

UK property | Margaret Thatcher's

Right to Buy is often blamed but

New Labour's policies also reduced

affordability and fuelled price

inflation, as *Anna Minton* explains

In the run-up to New Labour's 1997 landslide election victory, the excitement at the prospect of a sympathetic government in power was palpable for those who worked in housing. As Tony Blair stood in the middle of London's Aylesbury Estate, near Elephant and Castle, to deliver his first speech as prime minister, the future looked bright. Blair declared that "the poorest people in our country have been forgotten by government" and placed housing at the centre of his policy programme.

Almost 20 years later, when Fernanda Palmieri, an architect, and her husband bought their flat on another council estate in Hackney, the seller told her that she had never lived there and that she was buying and selling a number of investment properties. After being purchased from the council as part of the Right-to-Buy scheme, the flat had been rented privately since the mid-2000s.

As the most recent tenants were a couple with three children, Palmieri assumed that her own family would be able to live there, if not in comfort at least in safety, while they slowly did it up. The day after they moved in, the kitchen unit came away from the wall, leaving a devastated scene of falling plaster, blackened mould and live silverfish.

The New Labour years, between 1997 and 2010, were characterised by policy mantras such as "Decent Homes" and the "Urban Renaissance", but it was the embedding of a series of less visible and complex market policies that laid the groundwork for the conditions Palmieri found. Underpinned by a dramatic reduction in council house building and the interaction between the sale of council homes through Right to Buy with Buy to Let and private renting, as well as the commercialisation of housing benefit, these policies have fuelled the UK's crisis in housing affordability



(Clockwise from above) The Aylesbury council estate, south London, now partly demolished; a housing estate in Hackney, east London, 1997; Tony Blair, the prime minister, visiting the Aylesbury estate in 1997 — Teresa Eng; Peter Marlow/Magnum Photos; Rebecca Naden/PA Images/Alamy



and property price inflation.

During these years, housing policy terminology became increasingly opaque and difficult to follow, with council housing replaced by "social housing" and the vaguely defined "affordable housing". The regeneration schemes that characterised the "Urban Renaissance" and continued under Conservative governments led to sprouting luxury developments, with a percentage of affordable housing, in every major city centre. But as affordable housing is now defined as costing up to 80 per cent of market rent or market value in London, that is far from "affordable", even for people on higher incomes.

In the public consciousness, Right to Buy has always been associated with Margaret Thatcher. Conservative governments in the 1980s were responsible

for more than half of the 2m council homes sold since then. When New Labour came to power, discounts were reduced but the policy remained central to the government's approach, with more than half a million council homes sold under Tony Blair. At the same time, the number of new council homes fell dramatically, with only 7,870 built over Labour's 13-year tenure, compared with Thatcher's government, which never built fewer than 17,710 homes in a year.

It is the way that Right to Buy interacts with Buy to Let and housing benefit that began to push rents up to unaffordable levels, creating the stream of evictions and poor conditions that characterise social housing today, as housing benefit no longer covers soaring rents.

Buy to Let was brought in alongside housing benefit at the height of the



Thatcher era in 1988. It came in as part of the Housing Act of that year, which extended landlord rights with the aim of boosting the private rented sector, allowing landlords to set rents and introducing assured shorthold tenancies.

But it only took off in 1996, when buy-to-let mortgages were introduced and would become a feature of the Blair years, as many of the original beneficiaries of the Right-to-Buy scheme sold up, often to professional private landlords. Between 2000 and 2007, the number of buy-to-let mortgages rose from 48,400 to 346,000, while their total value rose from £3.9bn to £45.7bn.

The softening of lending criteria and overexpansion by some lenders were exposed by the financial crisis, which hit

Over 13 Labour years 7,870 council houses were built; the Thatcher government built at least 17,710 a year

the sector sharply. But it rebounded to such an extent that measures to curb the market, including the end of mortgage tax relief, were introduced from 2017.

As Buy to Let became a key feature of the housing market, Labour pegged housing benefit to market levels, which paved the way for the marketisation of the housing benefit system, later extended by successive Conservative governments. This interaction and continuation of policies by Conservative and Labour governments has been described by academics as "roll back and roll out" neoliberalism, where the Conservatives "rolled back" the state and New Labour "rolled out" deregulated, financialised policies throughout the public sphere.

From 2008, housing benefit, now called Local Housing Allowance, has

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been calculated using a complex market-based formula, which works out an entitlement based on the bottom 50 per cent of the rental market in an area, reduced to the bottom 30 per cent in 2011. Since its introduction it was clear that the amount of housing benefit often did not meet rents.

However, after it was capped and detached from the local rent level in 2011, and initially tied to the CPI rate of inflation and later frozen, this became common and is now the norm. In London, renters receiving Local Housing Allowance face, on average, a gap of more than £200 a month, leading to frequent evictions when rent goes unpaid. Despite the cap being designed to bring the benefit bill down, rising rents have ensured the opposite has happened: in 2019, the total cost was £22bn, double what it was in the 2000s, with around half going to private landlords.

The bill is so large because more than

Terminology became opaque, with 'council' housing replaced by 'social' or 'affordable' housing

a third of social-housing tenants now rent privately. A Greater London Authority report, "Right to Buy, Wrong for London" found that in 2019, 42 per cent of homes sold under Right to Buy were privately let. When council properties move into the private rented sector, the rent increases can be extreme. In 2020, the average rent for social and affordable homes in English local authorities was £343 a month, according to government figures. In London, the situation is even more stark, with the average social and affordable rent being £421 a month, compared with £1,603 in the private sector, according to the lettings agency Homelet.

The expansion of social housing tenants in the private rented sector is a consequence of a move by the Conservatives and extended by New Labour, "from bricks to benefits", according to a Shelter report from 2012, which details how subsidising



which have to export their own residents to cheaper places, creating a domino effect across the country.

Combined with the expansion of mortgage credit, these upward pressures on rents and property prices helped to fuel the boom that preceded the 2008 crash. In the seven years that followed, £445bn of quantitative easing was released into the economy, according to research from the Bank of England, which disproportionately found its way into the top end of the housing

Tenants fear eviction if they demand repairs to the proliferating dilapidation of a sector with little regulation

market by pushing up a range of asset prices, in particular property.

The knock-on effect was house price inflation across the board, all while the cap on housing benefit was being introduced as a result in the government's austerity policies. The gulf is expected to widen further: in 2020, some £450bn of quantitative easing was introduced in a year as a result of the pandemic, which is expected to have a significant impact on property price inflation, while housing benefit is not expected to rise.

But the other defining feature of private renting at the lower end of the market – where social-housing tenants invariably are – are the very poor conditions. Constantly in fear of eviction, tenants are in no position to demand repairs to the mould, damp and dilapidation that proliferate in a sector with so little regulation. Describing her flat when she moved in, Palmieri, who is Brazilian, said: "This family were living in proper poor conditions, it was a favela." A far cry from the pledge made by Blair to the "poorest people in our country" in 1997.

As for the Aylesbury, that remains subject to long-term regeneration plans to demolish the original estate and replace it with a mix of luxury apartments and affordable housing, with campaigners claiming that the numbers of homes for social rent will be significantly reduced.

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(Clockwise from above) London, where a 2019 report found that 42 per cent of homes sold under Right to Buy were privately let; luxury homes in Belgravia, London; Margaret Thatcher, 1980

Victor Huang/Getty Images/ iStockphoto, Simon Dawson/ Bloomberg, PA Archive/PA Images



low-income housing through council-house building became subsidising low-income tenants to rent privately. When asked in the early 1990s how tenants would be able to afford rising rents, the then housing minister George Young said that "housing benefit will take the strain", which became one of the most famous phrases in housing.

One consequence has been the exporting of families out of London, with councils routinely moving tenants to cheaper areas, such as Slough, Luton, Coventry and even Glasgow. Families have no choice but to accept housing far from home because if they refuse they risk being labelled "intentionally homeless" and therefore not eligible for housing. But in turn this creates a housing shortage and inflationary pressures in those cities,



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