affordability for tenants against the backdrop of rising rents (increase of 2% between 2014 and 2015 in NI).

6 STAKEHOLDER CONSULTATION FINDINGS

6.1 Introduction

We have undertaken interviews with representatives of relevant public and private sector organisations to:

- Confirm the need and demand for intervention;
- Confirm support/assistance currently available to property owners/developers for the conversion/ re-development of commercial and retail property;
- Obtain views on the type of intervention that will best stimulate future private sector investment;
- Assist in identifying data/ the number and location of potential eligible sites;
- Confirm anticipated levels of demand for traditional town/ city centre living;
- Identify factors impacting on demand (e.g. demographics of residents, availability of other services/infrastructure etc); and
- Identify lessons learned from previous interventions in relation to maximising demand/impact (identifying other relevant schemes where possible).

The findings of these consultations and interviews are set out within this section, and stakeholders include those with formal submission to the Housing Strategy for Northern Ireland, the eleven councils, departmental officials, and wider public stakeholders.

6.2 Housing Strategy Consultation Findings

Within the DSD ‘Facing the Future: Housing Strategy for Northern Ireland’ consultation process, DSD received 90 written responses, of which 14 mentioned LOTS.

The majority of comments were positive about the suggestion of a revitalised LOTS scheme, and respondents recognised the Department’s proposal to use a ‘housing-led approach to regenerating communities and create employment’, to which LOTS could contribute.

Respondents suggested that an improved night time economy, employment, city and town centre population growth, and community regeneration could be attained from a revitalised scheme. Some respondents also identified some potential issues with the scheme which would require suitable planning and mitigation, including risk of anti-social behaviour, restrictive car parking and disability access, and low quality of accommodation.

6.3 Stakeholder Interviews

6.3.1 Councils

Council representatives, including those involved in economic development, regeneration and building control were invited to complete a questionnaire relating to a revitalised LOTS scheme (as provided in Appendix 3).

The key findings (from councils) are summarised below.

Involvement with former LOTS/TCLIA scheme

Nine of the councils' reported they were formerly involved with the LOTS/TCLIA scheme via the 26 legacy council structure. Of these respondents, they were asked if they felt the scheme contributed positively to physical, economic or social regeneration. The majority (seven) felt this was the case, and qualitatively reported that:

- *"The funding and development specification required by NIHE ensured the final quality of the finished apartments were of a standard attractive to tenants. In our area [Dromore & Lurgan], all of the completed apartments were fully occupied once available for rental, and property owners have stated the additional income has helped to sustain their business."*
- *"Without the financial (and support and advice) assistance, none of these projects would have gone ahead".*
- *"Commercial owners have found that having the lights on upstairs above the shop has improved security and reduced anti-social behaviour."*
- *"The scheme resulted in improved physical attractiveness, enhanced aesthetics and streetscape, and improved capital appreciation for property owners"*

All respondents also commented they felt LOTS/TCLIA had helped to improve supply and affordability in their area, as well as the quality of housing stock. Respondents were also asked if they had any difficulties or problems within the previous scheme, and none of the respondents stated they were any major issues, with only five councils raising smaller issues encountered within the previous scheme. These included some minor delays in receiving planning permission, and restrictions regarding grant deadlines (i.e. need to spend grant by end of financial year).

Local Market Context

Councils were asked to what extent vacant or underutilised commercial property is an issue within their area. Of the eleven councils, one felt it was 'one of the major issues', with a further seven stating it was a 'significant' issue and three a 'moderate' issue. The majority of these respondents stated that the major settlements in their areas had issues with regard to vacant and underutilised properties.

Respondents were subsequently asked if they thought market conditions for enabling a successful revitalised LOTS scheme were likely to have improved, worsened or remained the same since the previous scheme. Six of the council representatives felt conditions had largely improved given investment and housing market growth becoming evident in their area. A further three respondents felt there was little change since the last scheme.

One council stated that its urban centres has struggled to keep up with changes in shopping trends and consumer behaviour, and out of town shopping centres. As a result they needed to 'reimagine their town centres' and a critical component of this would be a residential component.

Local Demand for Town and City Living

Council respondents were asked to what extent town or city centre living was currently in demand within their council area. All of the councils which responded felt there was substantive demand within their area, albeit a number felt unable to quantify this demand. This demand was particularly concentrated upon one and two bedroom homes for single and small family occupancy. A number of the councils also pointed towards the NIHE Housing Improvement Plan in their area setting out the projected housing need over the coming years, as well as some indicators of housing need.

It is evident through council consultations that the demand for town and city centre housing is mostly comprised of one and two bed apartments within commercial cores, with some three bed apartments being demanded within side streets inside the town centre but not within the commercial core of the town or city. Councils felt able to evidence this through their knowledge of the local area, and observation of current and recent planning applications.

With regard to demographic profiles, there was some albeit limited variance between the councils and those considered mostly likely to be interested in, or demand town centre properties. Within eight of the councils, it was felt demand was highest among singles, young couples and young professionals and that these also reflected a target demographic given propensity to spend in the local economy and so on. However, three councils also stated there may be smaller areas within town centres which would experience greater demand from older residents, such as Pickie/Queen's Parade in Bangor, and within the city centre of Lisburn, and that any intervention should take account of accessibility for older residents.

Councils were also asked in which settlements they felt demand for town and city centre living was currently highest, and the areas reported included Antrim, Holywood, Bangor, Banbridge, Portadown, Lurgan, and Armagh, Derry, Strabane, Enniskillen, Omagh, Lisburn, Larne, Ballymena, Carrickfergus, Cookstown, Dungannon, Magherafelt, Downpatrick and Ballynahinch; however, little evidence was provided in quantitative terms to support this. Furthermore, all council respondents agreed that there was a need to improve the supply of housing available within these areas, offering that the potential for town and centre living in general was being underutilised.

Local Supply for Town and City Living

As noted above, all council respondents agreed there is a need to improve the local supply of town centre properties and that a LOTS scheme could act as a useful catalyst to improve supply. Councils were also asked to what extent they felt any improvement in supply could support enhanced affordability for prospective tenants or owners (with regard to reducing rent or mortgage repayments as a percentage of total income). Five of the councils agreed improved supply would improve affordability and offered that there was limited affordable accommodation available on the market currently, particularly with regard to one bed apartments within the town centres.

A further five councils felt they were not sure regarding the impact of affordability, as this would depend on the quality of the projects enacted, and furthermore the number of LOTS properties introduced to the market may not be substantive enough to impact upon market prices.

Subsequently, councils were asked to quantify the number of vacant or underutilised properties they estimated that exist within their respective town and city centre which could potentially be created or converted into residential dwellings. Not all councils were able to provide this information, with many recommending an audit exercise to be undertaken in the event of a LOTS scheme being implemented. However, the estimates provided have enabled PACEC to provide a potential number of properties which could be converted into residential use across Northern Ireland's town and city centres, as set out in Sections 4 and 5.

Funding and Incentives:

Councils were asked if they felt that landlords or property owners currently had enough of an incentive or capacity to provide an adequate number of housing units within their area. None of the respondents felt that a suitable incentive was presently available, with some councils reporting:

"Financial assistance and guidance is required to support small businesses and independent property owners to enable them to develop their premises….resources can be quite stretched, and incentives to support property owners would be beneficial."

"Without financial incentive, the demand for town centre housing stock will not be met by property owners and private landlords….also within the THI scheme, we have observed that the cost to repair and restore a property can be in excess of the end increase of the property value as a result of the works."

Councils were subsequently asked which mechanisms they felt are best for stimulating private sector investment in town and city centre housing. When asked about the types of intervention and support most likely to stimulate private sector investment in town and city centers, the ten councils which responded[25] with a score ranked the following from '1 – 6', 1 being the most effective and 6 being the least effective. These scores are summed, with the lowest total being most effective.

Rank	Type of Support:	Total Score
1	Grant Funding	11 (consisting of nine '1's and one '2')
2	Tax breaks/fiscal incentives/rate relief	23 (consisting of one '1', six '2's, two '3's and one '4')
3	Guaranteed Tenancies e.g. NIHE to guarantee an income for landlord	31 (consisting of one '2', three '3's, two '4's and two '6's)
4	Loan Funding (private funding with interest support from government)	37 (consisting of three '3's, three '4's, two '5's, and one '6')
5	Loan Funding (provided by government)	38 (consisting of one '2', two '3's, one '4', four '5's and one '6')
6	Investment Support (dedicated staff to assist with projects)	43 (consisting of one '2', one '3', one '4, two '5's, and four '6's)

The council responses indicate that grant funding is clearly considered to be the intervention which is most likely to stimulate private sector investment town and city living. Tax breaks/fiscal incentives/rate relief and guaranteed tenancies also rank highly. The other types of support listed are not considered by the councils to be as attractive to developers and investors, however could still be beneficial to a LOTS scheme.

Wider Benefits and Strategic Fit to Council Objectives

Councils were also asked to what extent the provision of a revitalised LOTS scheme could be beneficial to town and city centre regeneration within their area, how it might fit with regeneration strategies currently in place, as well as any specific opportunities or constraints such a scheme might bring. All of the councils were largely positive about the potential for such a scheme, with some of the core findings including:

- Councils identified the incentive which a LOTS scheme could offer to landlords and property owners within their areas to support town centre regeneration, and to therefore reduce vacancy rates, improve economic activity and help boost the sustainability of town and city centres;
- LOTS would be highly complementary to existing Council strategies and Town and City Masterplans, particularly with regard to improving residential activity within town and city centres, improving local night-time economy, and supporting with urban, physical and social regeneration as well as complementing other initiative e.g. Public Realm Schemes, THI, and NIHE Heritage in Housing;
- Councils indicated there may be some constraints for such a scheme based on financial constraints of owners and landlords, as well as physical considerations with regard to access and planning;
- However, the majority of councils felt the benefits outweighed the costs, with regard to economic, social and environmental benefits, as well as ‘vital and vibrant’ town centres with lower vacancy rates and improved mixed-use accommodation for retail, commercial, office, and residential.

6.3.2 Property Agents

In June 2016, a selection of property agents across all eleven council areas were consulted to obtain their views on a revitalised LOTS scheme, as well as current supply and demand considerations within the local area. A total of six agents responded to the consultation exercise, and the key findings are summarised below.

Demand for city and town centre living

All of the agents replied that there is evidence of demand for city and town centre living in the cities and larger towns across Northern Ireland. This is evidenced by the fact that the limited supply of properties available to let are often over-subscribed which has resulted in some upward pressure on rental levels. It is also evidenced by increased demand from Housing Associations and some private developers for development sites in city and town centre locations. A number of agents replied that they felt that this demand was driven by the general increase in population in Northern Ireland and the decrease in household sizes and in particular the grow in single person households.

Agents were also asked in which three cities or towns (which they dealt with) was demand the highest for centre living. With regard to number of mentions for each city or town (of eighteen total selections) the responses included Newry (4), Belfast, Lisburn, Derry/Londonderry, Dungannon (2), Enniskillen, Carrickfergus, Portadown, Armagh, Irvinestown and Newtownards (1). However, given the limited response rate, this is not considered representative of market demand in Northern Ireland.

All of the agents stated that demand is greatest for one and two bedroom apartments within the private rented sector. Two agents mentioned that there would also be some demand for three and four bedroom apartments to accommodate couples with dependents, albeit more limited. The demographic profiles most likely to demand town or city centre properties including single people, young couples with no dependents, young professionals and some retired persons.

Supply of residential accommodation in city and town centres

All of agents felt there is a need to increase supply of residential accommodation in city and town centres across Northern Ireland, as they experience demand for such accommodation outstripping supply as evidenced by property enquiries and rental applications.

Funding and incentives to improve supply

Agents were asked whether they felt the grant funding received through the former LOTS/TCLIA scheme (capped at £25,000 up to a maximum of 75% of project costs for one unit, and £30,000 for more than one unit) was enough of an incentive to landlords/property owners to undertake a dwelling conversion project. The responses were mixed, with two agents feeling that for “small one bedroom upper floor conversions, the cap of £25,000 seems adequate. However, the £30,000 cap for more than one unit is less likely to act as an incentive” and that “the amount required to stimulate adequate take up will depend upon the proposed scheme, condition of the property, and the quality of competitive housing within the local market”.

Three agents felt that the cap of £25,000 was too low, as the costs to convert upper floor units to residential dwellings in compliance with building regulations can be prohibitive, particularly due to the low rents and low capital value of some of the residential dwellings in question. As a result, the returns are too small to be feasible without increased significant grant aid, potentially with a cap of “up to £75,000”. Agents also highlighted the age profile of some of the vacant and underutilised units in city and town centres, where the grant aid amounts were unlikely to be sufficient given the need for preservation, renovation and adaptation to residential usage.

Another agent felt unable to comment; however, felt that there had been some reluctance in the market from some commercial property owners to get involved with residential investment schemes given limited returns and potential time and hassle at a personal level.

All of the agents felt that currently, the refurbishment of vacant and underutilised accommodation in city and town centres is not currently commercially viable, as the level of rents and capital values are not sufficient to provide an adequate investment return on the construction costs to carry out refurbishment to a standard that will meet building regulations and a finish that will attract tenants.

When asked about the types of intervention and support most likely to stimulate private sector investment in town and city centers, the six agents were asked to rank the following from ‘1 – 6’, 1 being the most effective and 6 being the least effective. These scores are summed, with the lowest total being most effective.

Rank	Type of Support:	Total Score
1	Grant Funding	8 (consisting of five ‘1’s and one ‘3’)
2	Tax breaks/fiscal incentives/rate relief	13 (consisting of two ‘1’s, two ‘2’s, one ‘3’ and one ‘4’)
3	Guaranteed Tenancies e.g. NIHE to guarantee an income for landlord	15 (consisting of one ‘1’, three ‘2’s, one ‘3’ and one ‘5’)
4	Loan Funding (private funding with interest support from government)	23 (consisting of one ‘2’, four ‘4’s and one ‘5’)
5	Loan Funding (provided by government)	26 (consisting of one ‘3’, two ‘4’s, and three ‘5’s)
6	Investment Support (dedicated staff to assist with projects)	34 (consisting of one ‘4’ and five ‘6’s)

The agents’ responses are in line with the responses of the council’s indicating some local agreement regarding most suitable forms of intervention to assist private sector development of residential properties in town and city centres. These responses indicate that grant funding is clearly considered to be the intervention which is most likely to stimulate private sector investment town and city living. Tax breaks/fiscal incentives/rate relief and guaranteed tenancies also rank highly. The other types of support listed are not considered by the agents to be as attractive to developers and investors.

Wider Benefits

All of the agents also noted that the provision of a revitalised scheme would be beneficial to the town and city centres with regard to regeneration. The reasons for this included:

- It will generate many social and economic benefits to town centre residents and businesses, by bringing investment increased spending and help create jobs;
- It will broaden the appeal of town and city centres and increase the evening/night time economy. This is important as retail/office activity alone will not be sufficient to maintain the economic vibrancy of town and city centres;
- There will be environmental benefits, as it will reduce the need to develop on the Greenbelt as well as possibly reducing congestion etc as people utilise public transport systems; and
- It will help improve areas as the rates payable on residential use is likely to be higher than the rates payable on storage/ancillary upper floors therefore benefitting the overall community.

6.3.3 Public & Private Stakeholders

As part of this consultation exercise, PACEC also sought the views of public and private stakeholders likely to have valuable input into the proposed scope and shape of a revitalised LOTS scheme, or those who represent stakeholders potentially impacted by the scheme. Respondents included:

- Department for Communities: Empty Homes Team;
- Department for Communities: Community Regeneration and Housing;
- Heritage Lottery Fund (Townscape Heritage Initiative);
- Northern Ireland Housing Executive; and

- Land and Property Services.

Views were also sought from the Northern Ireland Independent Retail Trade Association (NIIRTA) and the Federation of Small Businesses (FSB NI), however, no feedback was provided.

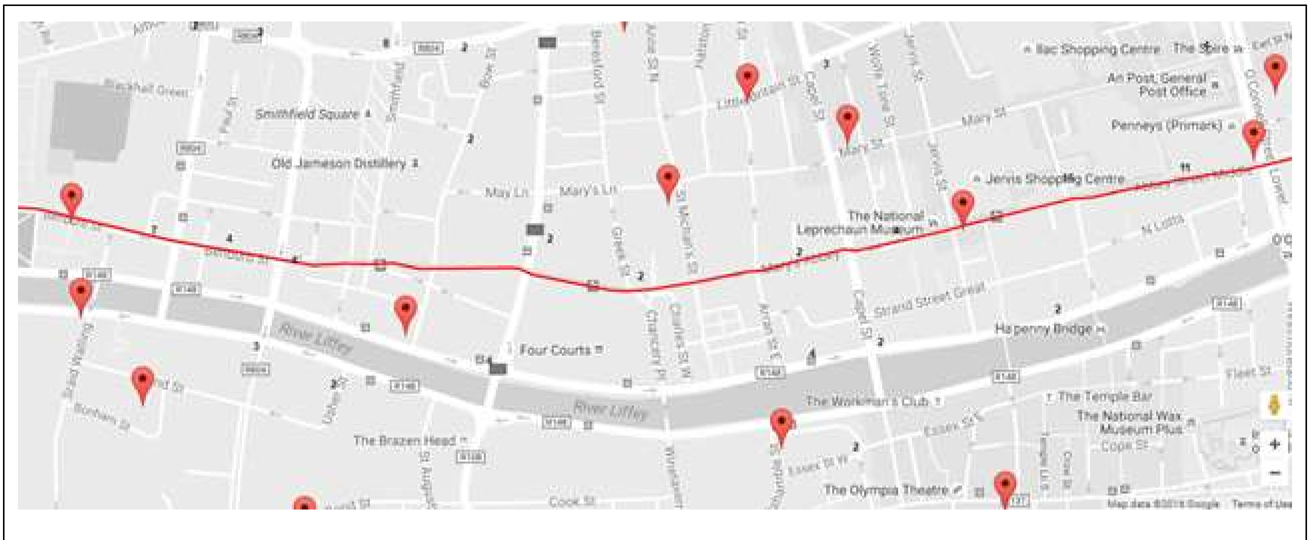
Department for Communities: Empty Homes Team

PACEC met with DfC Empty Homes team officials in June 2016 to discuss the ways in which a LOTS scheme could be complementary to the Empty Homes Strategy and Action Plan 2013-18. The team highlighted that their remit was less extensive within urban town centres, but rather focused upon residential areas outside of town centres.

The Empty Homes team highlighted that they felt with a revitalised LOTS scheme that identification and communication of non-domestic properties was a useful element to explore, and that the Empty Homes scheme had set up a website (www.emptyhomesni.com) within which local residents can access and report empty homes within their area, which enables the Department to identify and consult with the property owner as to next best steps for the property's usage.

As part of this consultation, an example similar approach deemed suitable for the Department to give consideration to within a revitalised LOTS scheme is the 'Reusing Dublin' scheme, an EU funded project which enables members of the public to identify vacant or underutilised properties via a Google Maps interface, as illustrated below.

Figure 6.1: 'Reusing Dublin' scheme



Source: Reusing Dublin, Google Maps API (2016)

Overall, the Empty Homes Team welcomed the LOTS scheme as complementary to the Empty Homes scheme given its impact upon increasing housing supply across Northern Ireland.

Department for Communities: Community Regeneration and Housing

PACEC met with the Community Regeneration and Housing team to discuss how the LOTS scheme would fit in with the wider agenda of housing led regeneration. DfC officials signalled the relevance of the Urban Regeneration and Community Development Framework and High Street Review, in which a core aim is to repopulate town centres. The officials felt that LOTS would have an effective impact with regard to repopulation, improving town centre footfall and the night time economy, and improving the aesthetics of town centres.

The officials discussed wider regeneration initiatives including the Urban Development Grant (typically used to support larger housing developments such as Ormeau Bakery), as well as developments pending with Royal Exchange and Ulster University in Belfast. They felt that LOTS was complementary to these ongoing developments, as well as taking advantage of formerly funded packages such as Public Realm schemes and Streets Ahead. Further benefits could also be attained through increasing town and city centre populations, such as reduced congestion, improved environmental sustainability, and improved social cohesion and quality of life measures.

Northern Ireland Housing Executive

PACEC also met with NIHE staff involved with the former LOTS/TCLIA scheme to discuss the strengths and weaknesses of the former scheme, and to identify their views on how the scheme might work best in the future. The NIHE staff welcomed a revitalised LOTS scheme, and identified that they are currently providing funding of approximately £150,000 per annum until 2017/18 for the Heritage in Housing Scheme, set up to support HLF THI funding awards through providing support for the renovation and refurbishment of residential schemes in the relevant towns.

NIHE staff signalled that four projects creating six units of accommodation in Ballymoney and Richhill were facilitated through the scheme in 2015, and given the HLF THI contribution, this means that these properties must be rented for at least five years to maintain grant funding support, or else be subject to clawback procedures.

The NIHE staff discussed funding and incentives for a revitalised LOTS scheme and identified that whilst the LOTS scheme was aimed at smaller scale landlords, it would be useful to review the £30,000 ‘cap’ for multiple units in a scheme, as within the former scheme, this did not provide a substantive incentive for landlords to undertake more than one project. However, they did state this may be an issue of additionality, as a single landlord may need the grant assistance, whereas a developer may undertake the project without, or with limited, grant assistance.

Heritage Lottery Fund

In June 2013, HLF THI representatives expressed a desire to have the LOTS Initiative revitalised as they are restricted in what they can achieve in relation to THI improvement grants without it, as these grants require match funding. If the scheme was revitalised they also felt that it would be beneficial to increase the eligible expenses from £25,000 in order to augment what is affordable and what can be regenerated and to therefore encourage a higher uptake.

PACEC contacted HLF THI representatives in June 2016, and this position was confirmed; THI would welcome further partnership and collaboration with the Department in a revitalised scheme, within the towns selected as eligible. In 2014/15, an estimate of THI grant funding of £1,059,580 was provided against a total project cost of £2,374,840 within the Richhill, Portaferry, Walled City, Ballymoney and Donaghadee areas covering thirteen projects. In 2015/16, an estimate of THI grant funding of £1,049,300 was provided against a total project cost of £2,302,587 spanning 13 projects also.

Therefore, in total it is estimated that all of these projects would be TCLIA/LOTS funding eligible under a new scheme. As such, this means that typically approximately £350,000 of TCLIA/LOTS grant funding per annum could enable a further £1m of THI funding to be committed, with remaining funding through other funding sources e.g. council support and private investment.

This indicates a continued demand for HLF THI to work with a revitalised LOTS scheme, and therefore remains a viable and complementary scheme.

Land and Property Services

PACEC met with Land and Property Services representatives in June 2016 to discuss town centre vacancy data. With regard to research data available, the following is noted:

- Data protection legislation constrains the level of information that LPS can provide. Vacancy data cannot be provided for individual properties or (in most cases) at street level for fear of disclosure;
- Vacancy data on Non Domestic Properties is good, but data is not available on partially vacant premises (e.g. occupied ground floor, potentially vacant first & second floor);
- LPS can provide aggregated data by town centre, electoral ward and District Council.

7 CASE STUDIES

7.1 Introduction

We have profiled case studies of suitable interventions across the UK and Ireland to highlight examples of good practice in relation to the facilitation of increased residential housing supply through conversion schemes. Each case study sets out the:

- Context and nature of the intervention, and the market failure the intervention aimed to address;
- The type of intervention utilised;
- The effectiveness, benefits (and beneficiaries), impacts and outcomes produced by the intervention; and
- Identification of good practice and lessons learnt from the intervention

In addition to these comparative case studies, we have also illustrated examples of where and how a LOTS scheme might be deployed, and to what benefit to the local area. Please note that these 'vignettes' are for illustrative purposes only.

7.2 Case Studies

The case studies are set out below:

7.2.1 Case Study 1: United Kingdom: Homes and Communities Agency – Empty Homes Scheme

Case Study 1: United Kingdom: Homes and Communities Agency – Empty Homes Scheme	
Context and nature of the intervention, and the market failure the intervention aimed to address.	The HCA allocated approximately £100m of grant funding through two rounds of the 'Empty Homes Programme' between 2012 and 2015, aimed to deliver at least up to 5,600 affordable homes across England by 2015. The UK Government wants to see 'more empty commercial properties brought back into use as affordable housing and encourages applications from the 27 Portas pilots and 326 Town Teams'. This is part of the Affordable Homes Programme 2011-15 which invested £4.5bn in affordable housing schemes across England, with the intention of delivering up to 80,000 new affordable homes, and similar funding is to continue within the 2015-18 Affordable Homes Programme. Under the Empty Homes Programme, funding could be made available to bring empty homes as well as commercial property into use as residential affordable housing. One of the main conditions of the funding is that the landlord of the property is a Registered Provider of Social Housing, with most properties to be leased for up to 20 years rather than owned outright by the provider, and the properties to be provided in line with affordable rents/home ownership.
The type of intervention utilised.	The HCA Empty Homes Programme provided grant funding to councils, housing associations and partnerships across England.
The effectiveness, benefits (and beneficiaries), impacts and	Within Round 1 of funding, a total of 5,661 new homes were brought into use with total grant funding of £69.8m (approximately £12,500 per home). The largest providers included the Greater Manchester Combined Authority (£5m, 461 homes),

Case Study 1: United Kingdom: Homes and Communities Agency – Empty Homes Scheme	
outcomes produced by the intervention.	Rossendale Borough Council (£4.8m, 474 homes), and Birmingham City Council (£3.2m, 190 homes). Within Round 2 of funding, a further 1,939 homes were provided for total grant funding of £40,790,126 (approximately £21,000 per home). The Greater Manchester Combined Authority provided a further 386 homes (£6.8m funding), and Nottingham City Council provided 130 homes (£1.56m funding). Beneficiaries have included thousands of tenants, able to avail of affordable rents and home ownership schemes, councils and housing associations able to provide sustainable housing and reduce housing stress, as well as former owners of vacant and underutilised properties able to find suitable buyers or tenants for their properties thereby maintaining an improved income, as well as having reduced payments on empty home council tax premiums.
Identification of good practice and lessons learnt from the intervention.	Both rounds of funding enabled empty or underutilised premises to receive grant support (via councils) to be used to residential use. An example of this is within Amber Valley Borough Council (alongside the Future Homescape Partnership) in which a former pub on the high street in Langley Mill in Amber Valley was converted into six affordable homes (for rent from Future Homescape) on the upper floors with commercial units on the ground floor. The pub had been subject to fire damage and vacancy for many years, and the council persuaded the previous owner to sell the property. The new owner agreed to lease the upper floors to Futures Homescape, and secured planning permission for a mixed-use development. Futures Homescape secured £42,000 of grant funding from the HCA Empty Homes Programme, which was also matched by the local council and private developer. Another example of good practice with regard to partnership working and funding support include in Chesterfield Borough Council in which a council owned property used as a housing office was converted into a two properties (a two-bed and six-bed property) let out at affordable rents by the council. The council was able to access £30,000 from the HCA to facilitate the £138,000 scheme.[26] The outcomes attained through the HCA Empty Homes Programme emphasis the need for partnership working and local knowledge as to the preferences of property owners, and setting out a clear plan for conversion e.g. facilitation of residential/mixed-use developments.

[26] http://www.emptyhomes.com/wp-content/uploads/2012/12/Affordable-homes-from-empty-commercial-spaces.pdf

7.2.2 Case Study 2: Scotland: Scotland's Town Centres (Empty Homes Fund & Town Centre Housing Fund)

Case Study 2: Scotland: Scotland's Town Centres (Empty Homes Fund & Town Centre Housing Fund)	
Context and nature of the intervention, and the market failure the intervention aimed to address.	Scottish Government have made a series of policy commitments to regenerating town centres across Scotland, initiated by the National Review of Town Centres, and being implemented through the Town Centre Action Plan, and Town Centre Housing Fund and Town Centre Regeneration Fund. The Town Centre Housing Fund provides £2.75m of grant funding to tackle empty properties in town centres no longer in use and considered a blight to the high streets. This funding was put into place to convert empty town centre properties into affordable residential housing. Funding was awarded to six projects in December 2013 to provide 75 new homes. The Town Centre Empty Homes Fund (announced June 2015) has also allocated £4m (£2m funding, £2m low-interest (2% interest, payable within ten years loan) for town centres which will bring a total of 87 new homes into use, all of which were formerly vacant or underutilised commercial premises in Fife, Highlands, Midlothian, and Glasgow. The justification for hybrid funding was that returning an empty home back into use costs up to £25,000 typically (to which SG would provide loan funding only, but given the costs of conversion can be higher, they decided to allow up to £50,000 packages of funding on a 50/50 basis to encourage takeup). The scheme also provides a free helpline for communities to report empty homes to the Government, thereby contributing to bringing them back into use.
The type of intervention utilised.	The Town Centre Housing Fund provided grant funding in total of £2.75m to provide 75 new homes across six towns including: • Cupar (redevelopment of county buildings, £764,000 grant funding to support 18 new homes), • Tillicoultry (renovation of Stirling St, £782,000 grant funding to support 17 new homes) • Tranent (Bridge St, £350,000 for 7 homes) • Crieff (Redevelopment of Crown Hotel, £255,523 for 14 apartments) • Carnoustie High Street (£200,000 for 4 homes); and • Kirkintilloch (£200,000 for 14 homes) The Scottish Government sought bids for funding from housing associations, local authorities and private developers for schemes. The application process and assessment framework is available on the Scottish Government website.[27] The Town Centre Empty Homes Fund provides £4m in funding (£2m grant and £2m loan) for a total of 87 new homes to be brought into use. The Empty Homes Unit identified that within the Scottish market, returning an empty home back into use costs in the region of £6,000 to £25,000 and therefore loan funding typically works well at little cost to the public purse. However, converting a property from commercial to residential use will typically cost more, and hence the Town Centre Empty Homes

[27] http://www.gov.scot/Resource/0043/00436776.pdf

Case Study 2: Scotland: Scotland's Town Centres (Empty Homes Fund & Town Centre Housing Fund)	
	Fund provided funding of up to £50,000 per unit with funding provided on a half grant and half loan basis.
The effectiveness, benefits (and beneficiaries), impacts and outcomes produced by the intervention.	A number of the projects are currently underway; however, completed examples include the £950,000 of support (£475,000 grant, £475,000 loan) to Station Court in Kirkcaldy (involving a vacant town centre hotel converted to 19 apartments), and the Academy Streey in Coatbridge, Clyde Valley in which 12 properties have been created through conversion of an unused town centre church building into affordable apartments.
Identification of good practice and lessons learnt from the intervention.	The recognition that some properties to be converted from commercial to residential use may require high initial financial input, but can have a financial rate of return means that the Scottish Government has typically provided support on a half-loan, half-grant basis, which improved public value for money. This could be explored by a future LOTS scheme.

7.2.3 Case Study 3: Private Interventions (Supermarkets)

Case Study 3: Private Interventions (Supermarkets)	
Context and nature of the intervention, and the market failure the intervention aimed to address;	Whilst not a publicly funded intervention, major supermarkets across the UK, most particularly within London, have been providing residential units above planned supermarkets and express convenience stores as a way of maximising use of land assets (and associated return) as well as increasing housing stock and affordability of homes. In some schemes, the supermarkets such as Tesco in Streatham have ringfenced a proportion of properties at affordable rents for Tesco staff. Whilst this does not reflect a traditional policy approach, some supermarkets see clear incentives for placing residential properties above their large unit shops, and when interacting with government this is likely to improve the planning case for the proposed stores.
The type of intervention utilised;	This involved private funding and management of assets.
The effectiveness, benefits (and beneficiaries), impacts and outcomes produced by the intervention;	This is an emerging trend with over 5,000 properties estimated in 2014 across the UK. Examples include in Tesco Woolwich, Highams Green, Hammersmith and Nottingham, and also Sainsburys & Morrisons in London. The benefits of this include limited need for government intervention or funding, as well as mixed-use regeneration in emerging areas, and improved affordability for potential owners and tenants. However, it should be noted that the scheme has been largely London-centric.
Identification of good practice and lessons learnt from the intervention	Whilst this reflects a different approach to LOTS grant funding for small/private landlords – there may be lessons to be drawn with regard to community regeneration and encouraging private contributions/incentives for homebuilding and bringing vacant properties into residential use.

Case Study 3: Private Interventions (Supermarkets)	
	To a lesser extent, in city and town regions where supermarkets are seeking to set up in Northern Ireland, or currently have underutilised space above the store, a LOTS scheme may have some potential to encourage activity.

7.3 Illustrative Examples of Delivery in Local Towns/Cities

Further to the data review and stakeholder consultation process, we have provided below a number of vignettes that illustrate the localised context in which a revitalised LOTS scheme may be applied and its potential impact in 4 towns/cities in Northern Ireland (i.e. Armagh, Enniskillen, Bangor and Lisburn).

7.3.1 Armagh

- The Armagh City Masterplan (2008) highlights that 'Scope exists to support greater levels of City Centre living in accommodation types that often appeal to the younger and older sectors of the market with less reliance on car travel. Advantages to the City would be more than just economic, as residents' activity contributes to safety due to a greater presence of people and watchful eyes on the City Centre streets.'
- Non-domestic vacancy rates are nominally higher within Armagh City Centre (23.5%, 137 vacant units as of April 2016) than the NI average (22.3%).
- According to NISRA estimates, the number of households is expected to grow by 26% between 2012 and 2037 (reflecting an increase of 19,581 household units, of which 14,383 are one to two bed households) within the Council area.
- Armagh City is identified by Armagh, Banbridge and Craigavon Borough Council as a key area for the provision of approximately 35 properties under a LOTS scheme.
- The Council representatives also view that beneficiaries of such properties would include younger people (ages 20-30 / single / no dependents) as well as older people who would require access to services that exist within town centres such as entertainment, public transport, and banking, and are expected to demand one to two-bed properties.
- Armagh City has scope for complementary investment with other schemes, as £1.98m of funding has recently been awarded (January 2016) for Armagh City to bring disused buildings back into productive use through the HLF Townscape Heritage Initiative.
- A review of the Armagh City Masterplan highlights retail and commercial properties as those with an orange colour in the map below, and on this basis, a LOTS approach is most likely to focus on areas such as Scotch St, Upper English St, and Thomas St.

Figure 7.1: Map of Armagh City Centre

Source: Armagh City Masterplan (2008)

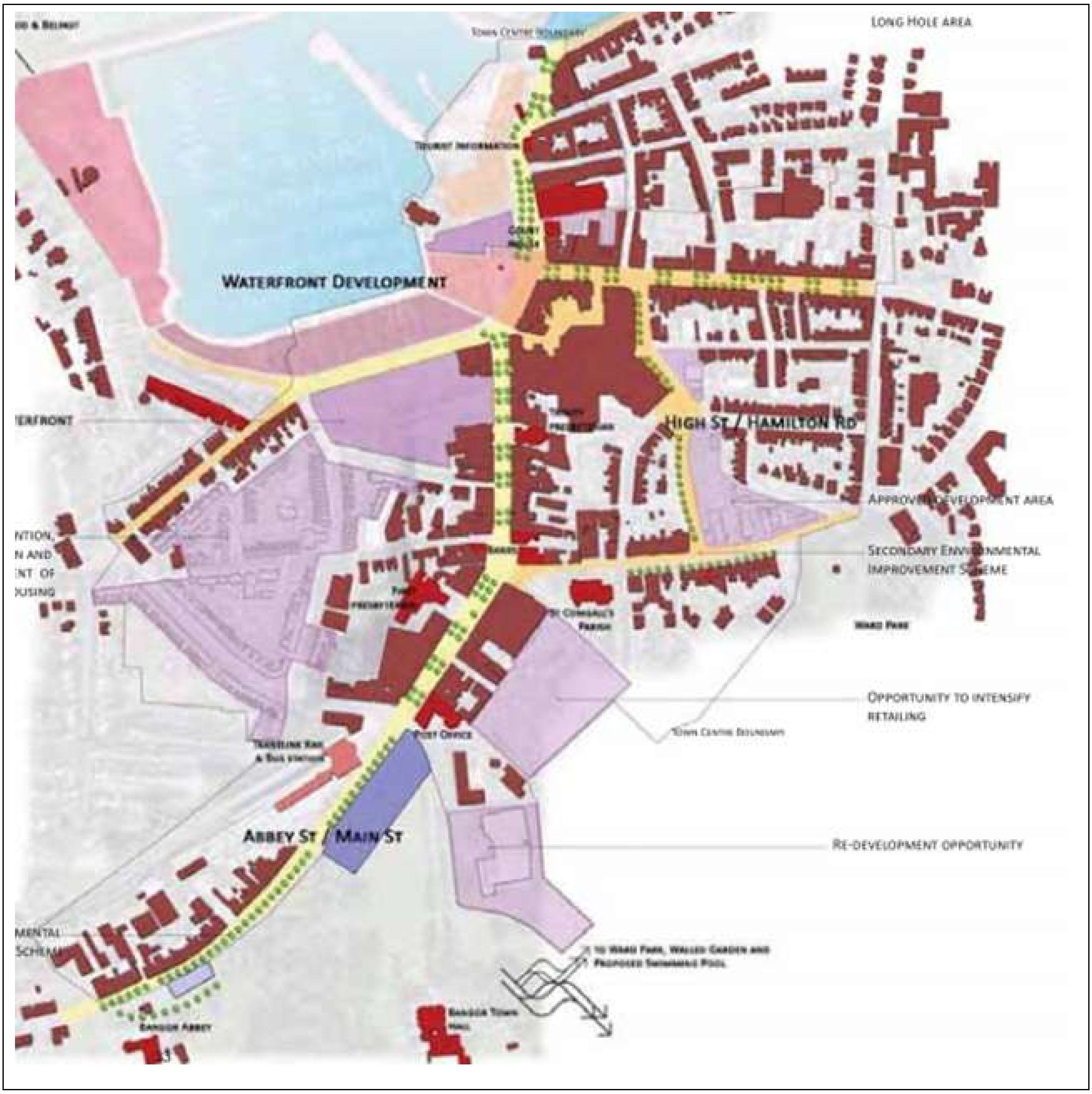
7.3.2 Bangor

The Bangor Town Centre Masterplan (2011) highlights that:

> *'Bangor town centre is under pressure for residential development land, and that the Council recognise the need to provide quality and affordable housing'*

- Non-domestic vacancy rates are nominally lower within Bangor Town Centre (20.9%, 124 vacant units as of April 2016) than the NI average (22.3%).
- According to NISRA estimates, the number of households is expected to grow by 8% between 2012 and 2037 reflecting a net increase of 5,359 household units within the Council area. However, it is expected one to two person households will increase by 7,340 households, therefore highlighting a trend within the area for the conversion and or reduction in use of larger homes moving towards the usage of one to two bedroom homes.
- Bangor town centre is identified by Ards and North Down Borough Council as a key area for the provision of approximately 45 properties under a LOTS scheme.
- Council representatives also view that beneficiaries of such properties would include mostly younger people; however areas such as Bangor Marina might attract older residents. These beneficiaries are expected to demand one to two-bed properties.
- The Council has identified areas such as High Street, Main Street and Queen's Parade (denoted with green dots below) as those streets within which a LOTS approach is most likely to gain interest and applications.

Figure 7.2: Map of Bangor Town Centre



Source: Bangor Town Centre Masterplan (2011)

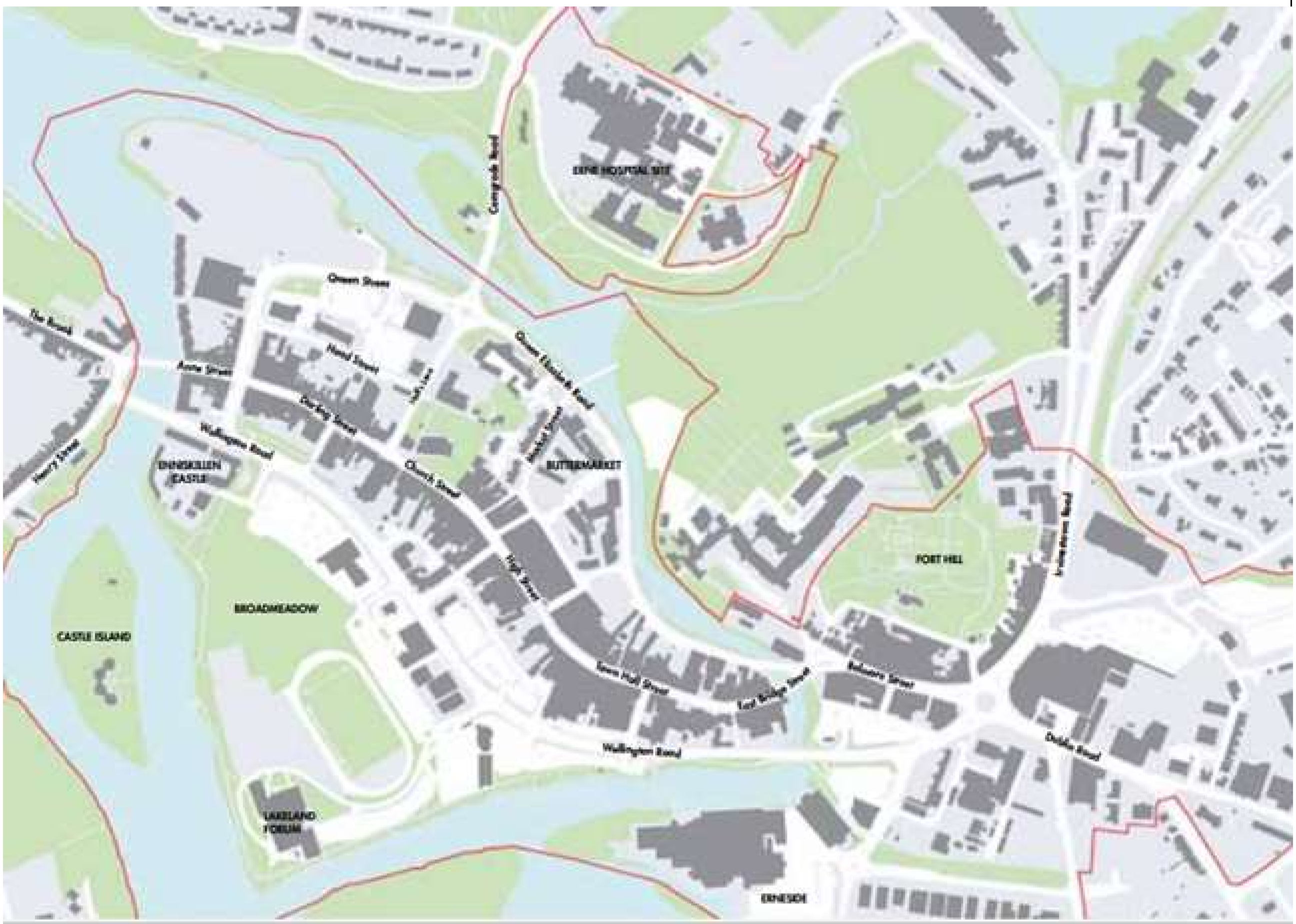
7.3.3 Enniskillen

The Enniskillen Town Centre Masterplan (2012) highlights that:

'there are few residential properties in the Town Centre, but there is some living above shops and small pockets of traditional housing', and that Enniskillen Town Centre is in good health, with the main retail pitches busy from visitor, local and cross-border traffic".

- Living above the Shops appears to be a more prevalent form of home occupancy within the Fermanagh and Omagh District Council area (0.53% of households, 238 homes) than the NI average (0.33%) according to Census 2011 statistics.
- Non-domestic vacancy rates are lower within Enniskillen Town Centre (19% with 91 vacant units as of April 2016) than the NI average (22.3%).
- According to NISRA estimates, the number of households is expected to grow by 15% between 2012 and 2037 reflecting a net increase of 6,335 household units. However, it is expected one to two person households will increase by 7,344 households, therefore highlighting a trend within the area for the conversion and or reduction in use of larger homes moving towards the usage of one to two bedroom homes.
- Enniskillen town centre is identified by Fermanagh and Omagh District Council as a key area for the provision of approximately 45 properties under a LOTS scheme.
- Council representatives also view that beneficiaries of such properties would include mostly professionals and students, and that these beneficiaries are expected to demand one to two-bed properties.
- The Council has identified areas such as Anne St, Darling St, Castle St, Church St, High St, Townhall St, East Bright St, Belmore St, and The Brook as those streets within which a LOTS approach is most likely to gain suitable interest and applications.

Figure 7.3: Map of Enniskillen Town Centre

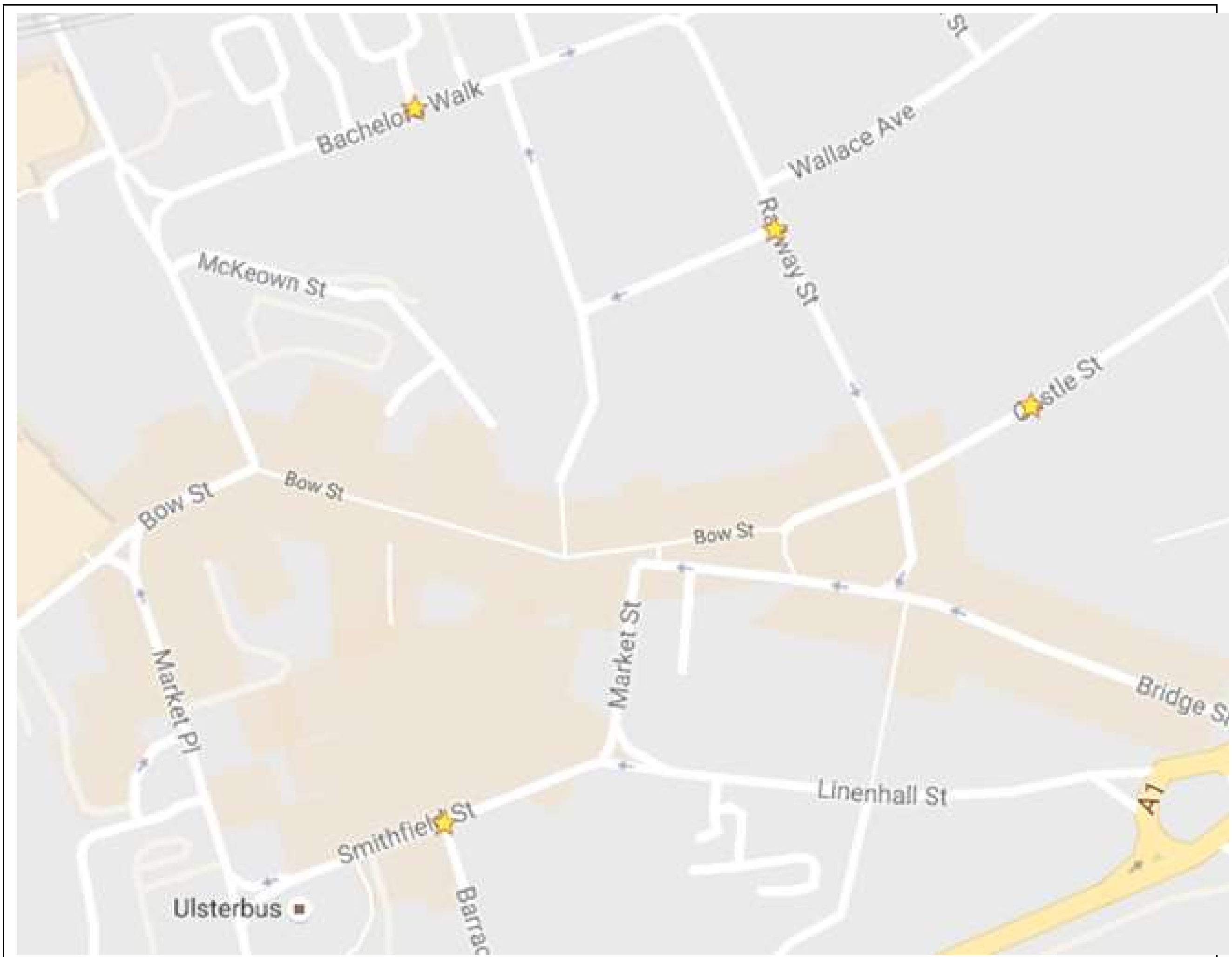


Source: Enniskillen Town Centre Masterplan (2012)

7.3.4 Lisburn

- The Lisburn City Centre Masterplan (2010) highlights that ‘The Townscape Heritage Initiative, combined with the Town Centre Living Initiative has been a success and has focused investment in one of the City Centre’s “crown jewel” heritage neighbourhoods – Bridge Street. However, there is now an opportunity to replicate the success of the Townscape Heritage Initiative in Bridge Street, extending it to the adjacent streets within the city centre historic core. In doing so, there is potential to bring historic, vacant buildings back into use, to animate the street and to introduce sympathetic public realm treatments”. It identifies further LOTS scheme initiatives could be undertaken in Railway St, Market Square, and Castle Street.
- Non-domestic vacancy rates are comparable within Lisburn City Centre (22% with 139 vacant units as of April 2016) to the NI average (22.3%).
- According to NISRA estimates, the number of households is expected to grow by 24% between 2012 and 2037 reflecting a net increase of 12,722 household units. It is expected one to two person households will increase by 10,802 units.
- Lisburn City Centre is identified by Lisburn and Castlereagh City Council as a key area for the provision of approximately 13 properties under a LOTS scheme (as an identified minimum) with three properties on Castle Street, three properties on Railway Street, five in Bachelor’s Walk, and two on Smithfield Street, marked by stars on the map below.
- The Council representatives also view that beneficiaries of such properties would demand one to two-bed properties, and would represent a mix of young professionals and older / retired couples.

Figure 7.4: Map of Selected Area within Lisburn City Centre



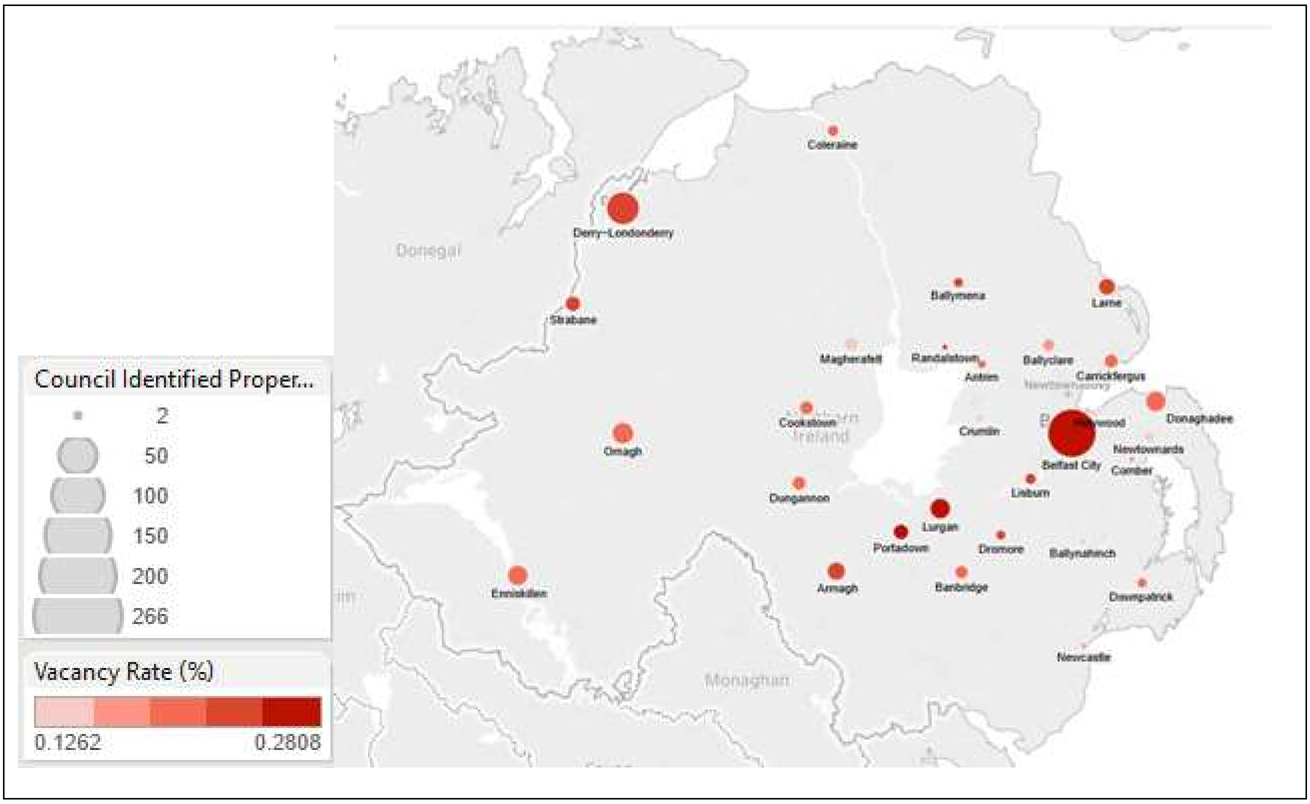
Source: Google Maps API (2016)

8 SUMMARY OF RESEARCH FINDINGS

8.1 Introduction

This section summarises key findings against each of the research questions detailed in the Terms of Reference. The key findings and recommendations of the report are set out below. The following map also highlights the non-domestic vacancy rates and number of identified potential properties eligible/suitable for a LOTS conversion in each town and city centre considered within stakeholder consultations. This is used to inform the overall findings and recommendations.

Figure 8.1: Map of Council Identified Properties and LPS Vacancy Rates (non-domestic April 2016)[28]



Source: PACEC (2016), LPS (2016).

8.1.1 There is a clear need for Government intervention in order to improve sustainable housing supply:

In line with HM Treasury's Green Book, the rationale for government intervention is founded in either market failure, or where there are clear government distributional objectives that need to be met. Market failure refers to where the market has not and cannot of itself be expected to deliver an efficient outcome.

[28] The key within Figure 8.1 contains two variables. The colour of the area relates to the official non-domestic vacancy rate (April 2016) as identified by LPS; with a darker colour demonstrating a higher vacancy rate for non-domestic properties. The size of the area relates to the number of properties identified by the council as being suitable for a LOTS style conversion scheme within a particular town, with a larger area representing a greater number of properties identified as being potentially suitable for conversion under a LOTS scheme.

There are two indicators considered within the Northern Ireland property market, which suggest the presence of market failure, namely:

1. Housing shortage and affordability issues, as evidenced through upward pressure on rental values and housing stress levels[29]; and
2. Considerable and persistently high non-domestic vacancy levels over a number of years (approximately 20% on average in NI, compared to GB rates of 10-14%).

Each of the eleven council areas, and 41 town centres reflect different markets with varying degrees of activity. Within some town and city centre areas, there is a clearer market failure argument than within others, as evidenced through vacancy rates and consultation with agents and councils.

In order to identify market failure, there must be an imbalance on either the demand or supply-side (or both), particularly within the private rental market. This report has highlighted the growth of the private rental market, from 10% of the market in 2003/4 to 21% in 2013/14, largely driven by the number of people aged 25-34 years old within the private rented sector from 16% in 2003/4 to 47% in 2013/14. This is attributable to issues of affordability, mortgage lending restrictions and economic uncertainty, and that the supply of housing within the sector is not sufficient to meet considerable estimated household growth across Northern Ireland's Local Government Districts. Furthermore, the launch of schemes such as Help to Buy illustrates the recognition by the UK Government that the affordability and ability of younger persons to save a substantial deposit to enable a home purchase has been limited in recent years.

Furthermore, letting agent consultations have indicated that a number of rental properties in their particular area are experiencing considerable demand from prospective tenants, and that this oversubscription is placing an upward pressure on rental values (with average rents in Northern Ireland increasing by 2% between 2013 and 2014[30]).

8.1.2 Potential beneficiaries of the scheme have identified the need for financial support to provide a suitable incentive to convert dwellings, and the need for flexibility to enable support to be provided across varying schemes:

Council and agent respondents have clearly indicated their preference for grant funding as the best stimulant for further investment; however, this is not surprising given the relatively low risk and high reward available to the prospective recipient of grant funding, and negates wider issues such as value of money in public expenditure. However, it is recognised that financial support is crucial to providing substantial incentive for a scheme to progress successfully, as noted within one agency consultation response:

> *Without financial incentive, the demand for town centre housing stock will not be met by property owners and private landlords….also within the THI scheme, we have observed that the cost to repair and restore a property can be in excess of the end increase of the property value as a result of the works."*

[29] Approximately 22,100 households identified as in housing stress in 2014/15 (NISRA)
[30] UU/NIHE Rental Indices (2013/14)

Tax breaks and fiscal incentives are less likely to be applicable within the devolved context; however, tax relief has been available for similar schemes in the past e.g. the Flat Conversion Allowance introduced in 2001 and withdrawn in 2013. The Department should therefore investigate the potential for non-direct financial incentives to be introduced as part of a revitalised scheme. This could comprise an element of investment support, subject to the size of the LOTS scheme, with dedicated support officers supporting applications and identifying further forms of funding, support and relief.

Furthermore, the case studies indicate that within Scotland's Town Centre Housing Fund, a mix of grant and loan funding (with the majority of projects awarded support on a 50/50 basis) provided suitable incentive for take-up given the low-interest nature of the loan (2% per annum, for up to ten years) and that this loan was typically required to enable the grant funding. This approach may help to improve value for money, as well as increase the landlord's personal investment in the scheme e.g. improving the overall standard and finish of the home to ensure a rental income to repay the loan debts.

A mix of grant and loan funding, potentially to a higher threshold subject to the requirements of each proposed scheme, may offer a positive intervention to stimulate private sector investment, whilst minimising public contribution to no more than necessary to facilitate suitable increased supply. However, the provision of a loan funding element may have a higher risk portfolio given the need for administration, a loan approval process and the need to track repayments. The Department should therefore consider the extent to which such an approach might be feasible or efficient with regard to funding projects e.g. account for administrative costs or risk constraints.

8.1.3 There is clear demand for town and city centre living across Northern Ireland, evidenced by the growth of the under-30s within the private rented market. However, there are areas in Northern Ireland where these properties also appear to be in demand from older persons:

Research undertaken by the Centre of Cities (2015) has shown that city centre residents are most likely to be young, single students of professions, and that they live there because they want to be close to restaurants, leisure and cultural facilities, with easy access to public transport and their workplace. Furthermore, the number of young professions choosing to live in UK city centres (aged 20-29) has almost trebled between 2001 and 2011.

Consultations with letting agents in Northern Ireland indicated that the demand for housing in town and city centres was driven by the general increase in population, the decrease in household sizes, and in particular the growth of single person households. Consultees also stated that strongest demand they experienced came from smaller household groups including single people, young couples with no dependents, young professionals, single parents with dependents, and the retired.

A review of Census 2011 data has validated these findings, with those living in town and city centre flats less likely to own their property (22%) than the NI average (71%); and more likely to live within a single person household (40% compared to NI average of 11%).

Consultations with councils indicated that within all council areas the demand is particularly high for one to two bed households, from younger singles and couples with no dependents. However, in one council (Lisburn and Castlereagh), it was also stated that demand exists among older retired persons within the town centre. Given the projected ageing of the Northern Ireland population, this may prove to reflect an increasing trend.

8.1.4 There are towns and cities in Northern Ireland with high commercial property vacancy rates and anticipated population growth, where a LOTS scheme might help address future housing and regeneration needs

The key determinants of demand for town and city centre living within Northern Ireland are population growth, rents and affordability, as well as proximity to goods and services. Given that all of the local councils anticipate population growth over coming years, and currently have some degree of housing stress, there is likely to be demand across all of the respective town and city centres. However, this demand varies within each council area, as does the market's ability to meet this demand through increase supply.

Overall, this review has identified up to 3,600 vacant and under-utilised non-domestic properties across Northern Ireland, and following consultations with the eleven councils, a conservative estimate of 1,015 properties may be suitable and eligible for a LOTS style conversion taking into account factors such as town centre masterplans, planning constraints, and accessibility.

Belfast is identified as an area with significant challenges regarding its non-domestic vacancy rates, however, given its critical mass of activity and city centre development, a LOTS scheme is only likely to generate impact in areas outside the city centre e.g. along arterial routes.

Areas such as Armagh, Banbridge and Craigavon, Lisburn and Castlereagh, Mid Ulster, and Newry, Mourne and Down all have a high level of projected household growth (between 24-27% until 2037), as well as non-domestic vacancy rates of approximately 25%. These vacant properties offer these areas with a potential opportunity to address future shortages in accommodation supply.

8.1.5 LOTS style properties tend to be among the most affordable type of properties within the market, with conversion offering potential for enhanced affordability compared to new build units:

Consultation with agents has indicated that LOTS style properties tend to be amongst the most affordable, with rents typically in the region of £350/£400 per month for a 1 bed property. As a result, given the size and type of some of the properties, affordability and choice for prospective tenants may be improved without the need for additional intervention beyond the provision of grant or loan funding to landlords.

Stakeholder consultation and identification of case studies has also indicated that the total cost of converting a non-domestic vacant property into residential usage is often lower than the cost of a new build, due to reduced costs associated with the building structure and services. This means that project costs will tend to be lower, thereby reducing the financial risk to funders/investors.

There may also be scope for a revitalised LOTS scheme to link future funding to a commitment by applicants to charge affordable rents, as per the HCA Affordable Homes Programme in England. This would improve the supply of affordable housing in town and city centres and broaden the scope of any future scheme to include the social sector.

8.1.6 A LOTS scheme provides clear opportunities to contribute to, and benefit from, wider regeneration schemes:

Consultation with council representatives has indicated that there are clear opportunities for a LOTS scheme to contribute to housing-led regeneration, given the potential impact on increasing town and city centre populations, increasing footfall, increasing business investment, improving the night-time economy, and creating new urban communities with close proximity to goods and services.

As a result, any investment made within a revitalised LOTS scheme is likely to have a positive impact with regard to:

- employment outcomes through the direct creation of construction sector jobs;
- economic impact with improved use of assets and increased rateable values for councils;
- physical regeneration due to a reduction in vacancies and improved usage of public space; and
- social regeneration due to an increase in urban concentrated populations.

A LOTS scheme also has clear complementarity given its focus on housing and regeneration with schemes such as the Urban Development Grant, and the Heritage Lottery Fund's Townscape Heritage Initiative. In taking forward any future scheme, the DfC should aim to maximise the leverage available from other relevant funding sources.