

Testing the limits of home ownership? The Right to Buy and housing associations in England

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Ben Pattison, Sheffield Hallam University

Ian Cole, Sheffield Hallam University

Aidan While, University of Sheffield

@bmpattison

Overview

- Growth and decline of owner occupation
- Recent attempts to 'reinvigorate' the Right to Buy
- Relationship to Ideologies of Homeownership
- To what extent can governments still support access to owner occupation amongst social renters?
- Findings from VRTB pilot with 5 Housing Associations
 - Incomes and savings amongst pilot tenants
 - Geographic variation in house prices
 - Access to the mortgage markets
- Empirical and theoretical implications

Background - Growth and Decline of Owner Occupation

- Growth of owner occupation:
 - 43% in 1961 to 70% in 2001 (UK)
- Wave 1 - 1960s: Full employment, increased affluence of working classes, mortgage tax relief
- Wave 2 - 1981: Right to Buy (RTB), mortgage tax relief
- Wave 3 - 1986 onwards: Financialisation of housing and deregulation of mortgage market
- Decline of owner occupation in England
 - Peak of 71% in 2003 to 63% in 2014/15
- Similar declines in a range of other countries

Literature: Right to Buy

- RTB as a flagship housing policy (Murie, 2016)
 - Around 1.9 million sales to local authority tenants since 1981
- Post GFC situation
 - Residualisation of social housing and precarity of labour market
 - Increased constraints on mortgage market
 - Gap between aspiration and reality (Crawford & McKee, 2016) with 'Generation landlord' (Ronald, 2016)
- Reinvigoration of RTB post-2010
 - Increased discounts for LA RTB (and failure to achieve 1 to 1 replacement)
 - Conservative manifesto commitment to extend RTB to HAs in 2015
- Voluntary deal with Housing Associations (via NHF)
 - Pilot scheme launched with 5 HAs

Theory: Ideologies of homeownership

The role of RTB in supporting/responding to ideologies of homeownership

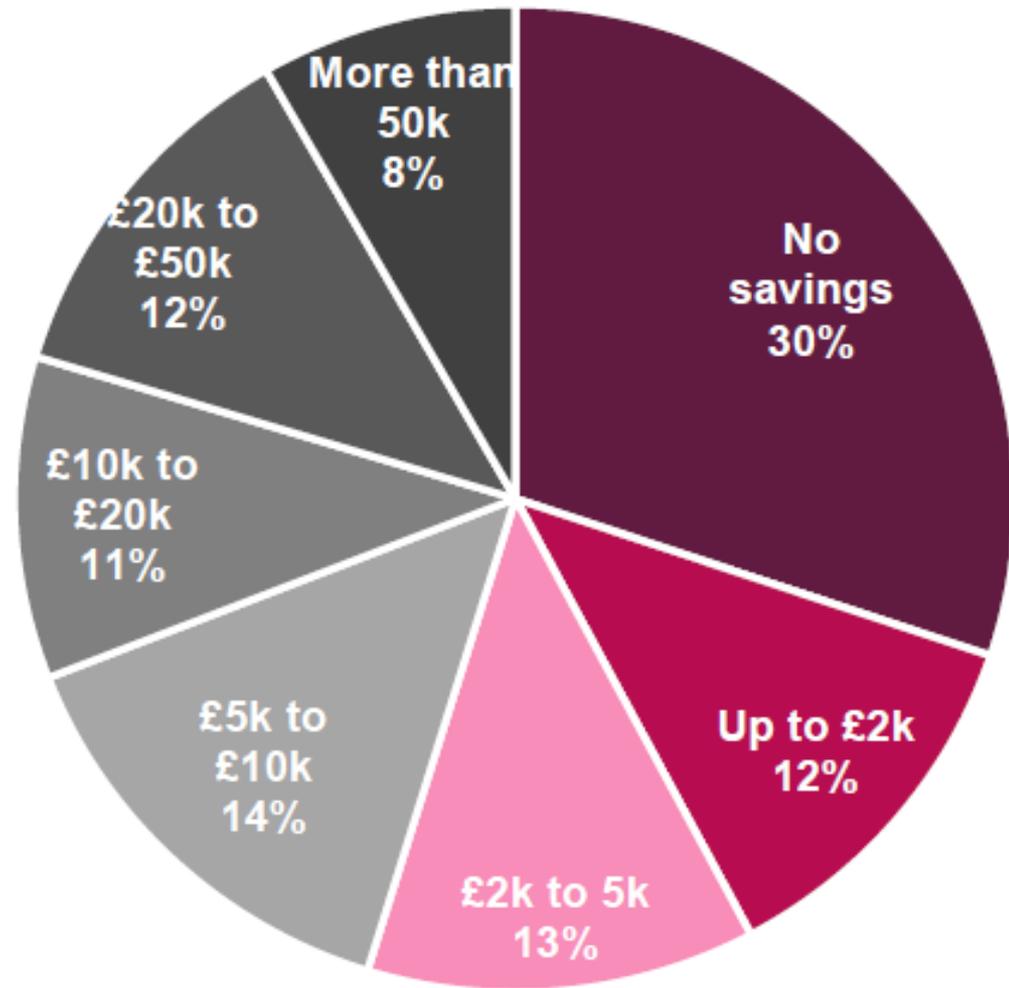
- Myth "concerning the superiority of home-ownership" (Kemeny, 1981)
- 'Natural' desire for homeownership (Saunders, 1991)
- Both overly deterministic (Ronald, 2008)
 - Homeownership as a social ideal and structured choice
 - 'Really Big-trade Off' in relation to welfare systems (Kemeny, 2005)
- Homeownership as a social project (Forrest and Hirayama, 2015) - promise of home ownership has shifted to a promise of private landlordism due to financialisation
- Restoring a nation of homeowners: Decline is due to economics not cultural change (Saunders, 2016)

Research question and methods

- **To what extent can governments still support access to owner occupation amongst social renters?**
- Action learning by Sheffield Hallam and University of Sheffield on VRTB pilot with 5 Housing Associations
- Data sources
 - Online survey/follow up survey with tenants expressing an interest
 - Detailed qualitative interviews with tenants
 - Analysis of applications
 - Stakeholder interviews
 - Analysis of completions (ongoing)
- Research findings now published
 - Still a strong desire for owner occupation

Findings 1: Incomes and savings amongst pilot tenants

- Household incomes are low and precarious
 - 59 % of applicants had a gross annual household income of less than £32,000
- Lack of savings as cushion



Household savings of applicants (application forms, N=398)

Findings 2: Geographic variation in house prices

- Increase in housing prices since 1980
- Geographic variation in house prices
- Size of discount (£103k in London or £77.9k) up to maximum of 70% of price

Table 8.1: Key statistics on valuations in the pilots (August 2016)

	L&Q	Riverside	Saffron	Sovereign	TVH
Mean	£374,800	£93,600	£164,400	£240,700	£307,000
Min	£180,500	£40,000	£100,000	£190,000	£200,000
Max	£650,000	£275,000	£230,000	£310,000	£450,000
Number	65	163	39	49	5

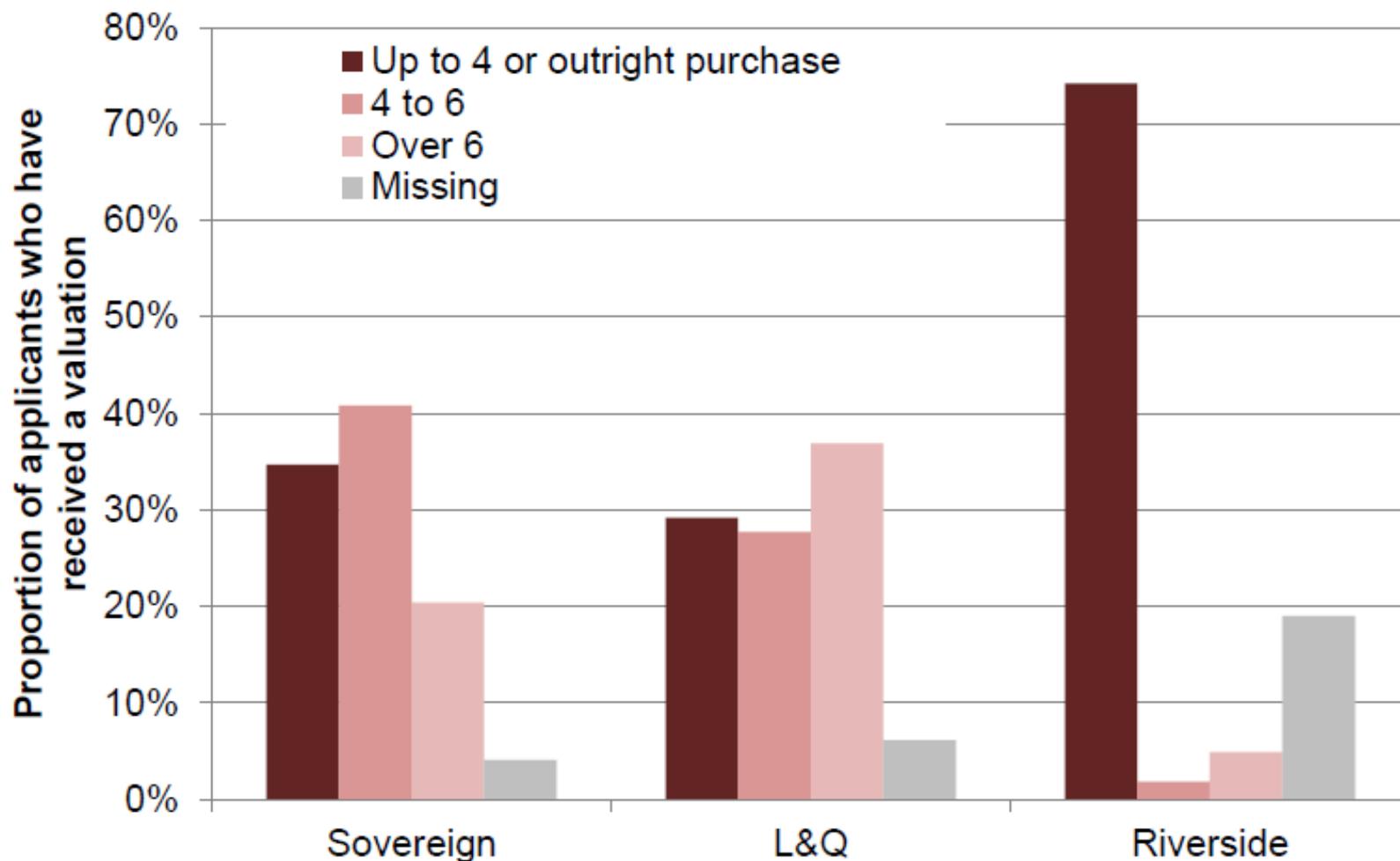
Findings 3: Access to mortgages

- 89% intended to get a mortgage
 - 69% of these tenants also reported being very or fairly confident that they could secure a mortgage.
- Some evidence of tenants artificially (and temporarily) boosting their income through overtime

"I spoke to two mortgage brokers and the first thing they said is you will not get the mortgage on the full amount, even though I'd got some money saved, they still said you won't get a mortgage, your salary's just not enough, cos I'd need something like seven times my salary.... I needed to be earning 80,000 and not many average people who are in social housing would be earning 80,000". Tenant interview

Findings 3: Access to the mortgage markets

Figure 8.5: Income multipliers for applicants receiving a valuation (after discount and savings)



Empirical implications

- The VRTB is operating in a very different context to start of statutory RTB
 - House prices create highly uneven access and necessitate high levels of subsidy in many areas
 - HA tenants have precarious finances which reflect residualisation, changes to labour market and welfare reform.
 - Mortgage market creates high levels of risk for some (many?) HA tenants
- Whilst VRTB is potentially liberating for some tenants the wider impact is likely to be destabilising for HAs and residents - potentially accelerating other marketisation/financialization of HA sector
- VRTB is problematic for government to underwrite - high take-up is unlikely to be financially feasible given the:
 - cost of discounts and 1 to 1 replacements
 - immense problems of the sale of 'high vale stock'
- Highlights the extreme difficulty of increasing owner occupation amongst HA tenants

Theoretical implications

- Challenges simplistic notions of both 'natural' desire for homeownership or 'false consciousness'
- Following Ronald - home ownership remains a social ideal but the nature of the 'structured choice' is changing
 - RTB is largely rhetorical/ideological device to catch the political benefits of being seen to 'extend home ownership'
 - The material realities (and the rationing barriers such as length of tenancy) will ensure it will only ever be small scale without immense government subsidy
- Saunders (2016) correct to suggest that barriers are largely economic
- However, Forrest & Hirayama may provide a more useful theoretical basis for understanding these trends
 - the 'generosity' of lenders mean that risk is being devolved to the RTB purchaser while the lenders get their hands on a prime asset (in London anyway) if the purchaser defaults
 - Is this evidence that RTB is being 'financialised'
 - If so, the local authority RTB may not provide a very good guide to what might happen under VRTB

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