

Reviving the Right to Buy has garnered criticism, as it did in 1979, but 2 million households benefitted then and many will likely benefit now.

In the run up to the Conservative party conference, David Cameron outlined plans to bring back the Right to Buy policy for council tenants. 2 million tenants might now be eligible for this revived scheme, potentially funding 200,000 new homes. [Christine Whitehead](#) looks at how this policy may now be affected by the current financial situation, higher prices and harder to get mortgages.



Last week in the [Andrew Marr Show](#), David Cameron indicated the government's intention to revive the [Right to Buy policy](#) that has been in abeyance under the Labour government in part because declining discounts together with rising prices had made it unaffordable for most council tenants.

The Right to Buy policy was the first privatisation policy introduced by Mrs Thatcher in 1980 and it was incredibly successful. By enabling nearly two million tenants across Great Britain to buy their homes it changed the face both of owner-occupation and of many council estates. One result of 'peppercotted' sales is that, while there are particularly high concentrations of poverty and deprivation in council housing, the spatial concentration is much less than it would otherwise have been because of increasing tenure mix. The policy was highly popular, unusually even with those who knew they would not benefit, raising aspirations among households who had never expected to buy, and giving those who bought freedom to see their home as their own and treat it how they wished.

The main objection came from housing professionals who saw the policy as selling the family silver to the benefit of the Treasury rather than to those in housing need. This is one reason why the Prime Minister has so strongly emphasised that the money from the revived policy would be used to provide as many as 200,000 new affordable homes.

Will the revived policy be so successful? As was initially the case in 1979 there have been many sceptical responses:

- Will people want to buy the left overs? – obviously most of the better properties have been sold off in the earlier rounds. But there are nearly 2 million properties still owned by local councils mainly in urban areas.

Most are in estates but that does not mean high rises – (which in the main are not so suitable for individual ownership) – and increasing tenure mix could be expected to improve the neighbourhoods;

- Will tenants have enough money to buy even if they want to? Lower valuations, higher discounts, and family contribution will mean there are potential buyers – if the properties and neighbourhoods are of acceptable quality to them. This does mean that, if the policy is successful, what remains will be even more residualised. But those who buy will get a good deal.
- Will mortgages be available? This was predicted to be a problem in 1979 – but the industry did provide. Obviously the situation is different post the financial crisis but the discounts should make it possible for employed households to get a mortgage.
- Can enough new homes be built to make it worthwhile? This depends on the scale of the discounts



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which has not yet been determined – but it certainly cannot be one for one without additional subsidy, even applying the 80% market affordable rents regime to the new stock. In the current climate the most likely form of additional subsidy would be public land. But that would be double counting against other announcements. The alternative is to argue – as was done in the 1980s – that what is being sold is tenanted, so only a small proportion would come available for new letting each year. On this basis building only a percentage of those sold would still improve access.

There are two more fundamental issues that perhaps the policy might address once it is developed. First, only local councils can be required to sell. But half the social stock – and probably a larger proportion of those who can and want to buy are tenants of Housing Associations. Developing a policy which gives Housing Association tenants the freedom to buy and ensures that the money is recycled into new affordable housing development is a far more complex and politically difficult task.

Second, a number of commentators have argued that the money could be better spent on helping those who cannot fund their own deposits in the new harsher financial regime – e.g. by providing a 25% equity share. This would almost certainly be a more populist approach – but it would help people further up the market and does nothing directly to stimulate new supply or to support the growth agenda – which is the most fundamental concern in present circumstances.

David Cameron spoke of 200,000 new homes through the revival of the Right to Buy. That sounds massively optimistic given the stock that is available, the poverty of the majority of tenants, the current economic climate and uncertainties about the risks associated with owner-occupation. But that is what was said in 1979 when, in the end, 2 million households did benefit. People still say they want to own just as much as they did in the past – so from a political point of view it makes sense to try.