

**Milton Keynes
Strategic Housing Market Assessment 2008 –
Update 2009**

Executive Summary of Study Findings
DRAFT: October 2009



Project Overview

- ¹ Opinion Research Services (ORS) were commissioned by Milton Keynes Council to undertake a strategic housing market assessment, including a comprehensive study of current and future housing requirements and housing need. The assessment was undertaken to inform local policies, in particular relating to the housing strategy and investment programme and planning policies surrounding affordable housing provision.
- ² The Milton Keynes assessment was primarily based on the analysis of 800 interviews conducted with households across the borough which were added to 800 interviews that took place in 2008 and 800 interviews that took place in 2007. Secondary data from the Housing Corporation, Land Registry and a range of other information also informed the analysis. The report represents a direct update of the 2008 Milton Keynes Strategic Housing Market Assessment using the additional data from 2009 where it is available.
- ³ The study seeks to identify the future housing requirements of existing households in Milton Keynes as well as newly forming ones. These requirements were then offset against existing stock in order to ascertain how much and what type of additional housing is needed.
- ⁴ This report summarises the key findings of the study, in particular where they relate to existing policies or have implications for future policy decisions.

Housing Market Areas

- ⁵ Local Housing Market Areas are defined as being the geographical area in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay. Milton Keynes can be described as a Housing Market Area (HMA) - as 85,824 people both live and work in Milton Keynes, this represents 79.5% of those who live in the area and have a job, and 69% of all those who work in Milton Keynes. It is also worth noting at this stage that 9% of the residents of Milton Keynes work from home.
- ⁶ It can be argued from travel to work patterns that the sub-region as a whole bears the markings of a housing sub-market. But when this information is taken together with migration and house price patterns it is also possible to identify functional sub-markets where the majority of the population live, work and move within smaller geographical units.
- ⁷ The functional HMA for Milton Keynes is not the same as the Milton Keynes Borough. The functional HMA encompasses Milton Keynes Borough, but also extends into areas of Bedfordshire, Buckinghamshire and Northamptonshire. For the purposes of this study, our analysis focuses upon the administrative area served by Milton Keynes Council.

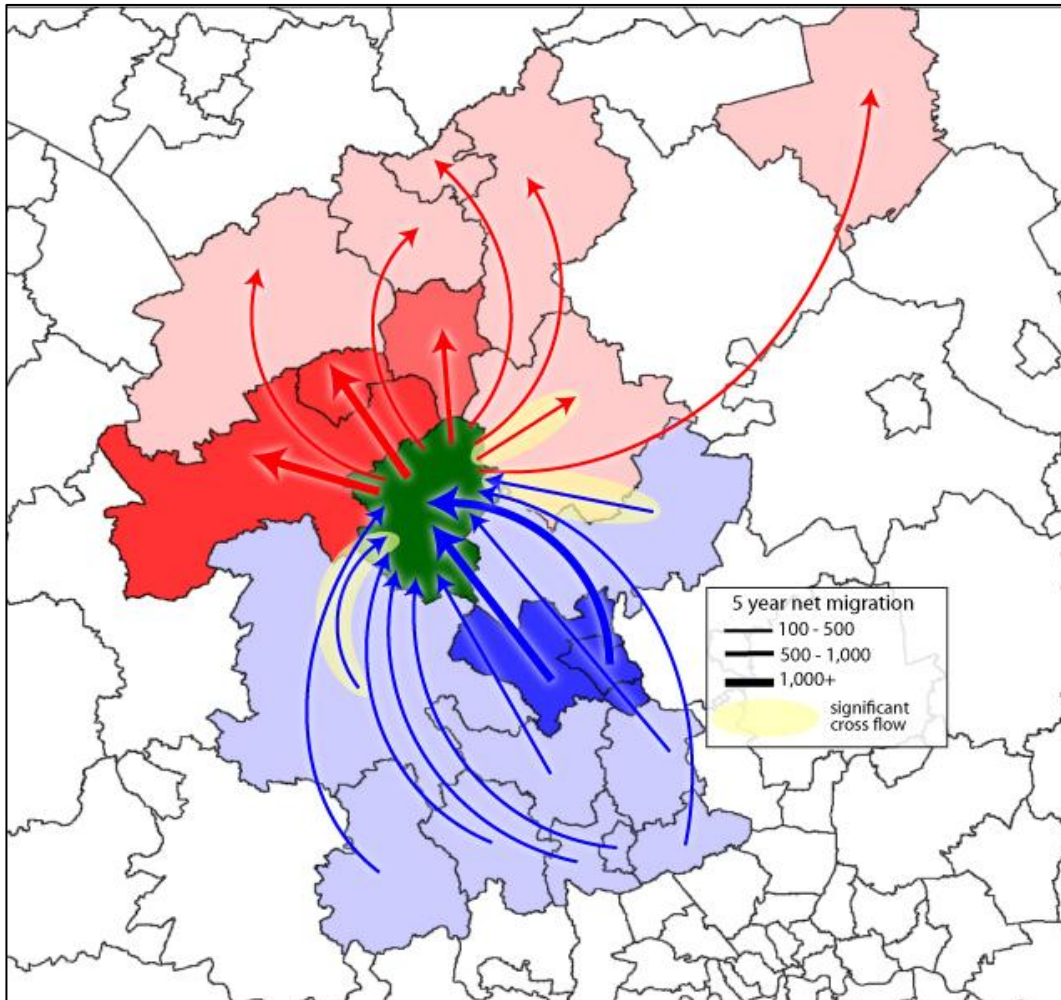
Socio-Economic Context

- ⁸ The Milton Keynes population stands at 231,400 in 96,300 households. Between 1981 and 2007 the population rose by 81% from 126,000 people. This compares with a rise of around 9% for England as a whole and 14.7% for the South East region. The ONS estimates that the population of Milton Keynes will rise to 247,000 by 2016. This would indicate a 10% rise in 10 years suggesting that while the population is continuing to rise, it is increasing at a far slower rate than previously.
- ⁹ Migration from within the UK has led to a net gain of 1,180 people in Milton Keynes from 2002 to 2007, this equates to 0.6% of the current population. The East Midlands receives the highest number of out migrants from Milton Keynes, while the highest number of in-migrants come, predictably, from London. There has been no significant loss or gain of people for Milton Keynes as a result of these movements.

Figure 1 shows in-migration from local authorities to the south of Milton Keynes (in particular South Bedfordshire and Luton) and out-migration northwards (particularly Northamptonshire). There are significant cross flows with Bedford, Mid Bedfordshire and Aylesbury Vale.

Figure 1

Migration to and from Milton Keynes by local authority 2002-2007 (Source: ONS Migration Statistics Unit: Movements between local authorities in England and Wales based on patient register data and patient re-registration recorded in the NHSCR)



- ¹⁰ It is believed that between 2001 and 2006 a net 2,900 international migrants moved to Milton Keynes from overseas, while in 2006/07 a total of 3,240 new National Insurance (NI) numbers were issued in Milton Keynes. This represents 1.4% of the total population resident in the local authority. It is also worth noting that 32% of the NI numbers issued were done so to Polish nationals.
- ¹¹ In Milton Keynes there has been an increase in registered businesses of around 45% since 1997, while the proportion of long term unemployed in Milton Keynes is only around half the England average.
- ¹² Average salaries in Milton Keynes have risen by 37% since 1999 for those living in the area. Overall, household incomes show a range with over 20% having £10,400 or less, and over 40% of the population having incomes of over £30,000. It should also be noted that 14% of households have incomes of £65,000 or more.

Existing Housing Stock

- ¹³ 55% of the housing stock in Milton Keynes is either detached or semi-detached. Terraced housing makes up around a third of the total, flats account for 12% with 0.9% being converted dwellings.

- ¹⁴ Over half of the households interviewed estimated that their houses were built after 1980, with 10% of those built since 2000. 26% were thought to have been built between 1965 and 1979 and less than 20% predating 1965. Modern houses are likely to have fewer bedrooms, but are less likely to contain physical defects. 13% of properties in the Milton Keynes reported at least one serious problem with their property such as damp penetration and heating or plumbing problems.
- ¹⁵ A fifth of housing in Milton Keynes is social rented, a proportion higher than both the regional and national averages. 66% of all properties are owned outright, owned with a mortgage or are shared ownership, the remaining 15% make up the private rented sector. However, between the 2001 and 2009 the level of owner occupiers with a mortgage fell from 59.2% to 42.0% while the percentage of all other tenures increased. It is likely that this reflects the increase in buy-to-let landlords purchasing many of the properties which have come on the market.
- ¹⁶ 19% of those interviewed felt they had too few rooms in their current dwelling, while 5% considered their current home to be too large (Figure 2). Overall 2,700 households are currently living in technically overcrowded housing, though as many as 32% of these consider their homes to be about the right size. Also whilst most houses consider themselves to have 'about the right number of rooms' as many as 73% of those households technically under-occupy their property -just over half of these by two or more bedrooms. It is also interesting to note that as many as 7,900 households who currently under-occupy their property still considered themselves to have too few rooms.

Figure 2
Overcrowding and Perceived Size Problems (Source: Milton Keynes Household Survey 2007-2009. Note: Figures may not sum due to rounding)

Occupancy Level	Household Perception			Total
	Too Many Rooms	About Right	Too Few Rooms	
3 bedrooms too few	0	0	36	36
2 bedrooms too few	0	82	235	317
1 bedroom too few	0	788	1,559	2,347
Correct number of bedrooms	37	18,065	8,527	26,629
1 bedroom too many	599	25,163	5,874	31,635
2 bedrooms too many	1,852	20,822	1,704	24,378
3+ bedrooms too many	1,871	6,080	329	8,280
Total	4,359	71,000	18,263	93,622

- ¹⁷ 2.9% of all households in Milton Keynes live in overcrowded conditions, but this only applies to 2% of those in owner-occupation, this is in contrast to a percentage of 4% for those in social rented accommodation and almost 6% in private rented.
- ¹⁸ Overall 90% of households stated that they were satisfied with their property, a level increased to 95% when only asking owner-occupiers and falling to less than 80% when only asking social and private tenants.

Housing Dynamics

- ¹⁹ Around one in every seven households (13%) have moved within the last 12 months. 6.7% of owner occupiers moved within the last year, and 14.4% of households currently renting from the Council or one of the local RSLs were housed in the last year. Nevertheless, undoubtedly the most significant turnover was in the private rented sector – with as many as 42.4% of all private tenants having lived at their current address for less than a year.
- ²⁰ 22% of respondents to the survey reported that they wanted to move, with the remaining 78% being content to remain. Nearly 7% of all households (not just households who want to move) would like to

move because they feel that their current home is too small. This, taken together with 1% of households wanting to move in order to live in a better house, indicates that household wishing to move to a larger and/or better dwelling is a key driver for the Milton Keynes housing market.

- ²¹ Interestingly, of those who stated that they wanted to move 32% wanted to stay in the same neighbourhood, 43% expected to move to other areas of Milton Keynes and only around 25% expect to leave Milton Keynes, with around a quarter of these expecting to go overseas.

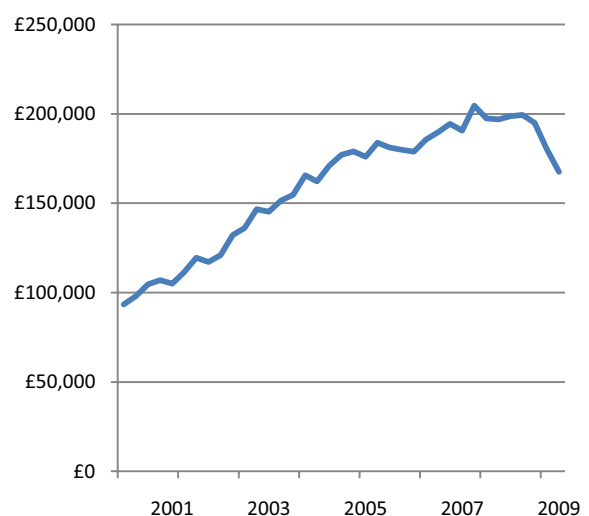
Assessing Affordability

- ²² The assessment of mortgage eligibility adopted for this analysis is based upon the method proposed by Government – with lending for single incomes assumed to be 3.5x the income and lending for joint incomes based on a 2.9x multiplier. The assessment for rent has also been based upon that proposed in the emerging guidance, with 25% of household gross income assumed to be available for rent.
- ²³ Whilst we have adopted the rental assessment proposed by emerging guidance, we would note that this evaluation of affordability is somewhat simplistic – as it assumes that all households are able to afford a proportionately equal amount of their income to support their housing costs, regardless of issues such as household size and the number of dependents, or the absolute amount of income available to support other living costs.
- ²⁴ The previous housing assessments conducted by ORS in Milton Keynes developed the use of the McClements equivalence scale in relation to assessing housing need. Whilst we recognise the recommendations from the guidance we have also sensitivity tested these results using the McClements equivalence scale. The McClements equivalence scale is used to adjust gross household incomes on the basis of the household structure to recognise the impact of each household member (in particular, dependents) upon the cost of living. More details on the assessment of affordability can be found in the main report in chapter 7 in the section ‘assessing affordability for weekly rent’.

House Prices

- ²⁵ Between 2000 and 2008 the average property price in Milton Keynes rose by 113% from £93,500 to £199,000. However, since the first quarter of 2008 prices have begun to fall relatively rapidly and currently stand at £167,500 (2004 levels) - 24% less than at its peak.
- ²⁶ In 2002 the price of the average house in Milton Keynes was just above six times the average earnings of someone working full-time in the area. By 2005 this had risen to almost eight times the average earnings and by 2008 just over eight and half times.

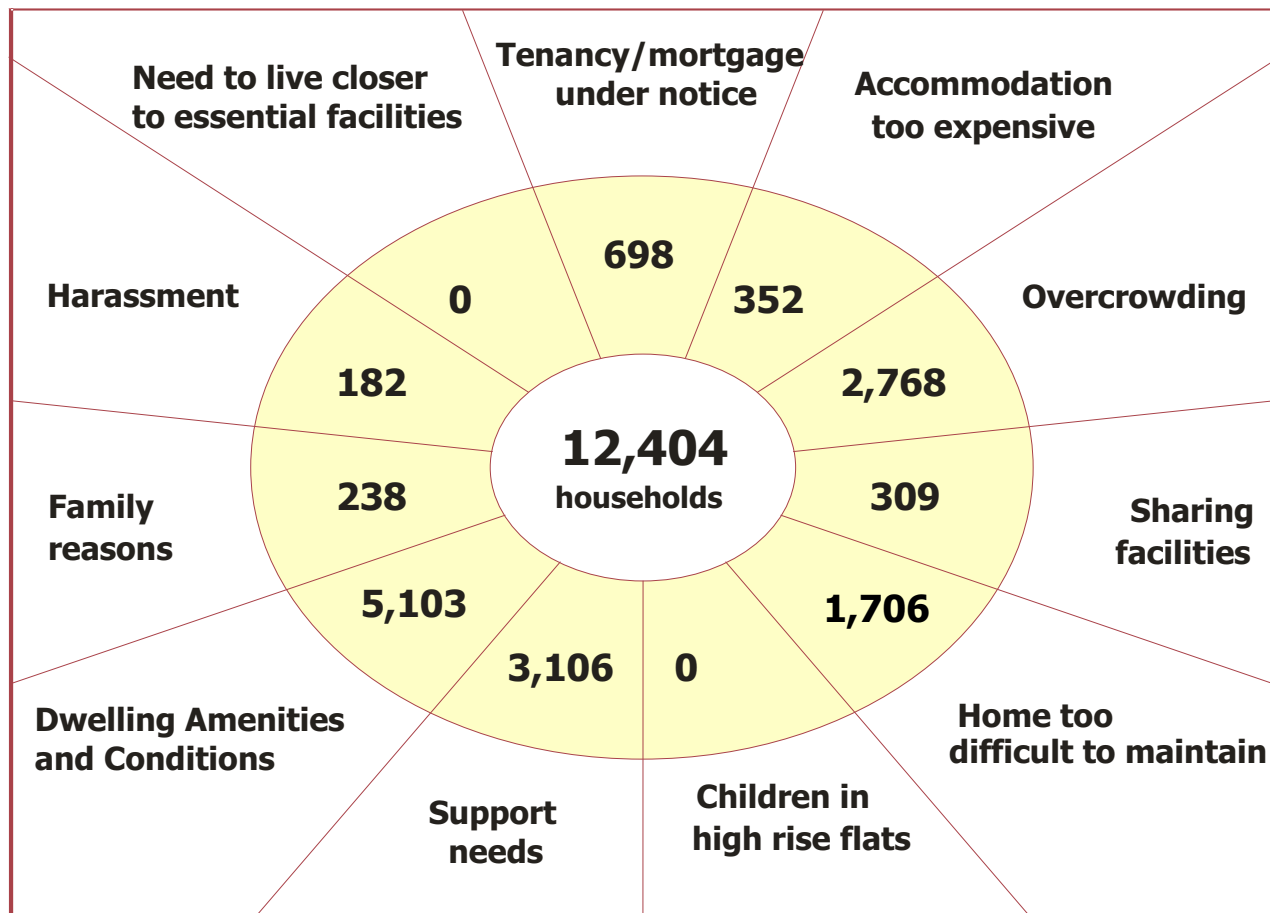
Figure 3
Average Price of Properties Sold in Milton Keynes: Q1 2000-Q1 2009 (Source: HM Land Registry)



Existing Households in Housing Need

²⁷ An important element of housing requirements is housing need – households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some form of assistance. Overall a total of 12,404 households were assessed as living in unsuitable housing due to one or more factors. The unsuitability problems experienced are shown below.

Figure 4
Established Households Living in Unsuitable Housing (Source: Milton Keynes Household Survey 2007-2009)



²⁸ It is worth noting that overall this equals 13.2% of all established households in the study area, though many of these households may not need to move in order to make their accommodation more suitable.

²⁹ It is useful to identify variations based on tenure also. Only 8.9% of owner-occupiers in Milton Keynes are unsuitable housed, compared to 21.7% of those who rent privately and 26.9% of households renting from a social landlord. The data also shows that young children and young adults are more likely to live in unsuitable housing, whereas older persons are less likely. It is also worth pointing out that 24.5% of lone parent households, and 35.0% of groups of adults with dependent children are living in unsuitable housing.

³⁰ In terms of homelessness, the total number of claims and acceptances has been falling since 2004 and the figures are now a tenth of their peak. Similarly, the number of households in temporary accommodation has been progressively declining since 2003, from a high of 1,642 to the most recent figure of 125. Overall, the study identified a total of 1,974 households in housing need.

Modelling the Housing Market

³¹ By matching housing need and demand (gross requirements) against supply it is possible to consider the overall net housing requirement for the area and the balance of this net requirement between the different housing types.

³² The gross housing requirements and likely supply are matched by the ORS Model as detailed below:

Figure 5

Established 5-year Net Housing Requirement by Housing Type and Size (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2009. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			Total
	Market Housing	Intermediate Housing	Social Rented Housing	
5-year Net Requirement				
1 bedroom	2,229	1,715	731	4,675
2 bedrooms	8,097	(231)	1,711	9,578
3 bedrooms	1,962	(441)	(641)	879
4 bedrooms	(29)	987	481	1,440
5+ bedrooms	(39)	62	236	260
Total	12,220	2,092	2,519	16,832
Net Requirement (Annualised)				
1 bedroom	446	343	146	935
2 bedrooms	1,619	(46)	342	1,916
3 bedrooms	392	(88)	(128)	176
4 bedrooms	(6)	197	96	288
5+ bedrooms	(8)	12	47	52
Total	2,444	418	504	3,366

³³ In summary, the ORS housing market model identifies an overall 5-year requirement for 16,832 additional dwellings. 73% of this housing should be market housing, 12% intermediate housing and 15% social housing. It should be noted here that social housing refers to social rented housing and intermediate housing refers to dedicated intermediate housing products (such as shared ownership, discount market sale, sub-market rent, etc.) and a proportion of the housing in the private rented sector with rents below the market rent threshold (i.e. within the lowest quartile). Figure 6 identifies the gross requirement for housing over the next 5-years in terms of source, and then details the overall net requirement.

Figure 6

Established Summary of 5-Year Housing Requirements by Housing Type (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2009. Note: Figures may not sum due to rounding)

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)
5-Year Requirement			
Market Housing	32,517	20,297	12,220
Intermediate Housing	8,424	6,332	2,092
Social Rented Housing	9,295	6,776	2,519
Total	50,236	33,404	16,832

Sensitivity Testing the Affordability Assessment

- ³⁴ As noted earlier the primary analysis employed for this study has adopted the recommendation from DCLG guidance that 25% of gross household income should be assumed to be available for housing costs, regardless of individual housing circumstances. It was also noted that a more sophisticated affordability test, known as the McClements equivalence scale, was adopted for the previous housing requirement assessments conducted by ORS in Milton Keynes, which was widely accepted at the Local Plan Inquiry as appropriate for assessing local affordability.
- ³⁵ Figure 7 and Figure 8 (below) shows that the McClements equivalence scale has had a small impact upon the balance between market and affordable housing in the identified net requirement – but within the affordable housing element, the need for social housing has significantly increased.

Figure 7
Proportionate Net Requirement by Tenure: DCLG Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007-2009)

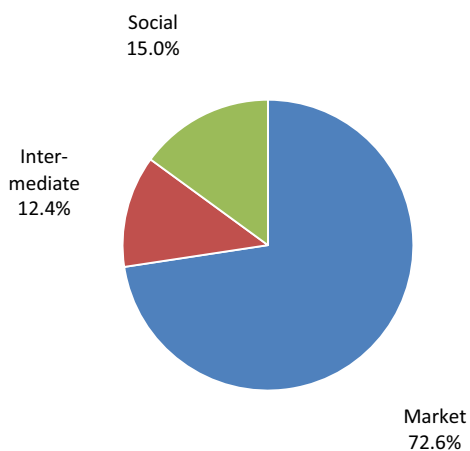
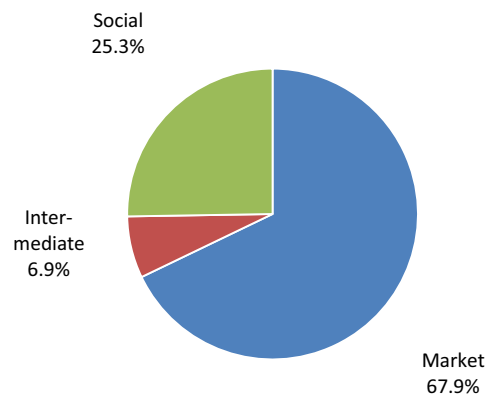


Figure 8
Proportionate Net Requirement by Tenure: McClements Equivalence Scale Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007-2009)



Summary

- ³⁶ The estimates from the 2009 housing requirements assessment shows that there is a net requirement for 16,832 extra dwellings in Milton Keynes over the next five years.
- ³⁷ Using DCLG guidance to assess housing affordability, the 2009 housing requirements survey identifies that 73% of the total housing requirement should be provided in the form of market housing, 12% as intermediate housing and 15% as social housing.
- ³⁸ When using the McClements equivalence scale (which adjusts gross household incomes on the basis of the household structure to recognise the impact of each household member (in particular, dependents) upon the cost of living) to assess housing affordability for the private rented sector, the 2009 housing requirements survey identifies that 68% of the total housing requirement should be provided in the form of market housing, 7% as intermediate housing and 25% as social housing.