

Tenant Perceptions of the Right to Buy Extension: *Evidence from the Big Tenant Survey*

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Summary

The extension of the right-to-buy (RTB) to housing association properties is a major change in housing policy with important ramifications for housing supply and access. The Big Tenant Survey provides some indication of the potential up-take of the programme, which is revealed to be more modest than has been suggested in the promotion of the scheme.

The Big Tenant Survey 2015 asked **over 6,700 English housing association tenants about their desire to take up the RTB as well as their capacity to afford their property.**

Analysis reveals that:

- 13 per cent of housing association tenants were assessed as being able to afford to buy their home under the assumed terms of the RTB
- only **seven per cent of housing association tenants both indicated that they were likely to take up the RTB and were assessed as being able to afford to do so; suggesting something in the region of 70,000 sales across England as a result of the extension of the RTB**
- there are **significant regional differences in the likely take up the RTB.**

Introduction

This note provides the key findings from the Big Tenant Survey¹ in relation to the extension of the Right to Buy (RTB) to housing association properties in England. Survey responses are used to estimate the percentage of tenants who are interested in the RTB and had the financial capability to take advantage of the opportunity.

The Right to Buy (RTB) for council tenants resulted in 1.8 million sales of council properties in England between 1980 and 2014.² The current Government are planning to extend the Right to Buy (RTB) to housing associations. They argue that this will put “home ownership within the reach of 1.3 million more families”.³ A voluntary agreement to implement this scheme was reached with the National Housing Federation in September 2015. The scheme is initially being piloted by five housing associations from November 2015.

A range of different organisations have assessed the possible impacts of the extension of RTB to housing associations. Estimates of the proportion of tenants who might be able to take up the RTB from different organisations have ranged from 10 to 35 per cent of all housing association tenants.⁴ CRESR reviewed these estimates for the Communities and Local Government select committee.⁵ Our analysis suggested that the proportion of tenants able to buy was likely to be closer to 10 per cent. This implied that between 76,500 and

¹ For further details of the survey please see the summary provided at the end of this report.

² House of Commons Library (2015) Briefing Paper: Extending the Right to Buy to Housing Association tenants, www.parliament.uk/briefing-papers/CBP-7224

³ HM Government (2015) The Queen's Speech: Background briefing Notes, http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430149/QS_lobby_pack_FINAL_NEW_2.pdf

⁴ Communities and Local Government Select Committee (2015) Inquiry into Housing Associations and the Right to Buy, Oral Evidence, 4th November, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/communities-and-local-government-committee/the-housing-association-sector-and-the-right-to-buy/oral/24287.pdf>

⁵ CRESR (2015) The Impact of the Existing Right to Buy and the Implications for the Proposed Extension of Right to Buy to Housing Associations, <http://www.parliament.uk/documents/commons-committees/communities-and-local-government/Full-Report-for-Select-Committee-141015final.pdf>

176,000 current tenants might be able to afford to exercise the RTB. A recent estimate from the University of Cambridge suggests that 184,000 tenants might be eligible for the RTB extension and able to afford to exercise it.⁶ However, there are a number of difficulties in making this kind of estimate. First the final details of the scheme have yet to be announced. Second these estimates do not incorporate any insights into the views and opinions of tenants and their interest in pursuing the RTB.

This note addresses this gap by providing the first insights into the attitudes of tenants toward the extension of RTB. It also considers whether tenants who express an interest in purchasing their current home from their housing association landlord are likely to be able to afford to do so. The findings are presented under four headings:

- how likely are tenants to take up the RTB extension?
- how many tenants might be able to afford the RTB?
- how many tenants are likely to up the RTB and can afford to do so?
- comparing attitudes to social housing amongst tenants who can afford the RTB.

How likely are tenants to take up the RTB extension?

The Big Tenant Survey asked just over 6,700 housing association tenants living in England the following statement and question:

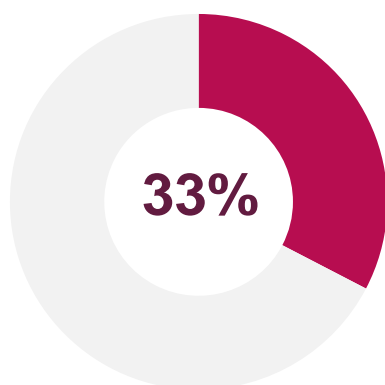
The government has announced plans to extend the right to buy to housing association tenants. Under this policy it is likely that housing association tenants, like yourself, will be given the opportunity to purchase your home at a significantly reduced price and become a homeowner.

How likely would you be to take up this opportunity to buy your current home from your landlord?

Note the question did not include any information such as the level of discount that would be applied or the likely value of their property.

One third (33 per cent) stated that they were likely to take up the RTB (Figure 1).

Figure 1: Percentage of tenants stating they were likely to taking up the RTB



⁶ Clarke, A. et al. (2015) Understanding the likely poverty impacts of the extension of Right to Buy to housing association tenants, <https://www.jrf.org.uk/file/48597/download?token=ZwpWTGK-&filetype=full-report>

How many tenants might be able to afford the RTB?

The question of how many housing association tenants might be able to afford to take advantage of the RTB was explored by creating an indicator of affordability by combining information from the Big Tenant Survey and house price data from the Land Registry. A tenant was assessed as being able to afford their housing association property if:

- the estimated value of their property after the RTB discount⁷ was less than four times their estimated household income
- they were aged less than 55 years
- they did not receive housing benefit.

In total, **13 per cent of HA tenants in England were assessed as being able to take up the RTB** (Figure 2). Applying this to the estimated 1.07 million tenants who will be immediately eligible for the extension of RTB⁸ suggests that there may be as many as **135,000 sales**. This is within the range of estimates derived from other data sources.

The proportion of tenants who were assessed as being able to afford the RTB varied by region. For instance only one per cent of tenants in London were assessed as being able to take up the offer.

Figure 2: Proportion of housing association tenants who could afford RTB



⁷ The estimated property value was taken to be the regional lower quartile house price with an adjustment for property type. The assumed discount was the lower of 40 per cent of the estimated property value or the maximum discount cap (£103,900 in London or £77,900 outside London). The actual discount through the scheme will be the lower of the maximum cap or a percentage of the property's value based on the tenant's length of tenure in social housing. A 40 per cent discount has been assumed because the survey did not obtain sufficient detail to calculate the percentage based on length of residence in social housing. This assumption has only limited impact on the percentage of tenants deemed as being able to afford their home.

⁸ CIH suggest that "about 1,070,000 will initially be eligible by length of tenancy with a further 125,000 or so becoming eligible annually". From: CIH (2015) selling off the stock <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Selling%20off%20the%20stock%20-%20final.pdf>

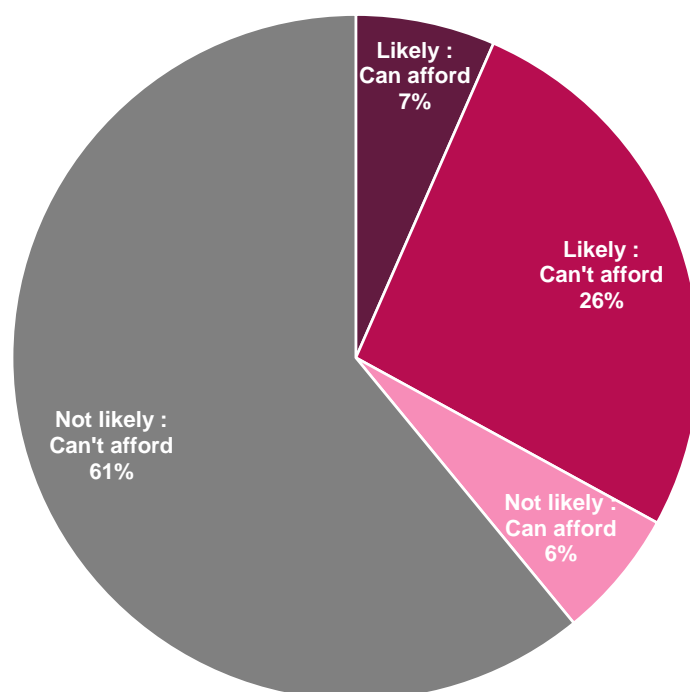
This analysis provides an indication of the proportion of households who can afford to exercise the RTB using their own resources. A major difficulty with estimating take-up relates to the number of cash sales, where no (or limited) mortgage funding is required. Riverside housing association presented evidence to a Parliamentary select committee about cash sales through the existing RTB. Around 80 per cent of the Riverside tenants who bought under the preserved right to buy⁹ last year were cash buyers – and most of them were elderly. The proportion of cash sales through the extension of RTB could not be estimated in this study because information about access to capital (personal savings or private investment other than a mortgage) was unavailable.

How many tenants are likely to take up the RTB and can afford to do so?

Figure 3 compares the likelihood of a tenant taking up RTB against an assessment of whether they can afford to do so. The key findings to emerge are:

- **seven per cent stated they were likely to take up the RTB and were assessed as being able to afford their property**; suggesting that there may be as many as **70,000 sales**
- an additional six per cent were assessed as being able to afford the RTB but reported that they were not likely to take up the opportunity
- **the majority (80 per cent) of tenants who stated they were likely to take up the RTB were assessed as not being able to afford to do so**; this equates to 26 per cent of all tenants.

Figure 3: Comparing likelihood of taking up RTB against being able to afford to do so



⁹ The Preserved Right to Buy applies when the property used to be owned by the council, but they sold it to another landlord (like a housing association) while the tenant was living in it.

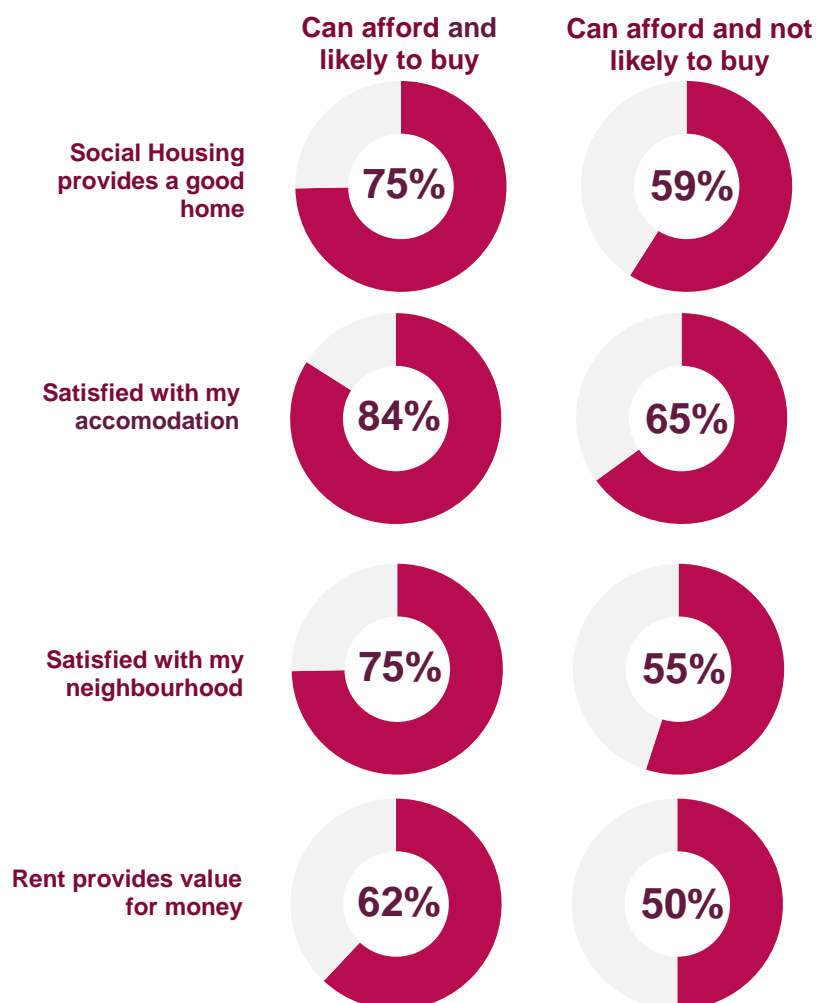
The proportion of tenants who stated they were likely to take up the RTB and could afford their property was lowest in London (one per cent) and the South East (four per cent). This proportion was highest in the Midlands and the North (12 per cent). However, tenants in London and the South East who could afford the RTB were far more likely to take up the opportunity than tenants who could afford the RTB and were living in other parts of England: 63 per cent of tenants in London and the South East of England who could afford the RTB reported that they were likely to pursue the opportunity, compared to 49 per cent in the East of England and the South West and 53 per cent in the Midlands and the North.

Comparing attitudes to social housing amongst tenants who can afford to take up the RTB

The view and perceptions of tenants who stated that they were likely to take up the RTB and were assessed as being able to afford to do so were compared against tenants who could afford to take up the RTB but who stated they were unlikely to pursue the opportunity.

It appears likely that views and opinions about the current home help to inform attitudes toward the RTB. Across the 35 questions that were assessed, **tenants who were not likely to take up the RTB their current home were less positive about their home, their area and social housing** (see Figure 4). It is not clear whether these tenants were exploring alternative routes into home ownership.

Figure 4: Attitudes toward social housing amongst tenants who can afford the RTB



Conclusions

The extension of RTB to housing association properties is a major change in housing policy that could have major ramifications for housing access and supply. Yet, little is currently known about likely interest in and take-up of the RTB amongst housing association tenants. The Big Tenant Survey provided an opportunity to explore this issue; 6,700 English housing association tenants were asked about their desire to take up the RTB as well as their capacity to afford their property. Findings suggest that up-take of the RTB could be more modest than previously suggested.

Our analysis shows that:

- 13 per cent of housing association tenants were likely to be able to afford to buy their home under the assumed terms of the RTB
- only **seven per cent of tenants stated they were likely to take up the RTB and were assessed as being able to afford their property**
- these findings suggests there may be as many as **70,000 sales**; the estimated total value of discount provided would be just over £3.7 billion
- there were **major regional differences in the likely take up of RTB**; the Midlands and North had the highest percentage of tenants stating they were likely to take up the RTB and could afford their property (12 per cent). The percentage was lowest in London (one per cent) and the South East (four per cent)
- **80 per cent of tenants who wanted to take up the RTB could not afford to do so** (26 per cent of all tenants)
- tenants who can afford to buy their home but reported that they were not likely to take up the RTB were less positive about their home, their area and social housing.

The Big Tenant Survey

The Big Tenant Survey 2015 was undertaken by the Centre for Regional Economic and Social Research, Sheffield Hallam University (on behalf of Housing Partners) between July and September 2015. The survey was conducted online, primarily with tenants active on the Housing Partner 'Homeswapper' website. In addition the survey link was distributed to tenants via social media and by landlords from across the United Kingdom. A total of 14,028 social housing tenants responded to the survey.

The survey questionnaire covered a range of topics, including:

- socio-demographic information about the respondent and their household
- housing tenure, tenancy and rent
- landlord, home and area perceptions
- residential mobility aspirations and options
- financial situations, including rent arrears and difficulty paying rent
- attitudes to contemporary social housing issues
- health and well-being
- income and economic activity.

Responses to the survey were weighted to make them more representative of the known characteristics of social housing tenants. This briefing note provides analysis of responses to the Big Tenant Survey to assess the likely take up of the RTB extension to housing association tenants in England.