

# Swindon - the real picture Part 2

## Crisis of housing affordability

Both David Renard the Council Leader and MP Robert Buckland highlighted from the Centre for Cities report the fact that house prices in Swindon were lower than many other places on the list. That might attract people from dearer areas like Reading, but what about local residents? How are house prices impacting on them? The key thing with house prices and rent is not how they compare with other towns, but how they relate to the earnings of local people. David Renard and Robert Buckland neglected to mention that the same report showed the average house price was 8.19 times earnings, up from 6.62 in 2010. So the “success” of the town's economy includes a rising gulf between house prices and earnings.

Swindon has suffered from a crisis of housing affordability for a long time, both for those who rent in the private sector and those seeking to buy. During the period of the housing boom, before the crash in 2008/9, house price inflation outstripped earnings, making it impossible for an increasing number of local people to be able to afford a mortgage. The ratio of prices to earnings for a median priced house<sup>1</sup> reached a high point of 6.26 times earnings in 2006<sup>2</sup>. The high point for the lowest quartile (cheapest) properties was even higher at 7.28 times earnings. When the crash occurred ratios declined somewhat, though they were still high by historical standards. In 2010 the median ratio was 5.81 times earnings and the lower quartile higher still at 6.20 times.

The latest available official statistics, for 2016, show the median ratio having *surpassed the previous high point*, reaching 6.66 times earnings. The lowest quartile was almost at the pre-crash high, reaching 7.20 times earnings. Whilst we don't have official statistics after that we do know that house prices have continued to climb since 2016 so it is likely that the ratios will have risen further, as the Centre for Cities report suggests.

An interesting point which stands out from the data in the report, if you compare 2017 with 2010, is that house prices in the town have increased by over £50,000 during that period, whereas the average wage has increased by £2.44 a week! That's compared to a CPI inflation level over the period of 18.1% Strangely our intrepid leaders have neglected to draw our attention to this.

### Private sector rents outpace earnings

With more stringent conditions attached to mortgages and prices still rising, Swindon house prices are way too high for many local people. With a shortage of council housing (there are around 200 less today than in 2011) people priced out of buying have no choice but to rent in the private sector. Such is the pressure for properties that private rents are outpacing earnings as you can see in Table 2. The lowest quartile rents, whatever the bed numbers, have all increased by 10% plus over the last two years<sup>3</sup>.

Table 3 shows that the local housing allowance (LHA, the private sector equivalent of housing benefit) does not come anywhere near covering rents, even if the tenant receives the maximum LHA payment. Young people under 35 have been especially badly affected by the government's change of policy whereby the lower shared accommodation rate (SAR), which previously applied to those under 24, now applies to them. Those who might

1 The median is the middle point, indicating 50% below and 50% above.

2 Office for National Statistics data.

3 Statistics from the Valuation Office Agency.

have previously been able to rent a one bedroom flat have been forced into shared accommodation. Yet even here the rent increases are making it harder for low paid people, or those out of work, to afford rents where the average has increased by nearly 18% over the last two years alone.

One of the idiocies of current government policy is promoting an increase in the number of private sector properties for rent whilst ending grant for building 'social housing' and continuing to sell off council homes via Right to Buy. The increase in the PRS has driven up the housing benefit/local housing allowance bill. Compare the LHA maximum which private tenants can receive, with council rents and you can see from the comparison that somebody qualifying for 100% LHA will be paid from £141 to £425 a month more than housing benefit for a council tenant paying 'social rent'. This is in effect a subsidy for private landlords supporting an exploitative market.

The question with the private rented sector is not whether there are good or bad landlords. There are both. The problem is that PRS rents are often extortionate and the quality of many of the properties is poor. Nationally, around a third of PRS properties are non-decent, the highest proportion of all housing tenures. We have known for a few years now that some landlords in Swindon are taking advantage of the shortage of genuinely affordable housing by renting 'beds in sheds' and even garages. When a landlord was fined for renting unsafe accommodation, Rebecca Martin, a Swindon Borough Council Environmental Health Officer told the Swindon Advertiser:

“Beds in sheds' as they are known are increasingly becoming a problem locally and nationally and it appears that landlords feel they can get away with providing sub-standard accommodation.”

As we showed in Part 1 a large proportion of the population is earning less than seven years ago, whilst the value of earnings has declined considerably even for many of those whose earnings have increased. Finding decent housing that they can afford is much more difficult today. Whilst the average weekly wage in Swindon in 2017 for full-time employees was £524.20, an increase of 2.8% over the previous year, the median *declined* by 2.1% to £454.20<sup>4</sup>.

This crisis of affordability underlines that resolving the housing crisis is not just a question of increasing the number of homes built, but building homes that local people can afford. Currently the council is building less council homes than it is losing to Right to Buy. Moreover, it is charging “[affordable rent](#)”<sup>5</sup> (AR) in new properties and converting some from 'social rent' to AR. This is another policy which pushes up the Housing Benefit bill. In Swindon AR is on average 31.9% higher than 'social rent'.

David Renard was recently quoted in the Swindon Advertiser as saying that his administration “puts housing before ideology”. On the contrary *it puts its political ideology before housing need*. It has continued to support its government's disastrous housing policy because it appears to believe that the housing market should largely determine what is built. Swindon council's policy is to allow speculative private building to dominate. Private builders and developers control the release of land in such a way as to maximise their profits. So long as house building is dominated by commodity production then the crisis of affordability will drag on. Housing need is not on the radar of the big building

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4 Data from ASHE – Average Survey of Hours and Earnings, Office of National Statistics.

5 <http://keepourcouncilhomes.wordpress.com/2018/02/11/affordable-rent-on-average-31-9-higher-than-social-rent/>

companies who operate a system of “[contrived scarcity](#)”<sup>6</sup>. The only way to address housing need is a return to large scale council house building. So long as house building is left to the market then developers/house builders will build what maximises their profits regardless of housing need. That is why the average house price is over 8 times average earnings in Swindon.

The housing market cannot resolve the crisis of affordability because, as the Financial Times has pointed out, it is against the interests of the developers and big builders. In an Editorial it wrote:

“The fact is that private developers, left to their own devices will not build enough to meet demand, especially when the greatest need is for affordable renting in urban areas. It is not in their interests to do so, since the result would be lower house prices and land values, eroding their profitability.

Any solution to the housing crisis must include a bigger contribution from the public sector.”

If even the Financial Times can see this, why can't Swindon Council's Conservative administration? It is certainly true that central government policy prevents councils from building council housing on any scale. However, if the ruling administration does not challenge the government's strategy then it shares culpability for the worsening housing crisis in Swindon. The housing market will never provide housing for social need. Only municipal housing, partly funded by central government grant, can do that.

Martin Wicks

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**Table 1. Ratio of house price to residence-based earnings in Swindon**

		Median				Lower Quartile	
Year	Ratio	House price Quarter 3	Earnings	Year	Ratio	House price Quarter 3	Earnings
2006	6.26	£146,500	£23,417	2007	7.28	£130,000	£17,855
2010	5.81	£155,000	£26,677	2010	6.20	£120,000	£19,350
2016	6.66	£195,000	£29,259	2016	7.20	£150,500	£20,891

**Table 2. Private sector rents in Swindon**

	Year to Sept 2015	Year to Sept 2017	% increase
<b>Room only</b>			
Mean	£377	£444	17.8
Lower Quartile	£350	£395	12.8
Median	£375	£435	16.0
Upper Quartile	£400	£480	20.0
<b>Studio flat</b>			
Mean	£476	£547	14.9
LQ	£425	£495	16.5
Median	£500	£568	13.6

6 <http://keepyourcouncilhomes.wordpress.com/2017/01/15/major-house-builders-and-contrived-scarcity-in-housing/>

UQ	£525	£585	11.4
<b>One Bed</b>			
Mean	£531	£595	12.1
LQ	£495	£550	11.1
Median	£525	£595	13.3
UQ	£570	£650	14.0
<b>Two Bed</b>			
Mean	£622	£699	12.4
LQ	£575	£650	13.0
Median	£625	£695	11.2
UQ	£650	£750	15.4
<b>Three Bed</b>			
Mean	£785	£875	11.5
LQ	£700	£795	11.9
Median	£776	£850	9.5
UQ	£845	£925	9.5
<b>Four Bed</b>			
Mean	£1,111	£1,187	6.8
LQ	£850	£1,000	17.6
Median	£995	£1,150	15.6
UQ	£1,250	£1,295	3.6
<b>All</b>			
Mean	£625	£698	11.7
LQ	£508	£575	13.2
Median	£600	£675	12.5
UQ	£695	£750	7.9

**Table 3. Comparison of private rent with local housing allowance Swindon**

	LHA pcm	Rent pcm LQ	Shortfall	Rent pcm Median	Shortfall
Room only	£267.97	£395	£127.03	£435	£167.03
1 Bed	£461.67	£550	£88.33	£595	£133.33
2 Bed	£552.54	£650	£97.46	£695	£142.46
3 Bed	£682.76	£795	£112.24	£850	£167.24
4 Bed	£858.47	£1,000	£141.53	£1,150	£291.53

**Table 4. Comparison of Council rent 2016-17 with LQ private rent Swindon**

	Social rent pcm	LHA maximum	Difference
Bedsit	£290.33	£461.67	+ £171.34
1 Bed	£320.23	£461.67	+£141.44
2 Bed	£352.21	£552.54	+ £200.34
3 Bed	£378.95	£682.76	+ £303.19
4 Bed	£433.63	£858.47	+ £424.84

