

Swindon house prices race ahead of earnings

In a recent letter to the Swindon Advertiser I wrote about house price rises continuing to outstrip wages. Since then I had a look at the latest ONS statistics for Swindon for September 2020 . It gives the data for median and lower quartile house prices and earnings, both for existing homes and new builds. When you compare these with 2010 you can see the reality of house price inflation for all homes, but especially for new builds.

For existing median properties prices have increased by 48.8% as compared to an increase in earnings of 17.3%. The cheapest, lower quartile properties have increased by 49.8% compared to 23.1% for earnings. This underlines the degree to which many people are 'priced out of the market'. However, the situation with new builds is even worse.

A median new build price has increased from £165,000 to £339,000, now 10.73 times median earnings. The lower quartile new build has increased from £125,000 to a staggering £291,550, 12.27 times lower quartile earnings.

When you compare these increases shown in the table below with median and lower quartile prices for England you can see that house price inflation in Swindon is worse. In 2012 median new build homes in Swindon were £25,000 cheaper than the median for England. Yet by 2020 they had soared ahead, being £34,000 higher. Lower quartile new builds were below the lower quartile for England in 2012 yet have rocketed to more than £60,000 above them in 2020.

The September figures for last year show a fall in prices from the previous year, as a result of the pandemic. But in Swindon prices continued to rise.

I have previously written about the danger of Swindon becoming a [dormitory town](#), with house prices rising beyond the means of many local people. There has definitely been an increase in the numbers of people from places like Oxford, Reading and Slough, buying a property in Swindon and commuting to work. With median house prices at *more than 10 times* local median income, you can understand why.

Anecdotally, one of the people who responded to my recent letter said that he had recently sold a house and most of the bidders for it were Slough, Reading, Bristol or London. Those from Swindon made much lower offers.

One factor which makes these new houses more affordable (though pushes up prices) is the government's Help to Buy Scheme. In Swindon up to the end of December 2020 2,304 homes have been bought with Help to Buy which involves a minimum 5% deposit, a 20% loan from the government, and no interest charges for the first five years. The buyer has to repay the government loan when they sell the house or when the mortgage ends. However, it's not like an ordinary mortgage, you will have to 'repay' 20% of whatever the value is at the time. Moreover, from year six you will have to pay 1.75% interest on the government loan and then RPI + 2% a year after that. If interest rates rise, a lot of people will be in trouble.

Help to Buy is effectively a subsidy for the major house builders. The Guardian reported that in 2012 the year before the introduction of Help to Buy the biggest nine builders paid out dividends to share holder of only £57 million. They subsequently paid out nearly £8 billion in dividends up to 2019.

Help to Buy is only available for new build properties. It has made a major contribution to the more than doubling of new build house prices. There will, of course, be some local people who can buy new housing, but less and less of them. How can an increase in price of £174,000 in comparison with an 18.4% increase in earnings be justified, or £166,500 increase in the case of lower quartile new homes compared to 23.1% increase in earnings? This is not the result of a market mechanism, but of control of building by the large builders, who build at a pace which ensures that prices continue to rise. There is no way they will increase building with the result of a decline of their profits.

With so much new building taking place as Swindon council expands the town, without a return to large scale council house building we are likely to see an increase in the private rented sector as house prices continue to outstrip earnings. The increasing numbers of people who cannot afford a mortgage have no choice but to rent privately, given the shortage of council housing. It will be interesting to see the results of the 2021 census. Between the 2001 and 2011 censuses the numbers increase from less than 5,000 to more than 11,000. It would be no surprise if this wasn't doubled.

What is clear is that Swindon's house crisis is getting worse and the strategy of the council does nothing to tackle it. The crisis of affordability cannot be resolved by sheer numbers of new homes, especially when prices are more than ten times median earnings and more than 12 times lower quartile.

Martin Wicks

Existing dwellings

Swindon				England			
Median	Price	Earnings	Ratio	Median	Price	Earnings	Ratio
Sept 2012	£146,500	£26,912	5.44	Sept 2012	£180,000	£26,826	6.71
Sept 2020	£218,000	£31,580	6.90	Sept 2020	£230,000	£31,766	7.65
Increase	48.8%	17.3%		Increase	27.8%	18.4%	
Lower Quartile	Price	Earnings	Ratio	Lower Quartile	Price	Earnings	Ratio
Sept 2012	£115,500	£19,300	5.98	Sept 2012	£124,995	£19,010	6.58
Sept 2020	£173,000	£23,768	7.28	Sept 2020	£158,500	£22,932	6.91
Increase	49.8%	23.1%		Increase	18.8%	20.6%	

New build

Swindon				England			
Median	Price	Earnings	Ratio	Median	Price	Earnings	Ratio
Sept 2012	£165,000	£26,912	6.13	Sept 2012	£190,000	£26,826	7.08
Sept 2020	£339,000	£31,580	10.73	Sept 2020	£304,995	£31,766	9.60
Increase	105.5%	18.4%		Increase	60.5%	18.4%	
Lower Quartile	Price	Earnings	Ratio	Lower Quartile	Price	Earnings	Ratio
Sept 2012	£125,000	£19,300	6.48	Sept 2012	£142,995	£19,010	7.52
Sept 2020	£291,550	£23,768	12.27	Sept 2020	£223,995	£22,932	9.77
Increase	133.2%	23.1%		Increase	56.6%	20.6%	