MILTON KEYNES HEDNA
Member Briefing

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Housing Workstream – Introduction

» **Following topics will be covered:**

– Government “Standard Method” for Local Housing Need

– Population Trends and Projections

– Future Growth Scenarios

– Affordable Housing and Housing Mix

– Needs of Specific Groups: Older Person Housing, Adapted Housing, Student Housing

Standard Method Calculation for Milton Keynes

Local Housing Need of 19,016 dwellings for Milton Keynes over the 10-year period 2022-2032

Step 1
Setting the baseline
1,396 households

Step 2
Affordability adjustment
1.362 multiplier

Step 3
Capping the increase
No change

Step 4
Urban centre uplift
No change

Annual Local Housing Need
1,902 dwellings

- 2014-based household projections
- 10-year period:

  2022 → 115,783
  2032 → 129,746
- Overall growth of 13,963 households used to set annual average baseline

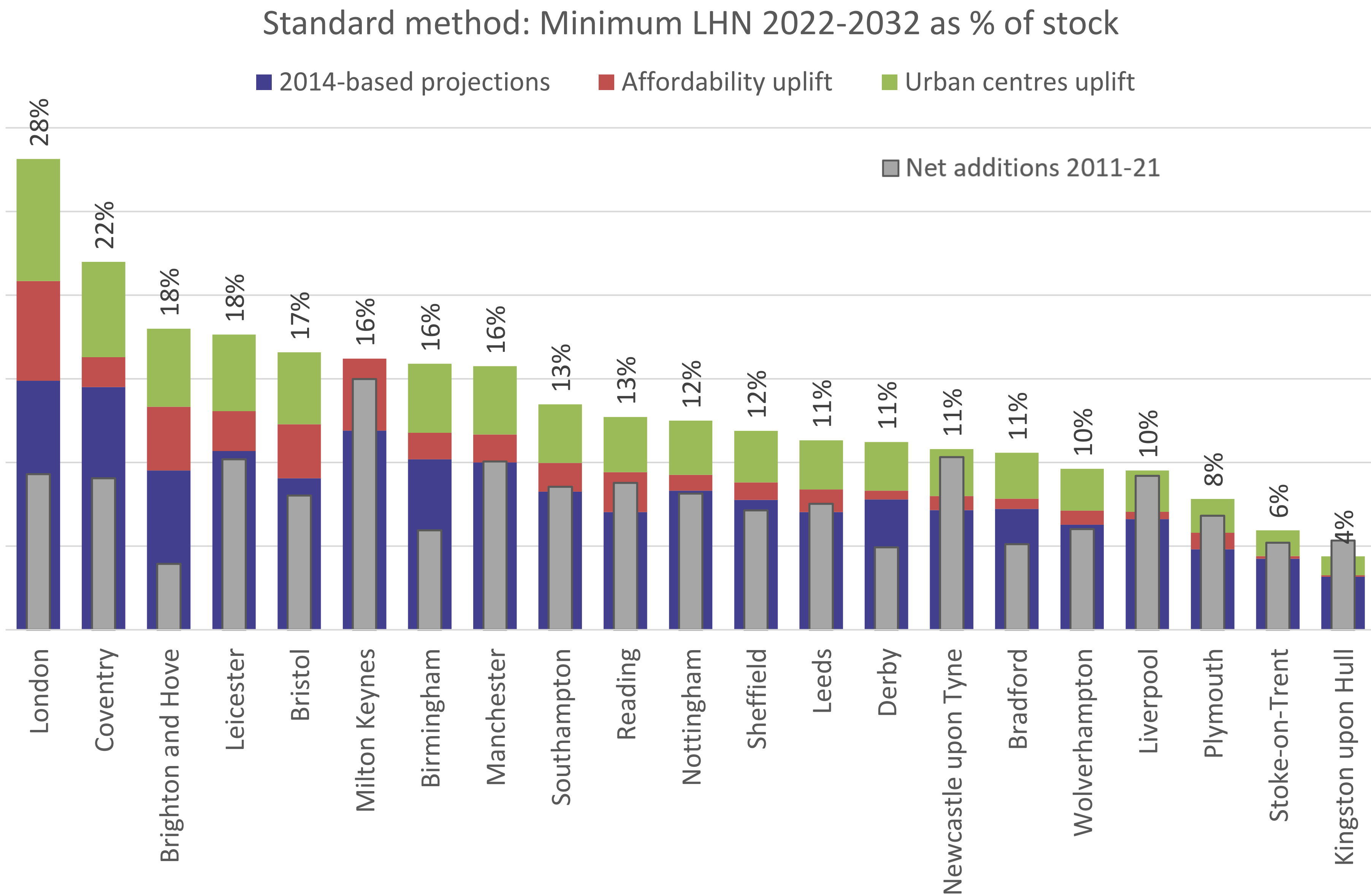
- ONS median workplace affordability ratio
- 2021 → 9.79
- The adjustment is calculated as:

  $$\frac{9.79 - 4}{4} \times 0.25 + 1$$

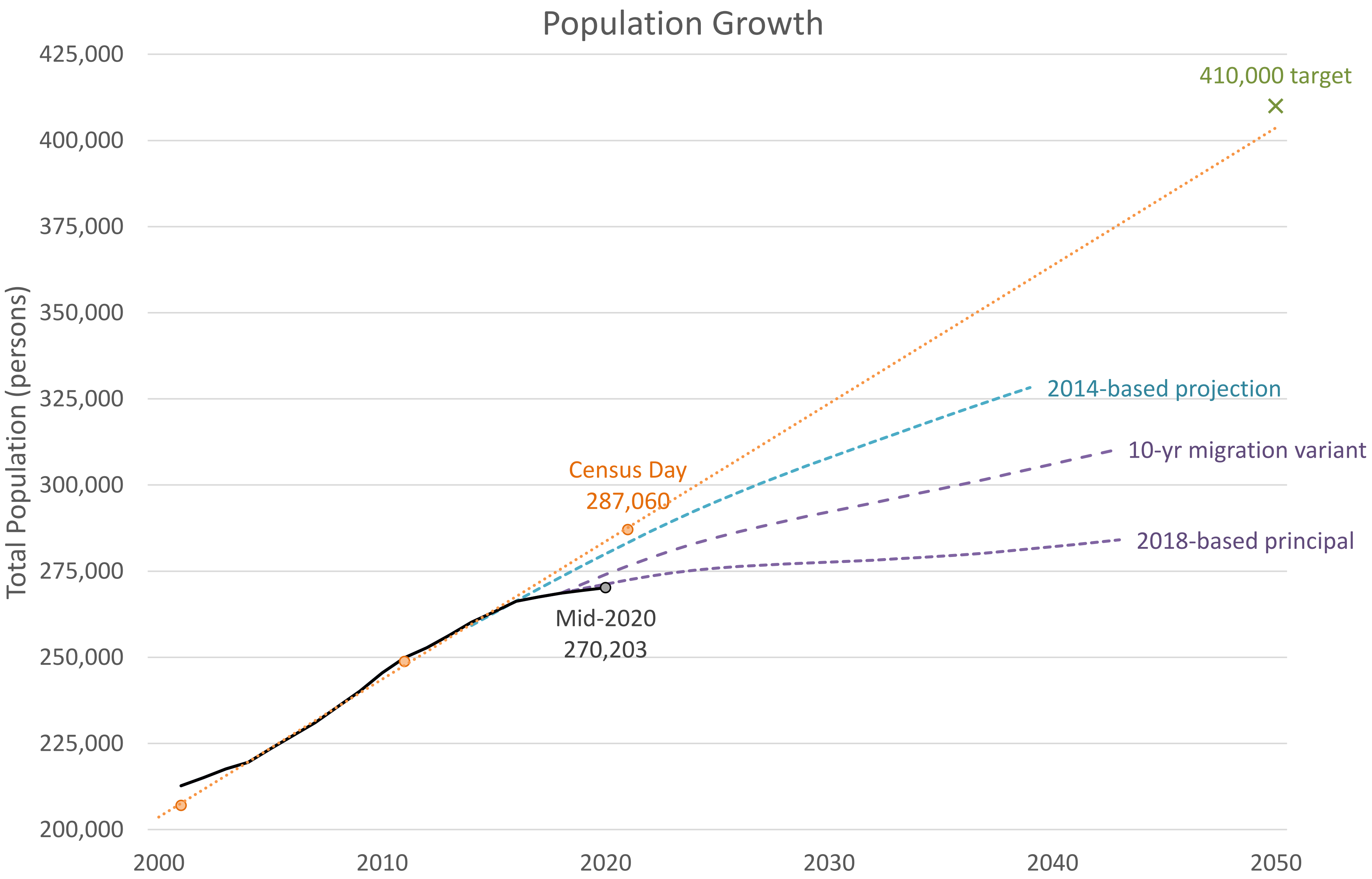
- Consider the annual figures from:
  a. Step 1 baseline = 1,396
  b. Most recently adopted policy = 1,767
- Cap at 40% above the higher figure
- Step 3 limited to 2,473 maximum

16% growth over the decade

Comparison with the “Urban Centres Uplift” areas



Population Trends and Future Growth



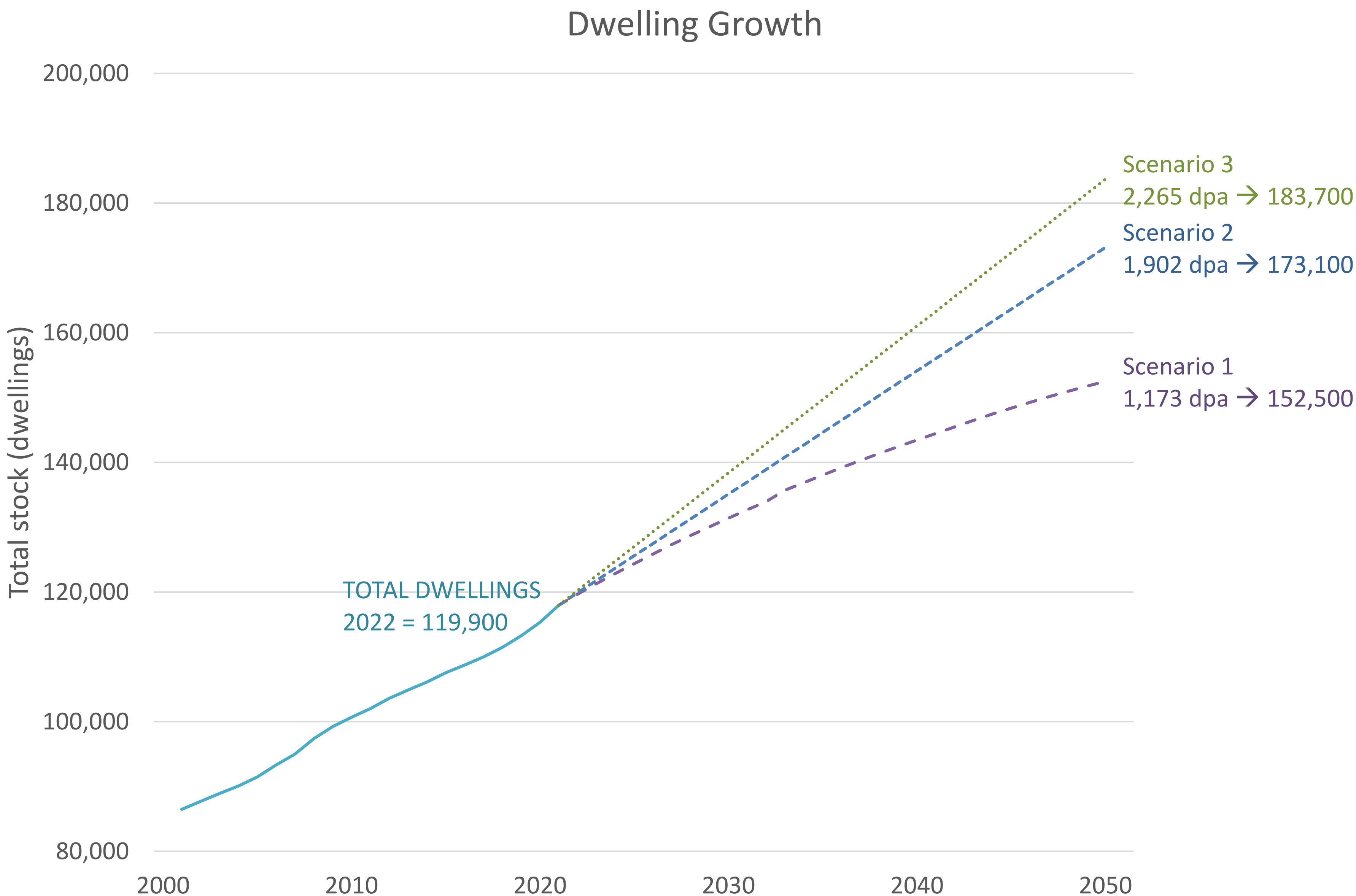
Housing Need – Three Primary Scenarios

1. Demographic baseline, based on the household projection-based housing need

2. Government's "standard method" calculation: 1,902 dwellings per year

3. MK2050 aspirational growth, based on reaching population of 500,000 persons by 2050
   with 410,000 persons resident within the LA

Past Trends and Future Dwelling Growth 2000-2050



Housing Need – Two Secondary Scenarios

2. Government's "standard method" calculation: 1,902 dwellings per year

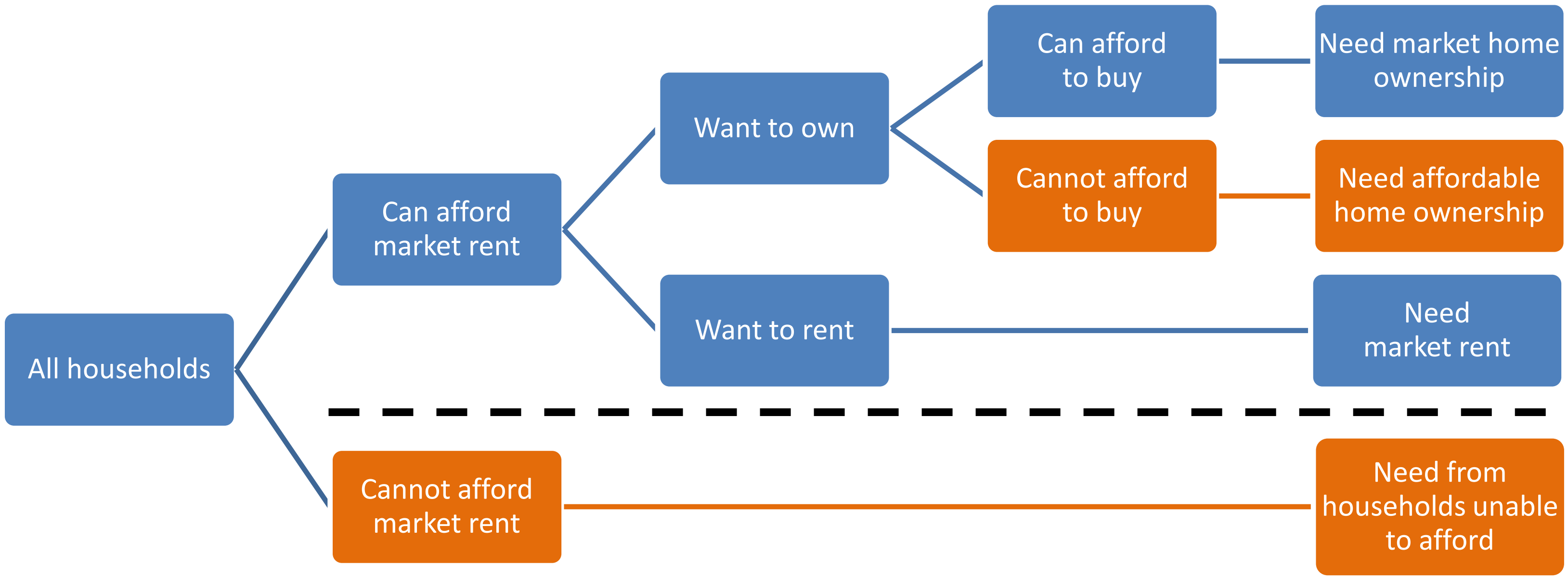
2a. Increased rates of household formation for residents aged under 45

2b. Household formation based on the official projections

Core Outputs 2022-50

	Scenario 1 Demographic baseline	Scenario 2a LHN increased formation	Scenario 2b LHN with ONS formation	Scenario 3 MK2050 410k target
Annual average dwelling growth	1,173	1,902	1,902	2,265
Total 28-year dwelling growth	32,800	53,200	53,200	63,400
Population projected in 2050	333,300	363,500	384,400	410,000
Economically active population growth	19,800	37,100	49,100	63,100
Supported jobs growth	24,900	46,600	61,700	79,400

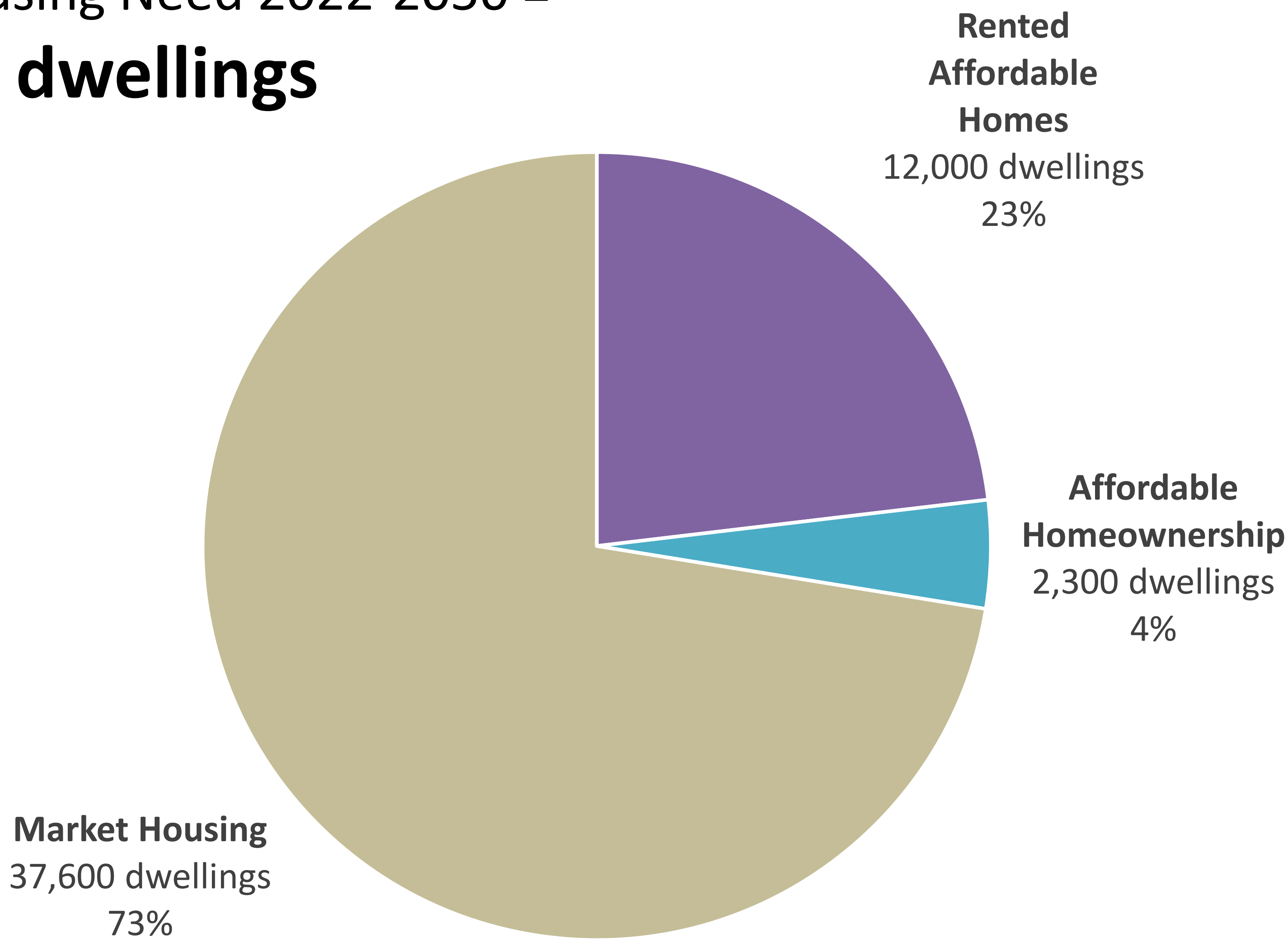
NPPF: Households in need of affordable housing



Overall Housing Mix

Local Housing Need 2022-2050 =

53,200 dwellings



Allowance for C2 bedspaces
1,300 dwellings

Affordable Housing – Policy Considerations

- **Affordable Housing Need → 14,300 dwellings**
  - Those unable to afford to rent or own market housing
  - Those who aspire to homeownership but cannot buy, where affordable homeownership is a realistic option
- **Overall Affordable Housing**
  - Those who aspire to homeownership but do not have sufficient income or savings
  - Those supported by housing benefit to rent privately

- **Need to consider if an uplift to the LHN could be justified**
- **Need to consider balance of rented affordable housing and affordable home ownership**
- **Can also to consider a policy aim to reduce the number renting privately with housing benefit, if that was viable**

Establishing Affordable Housing Target

» **Mix of development sites**

– Affordable housing thresholds

– Most small sites unlikely to deliver any affordable housing

– Policy target will apply to larger sites

» **Local viability assessment**

– Establish the proportion of affordable housing able to be provided without compromising delivery

– Dependant on land values and other factors

– Affordable housing mix could influence overall target

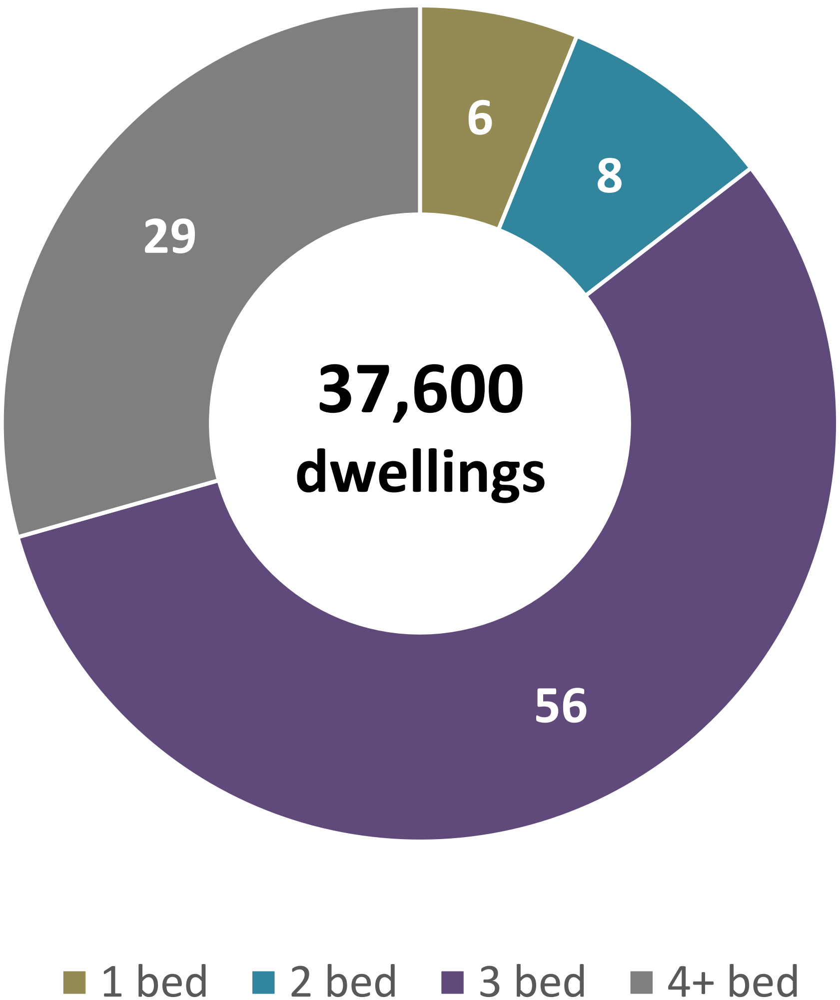
» **Timing of need**

– Existing need at start of Plan period

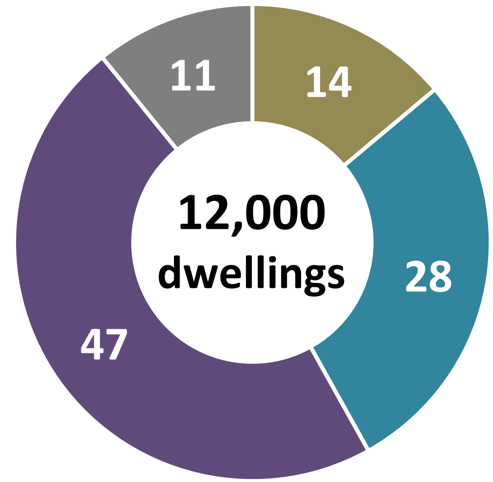
– Annual newly arising need higher in earlier years

Housing Type and Size

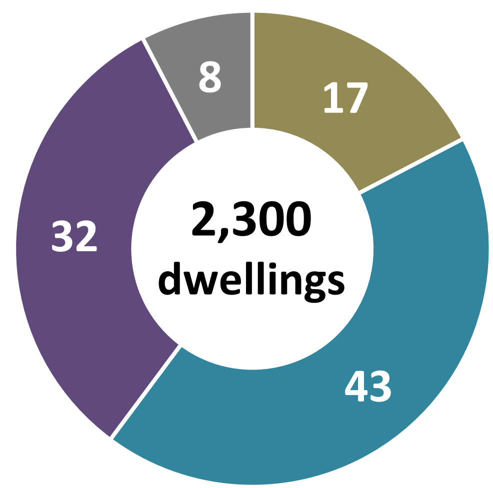
Market Housing



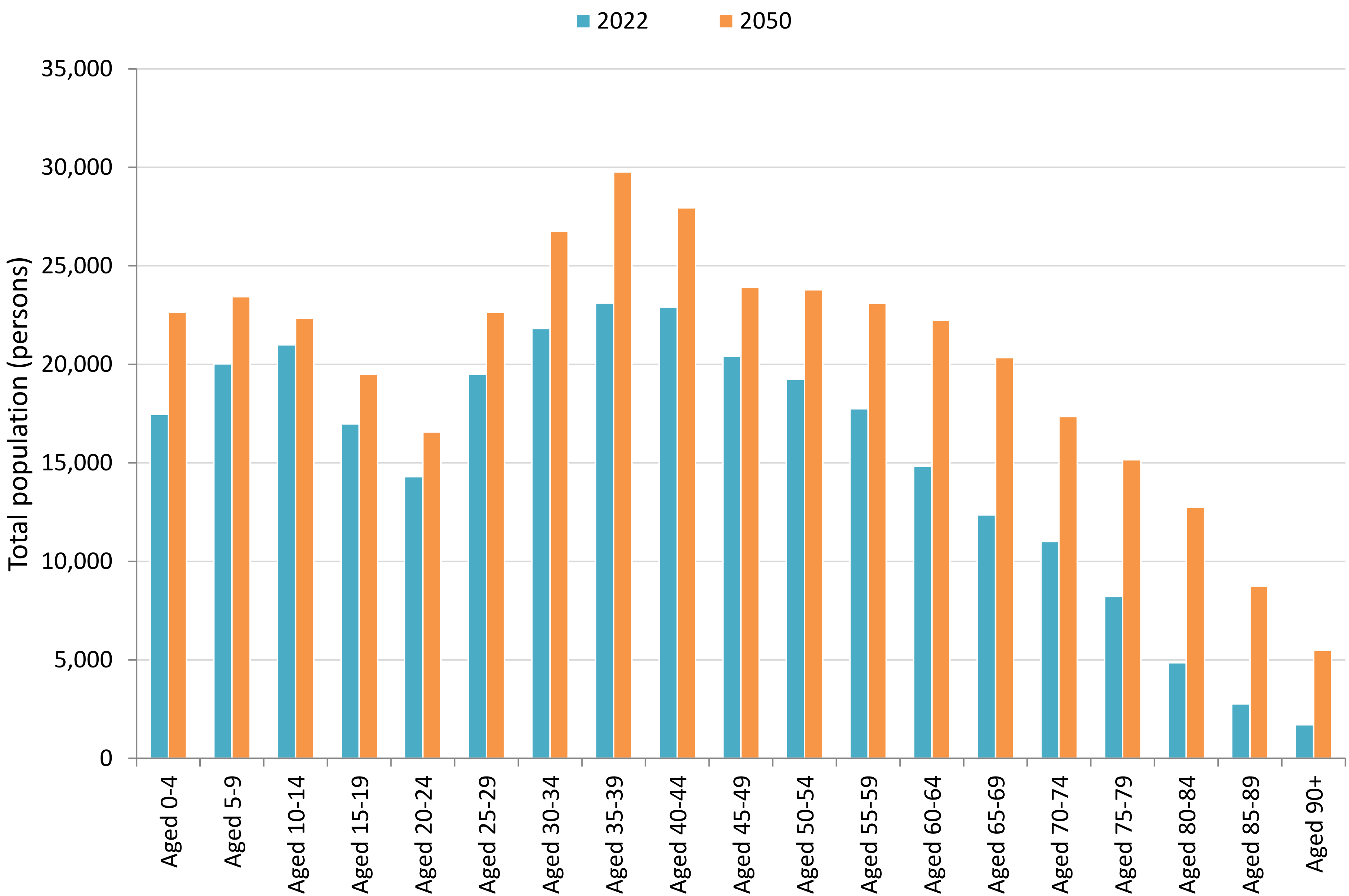
Rented Affordable Housing



Affordable Home Ownership



Population Projections by Age



Older Person Housing: Housing LIN Toolkit

Older Person Housing Need

» **Substantial increase in population aged 75+**

» **Need for older person housing**

– Existing “backlog” based on toolkit rates

– Additional need as population grows

» **Need for 8,000 older person homes from 2022-2050**

– 15% of overall housing need

– 6,100 owned → 16% of market housing

- Includes significant backlog at start of period

– 1,900 rented → 13% of affordable housing

- Surplus of stock until 2030, though possible need for replacement

Adapted and Adaptable Homes

- **Existing households…**
  - 900 need to move to a more suitable home now
  - 4,900 likely to develop health problems within 10 years that will affect housing need
- **Over the period to 2050…**
  - 16,700 additional households will be living in the area with health problems likely to affect their housing needs

- **9,700-22,400 adapted homes likely to be needed**
- **Includes an extra 3,000 wheelchair adapted, two-thirds for households aged 75+**

Student Housing

» **MK:U plan for 5,000 students by 2030**

– University plans to provide around 1,000 bedspaces

– Around 4,000 living in private sector housing or purpose-built student accommodation (PBSA)

– Though some will live at home or commute

» **Beyond 2030, growth from 5,000 to 15,000 students**

– Further 2,000 university bedspaces

– Up to 8,000 additional students in private sector

» **Potential for large increases in private rented stock near the university, including many HMOs**

– Consider if appropriate to issue Article 4 declaration

– PBSA likely to reduce impact on general needs housing

Housing Workstream – Summary

» **Standard Method Housing Need = 1,902 dpa**
– Higher growth than many urban areas with 35% uplift
– Likely population of 384,000 persons by 2050 which would support around 62,000 extra jobs
– Need for 2,265 dpa to reach target population of 410,000

» **Affordable housing represents 27% of the total need**

» **Over the period to 2050, need identified for…**
– 8,000 specialist homes for older people
– 9,000+ adapted homes, including 3,000 wheelchair adapted
– Private sector housing for up to 12,000 students

HOUSING WORKSTREAM

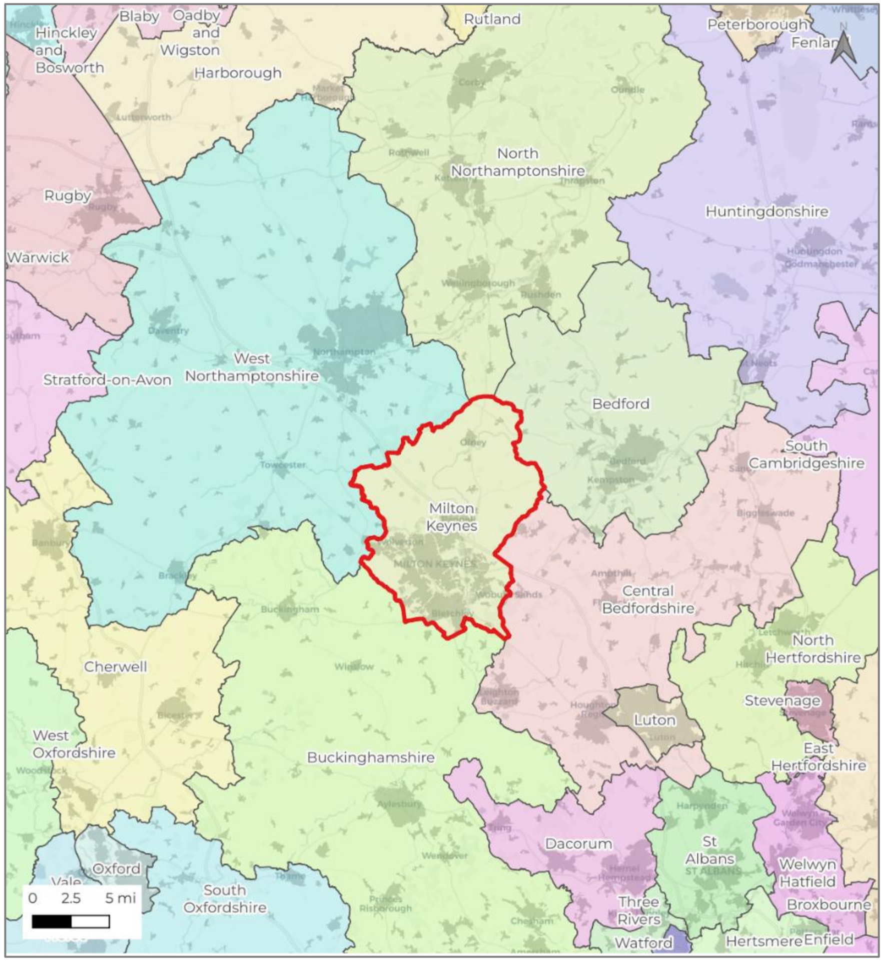
Any Comments or Questions?

Economic Workstream – Introduction

» **Following topics will be covered:**

- Functional Economic Market Area (FEMA)
- Labour market conditions
- Consultation findings
- Economic growth scenarios
- Commercial market overview
- Sites and premises requirements

Functional Economic Market Area



» **Milton Keynes Borough is its own FEMA.**

- Very strong internal linkages.
- Some secondary linkages outside of the borough – Cranfield, Buckingham, and Leighton Buzzard – but not exclusive to Milton Keynes.
- Evidence does not support disregarding LAD boundaries.
- Might have been a conversation around combining with Aylesbury Vale as it was, but Buckinghamshire UA is now so large there would be little basis for such a move in strategic planning terms.
- Potential future change is East-West with Oxford-Cambridge

Labour Market Conditions

» **Economic Activity**

– Milton Keynes has a higher economic activity rate (84%) than the South East (81%) and England (78%) averages.

– Milton Keynes' economic activity rate also increased more (+4 percentage points) compared to the South East (+2 pp) and England (+2 pp) averages since 2011.

Labour Market Conditions

» **Unemployment**

– Unemployment in Milton Keynes (3.8%) is the same as the South East rate, and lower than the GB rate (4.4%).

– Milton Keynes' unemployment rate has also decreased more (–5 pp) than the South East (–5 pp) and GB (–3 pp) rates since 2010.

– National data showing very high vacancy levels

» **High economic activity + low unemployment = tight labour market**

Consultation

» **Future Growth**

– Very positive expectations
– Aspirational culture
– General view that grow at least at historic rate

– MK is maturing
– Global/national economic headwinds
– Labour market the key potential constraint

– CMK proposals is a new model for MK which carries risk

Consultation

» Sites and Premises

- Significant uncertainty over office requirement post Covid
- Potentially slows rate of growth in office, rather than reverses
- Desire to avoid conflict with CMK proposals

- Concern that logistics crowds out other (industrial) activity

- Lots of ageing property

- Importance of affordable business space

Consultation

» Other Issues

– Housing affordability

– Car reliance (parking) – public transport – CMK proposals

– Clear strengthening of skills infrastructure MK:U and IOT

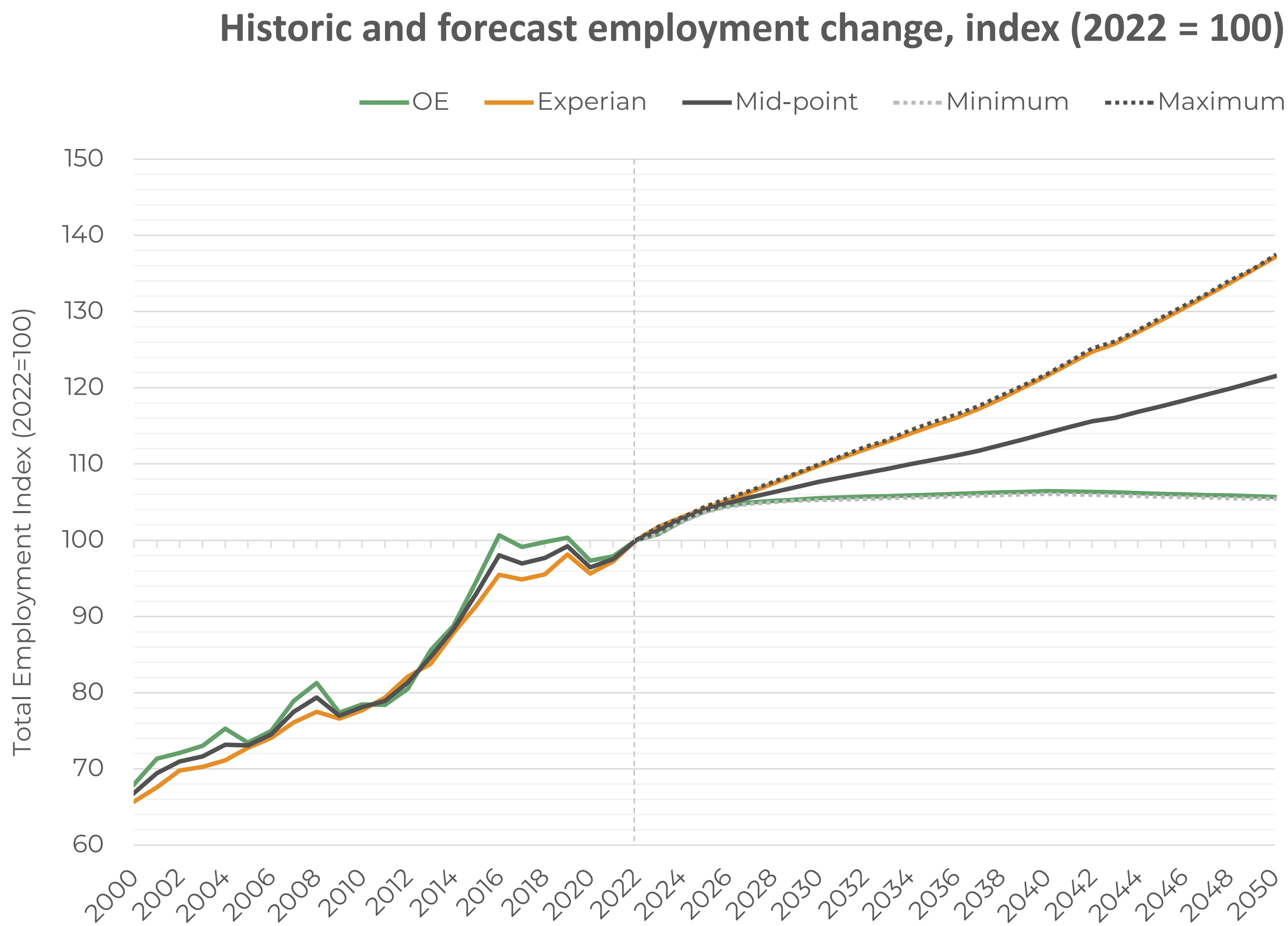
– Continued need to address deprivation challenges

Economic Growth Scenarios

» **Employment**

– Both forecasters show employment growth over the forecast period 2022–2050.

– However, there is a significant degree of divergence between each forecaster.



» **OE**

– Historic: +2,900 p.a.

– Forecast: +400 p.a.

» **Mid-Point**

– Historic: +3,100 p.a.

– Forecast: +1,600 p.a.

» **Experian**

– Historic: +3,200 p.a.

– Forecast: +2,700 p.a.

Economic Growth Scenarios

» **Summary findings:**

– OE’s forecasts are a significant under-estimation of Milton Keynes’ growth potential over the Plan period.

– Treat the Mid-point scenario as the most pessimistic level of growth (becomes Low scenario)

– Treat the Experian scenario as the most optimistic forecast

– This provides a range of employment change of around +1,600–2,700 jobs p.a.

– Broadly aligns with MK 2050 Covid adapted growth range

– Broadly aligns with demographic/housing work

Commercial Market

» Office

- MK a major centre in M1/north M25 market
  - Excellent fundamentals, track record of success
- Pandemic has had major impact on office market
  - Supply remained stable (better than comparator) but may increase over time as space is released
  - Take up muted
  - Future demand/requirements are uncertain
- Substantial stock of ageing office buildings
  - PD Rights already removed secondary stock
  - Others will require refurbishment or repurposing
  - OOT expect redevelopment of offices to industrial/logistics
- Absence of high quality stock will inhibit ability to attract new occupiers
- Viability of new development likely to remain challenging

Commercial Market

» Industrial & Logistics

- MK a very strong industrial and logistics location
  - Many leading occupiers
  - Excellent transport links
  - Abundance of speculative development
  - Highly skilled workforce
- Significant elevation since Magna Park development (2014)
- Pandemic has intensified the ‘race for space’, particularly big box market
  - Rising rents, no signs of slowing as yet
  - High take up building pressure on supply
  - Immediate shortage of 50,000+sqft (5,000sqm) units
  - Scarce second hand stock, but significant supply u/c or in planning
- Decreasing quantity of second hand smaller/medium stock
  - Lack of new development in this segment
- Effects of energy price rises and business rates reassessment may have impact on demand

Sites and Premises Requirements

Approach to assessing sites and premises requirements

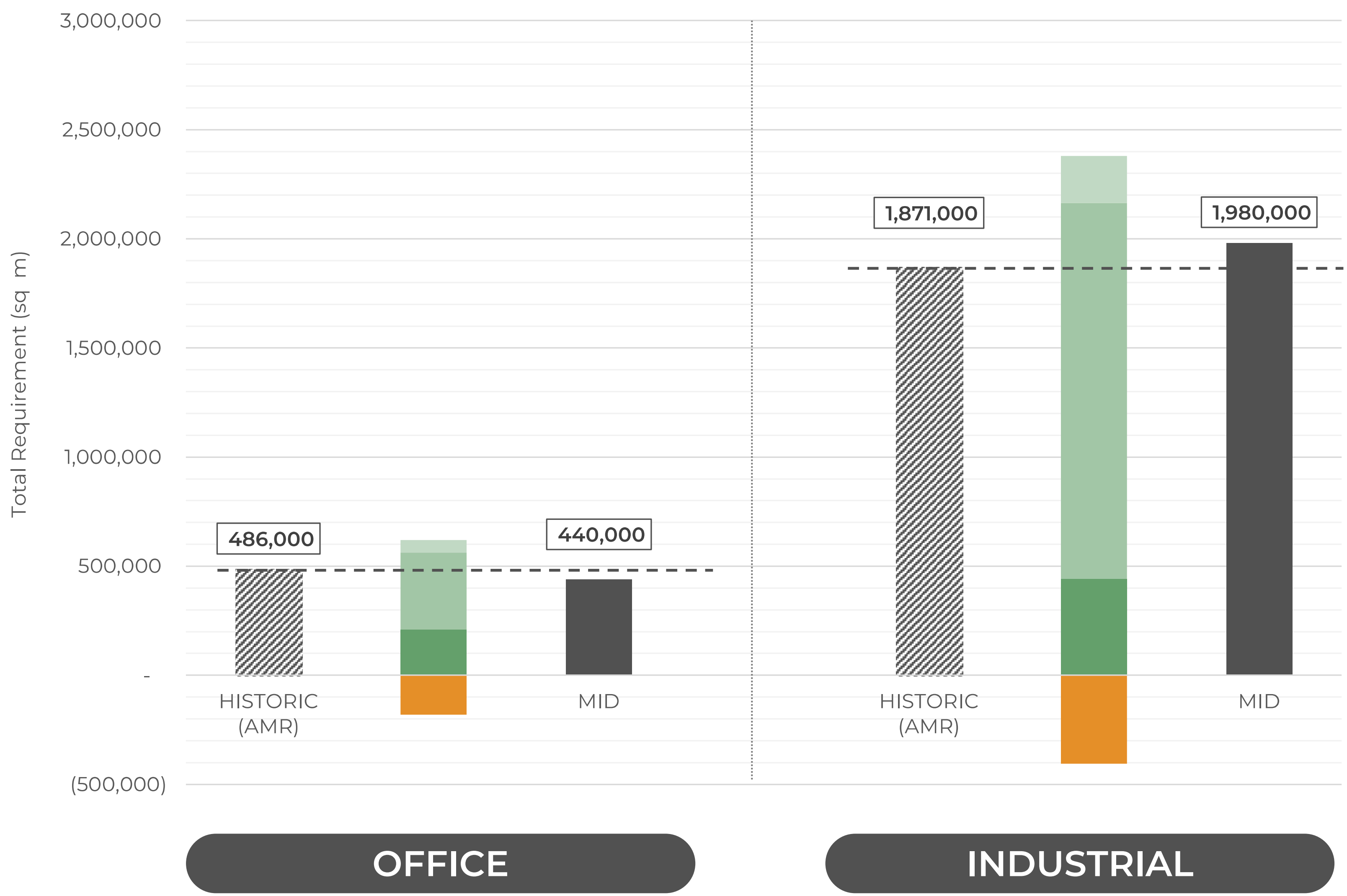
Phase 1

- Sectoral employment forecasts
- Conversion to use class order
- Conversion to FTE emp.
- Conversion to floorspace

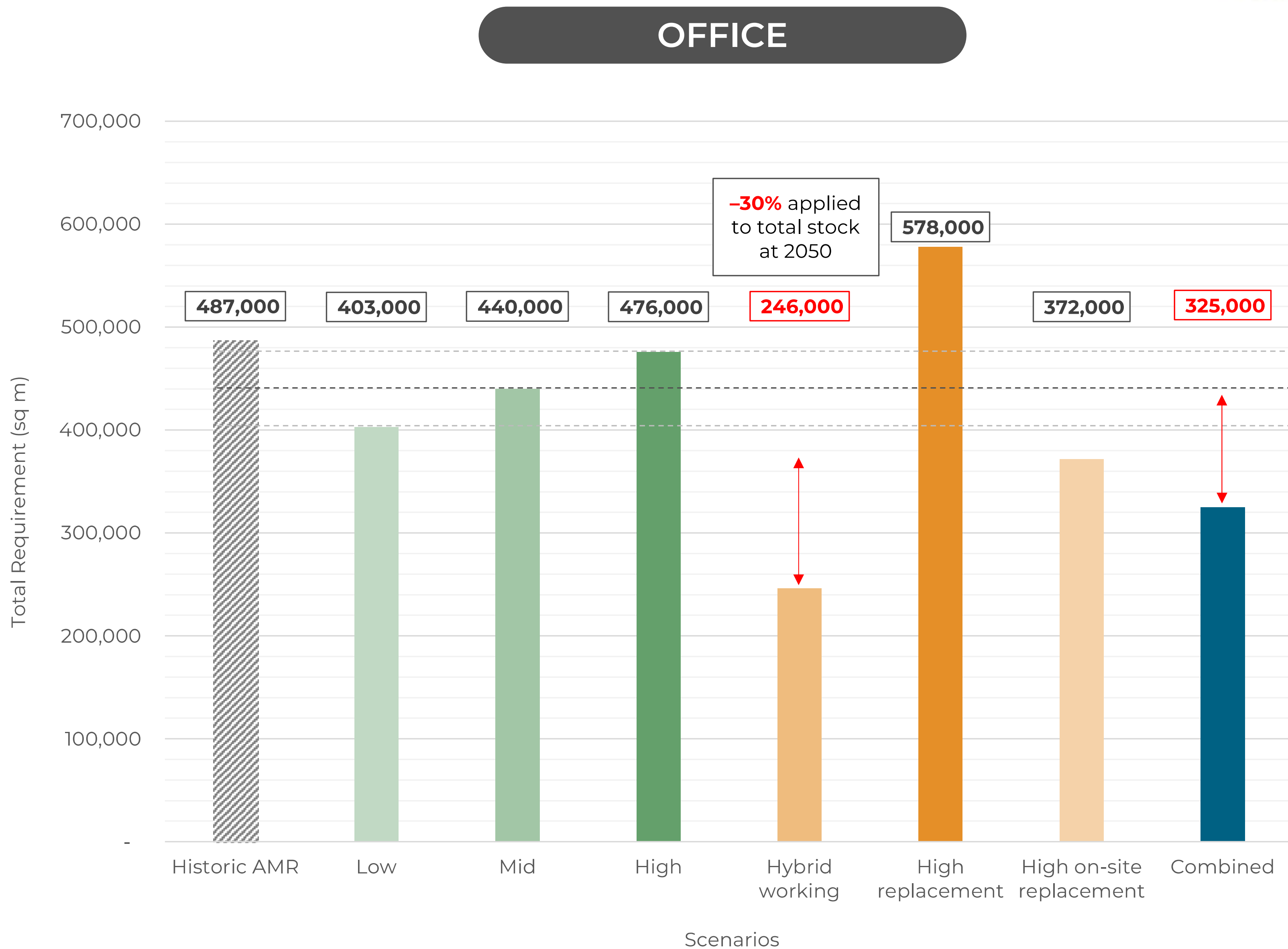
Phase 2

- Allowance for replacement
- Choice and flexibility
- Use of existing emp. sites
- Total req.

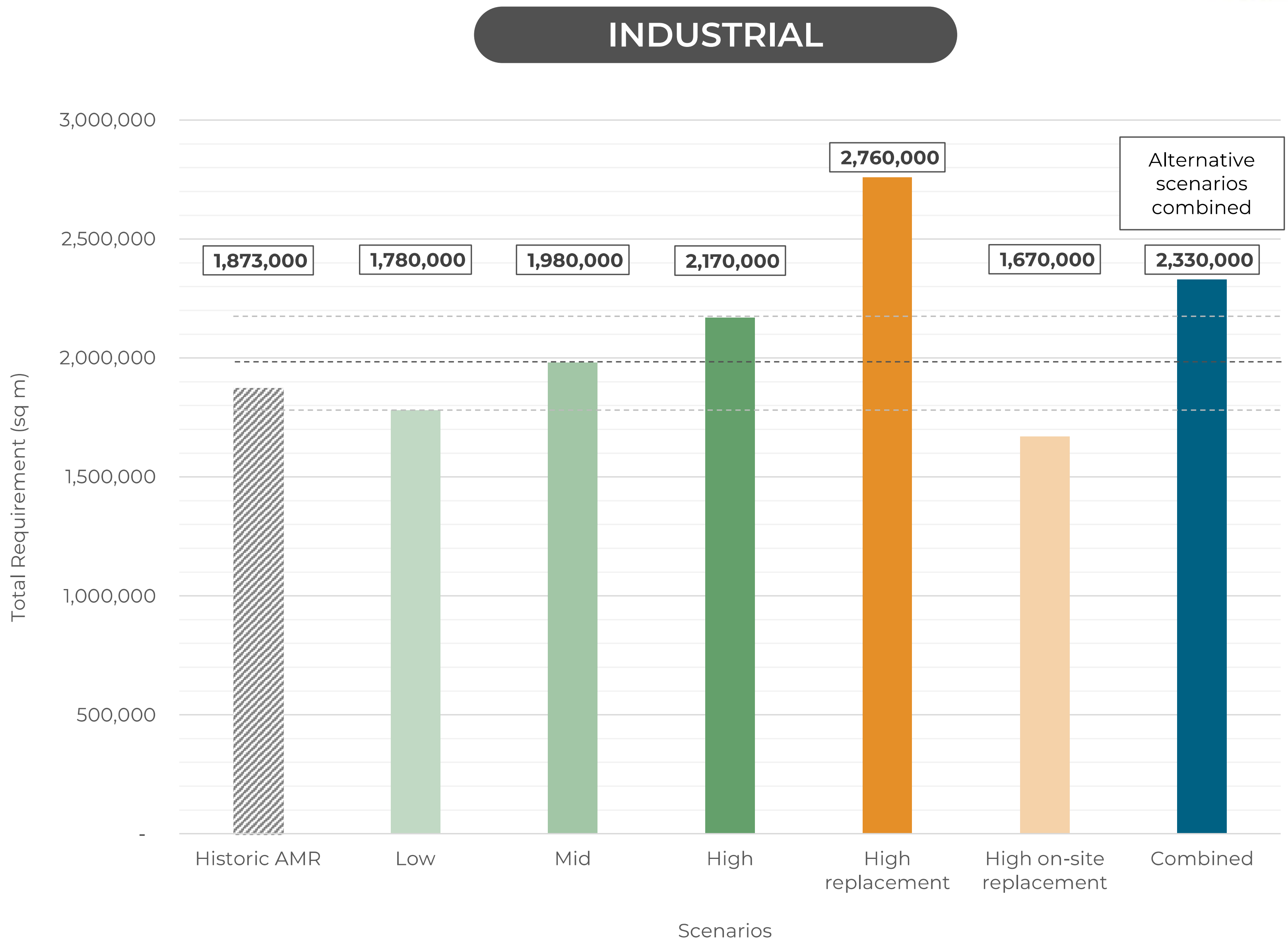
Sites and Premises Requirements



Total Office Requirement – Alternative Scenarios



Total I&W Requirement – Alternative Scenarios



Total Requirement – Office Summary

» Key messages

– Total requirement

- 13,000 – 21,000 sq m per annum (2.3 - 3.6ha)
- 370,000 – 578,000 sqm 2022-50 (65-100ha)
- Central view 16,000 sqm p.a. 440,000 sqm (2.7ha p.a. or 75ha)
- Historic activity around 17,500 sqm per annum

– Replacement demand is key driver

– Majority of scenarios c10-20% below historic

- High replacement is the only scenario above historic

– Will depend on level of refurb vs redevelopment

– With higher density (taller) development land requirement falls under all scenarios

Total Requirement – I&W Summary

» Key messages

– Total requirement
  - 16-26ha per annum (450 – 750ha 2022-2050)
  - Central view 19 – 22ha p.a. (530 – 625ha)
  - Historic c16.7ha per annum

– Current supply of c230ha

– Replacement and logistics/warehousing demand is key driver
  - on site replacement uncertain and requires monitoring

– Majority of scenarios at or above historic levels

– SEMLEP study indicates very strong demand for large logistics
  - May require some further uplift to estimates

Emerging Conclusions

» Office

– Significant uncertainty remains in key trends

– Potential for lower requirement than historic

– Will require careful monitoring

– Higher density development will reduce land required

» Industrial

– Likely to be slightly higher requirement than historic

– Degree of recycling of existing employment sites uncertain (may reduce overall requirement)

– Findings of SEMLEP study may counteract this

ECONOMIC WORKSTREAM

Any Comments or Questions?