

Hundreds of Ex-Council Tenants are now Property Millionaires!

Submitted by: Key Loans & Mortgages Limited t/a KIS Finance

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Recent investigations

(<https://www.kisbridgingloans.co.uk/finance-news/hundreds-of-ex-council-tenants-are-now-property-millionaires/>) conducted by KIS Finance discover how the Right to Buy Scheme has turned ex-council home tenants into property millionaires.

Following the recent decision to end the Right to Buy Scheme in Wales, there have been renewed calls for England to follow suit. The Chartered Institute of Housing has expressed concerns that the ongoing loss of council properties is continuing to impact on the affordable housing crisis as social housing is not being replaced fast enough.

Since the Right to Buy Scheme was introduced in 1980, around 2.6 million council homes have been sold and are now privately owned by the tenants who used to rent them from the council.

The scheme places a huge discount, up to 70% of the property value, on the purchase price, which in the last 39 years has made home ownership a far more affordable prospect for tenants.

How have ex-tenants managed to make so much money from buying their council home?

Due to discount applied, and the lower house prices through the 80s, 90s and 00s, ex-tenants were purchasing their homes for just a tiny fraction of what they are worth now. This has led to huge profits being made by those who sold their property a few years after purchasing it.

For example, one property in Hackney, London, was purchased by the tenant for £171,000 in 2000 and sold it in 2014 for £1,000,000, making a profit of £829,000. Another property in the same area was bought for £220,000 in 1997 and sold for £1,940,000 in 2013.

Private landlords turning scheme into business opportunity

When Margaret Thatcher introduced the Right-to-Buy scheme in 1980, her vision was that more people could own their own home. However, 40% of council houses sold under the scheme in London are now rented out privately. This goes completely against the original intention of home ownership by allowing people to turn the scheme into a money-making business opportunity.

This has also made the rental market far more expensive for potential tenants as the average rent charged by private landlords across England is £690 per month, compared to just £374 for a council property. This rockets to an average price of £1,473 in London, which is 3 times the average amount charged by the Local Authority (£468).

On top of the price increase, this has also led to much less security for tenants. Whereas council tenants know that they have the security of their home for many years, private landlords can give you just one month's notice to leave.

Has Right to Buy had its day?

Over the years, the discounts available and term of residency needed to qualify for the scheme have varied. Currently, the maximum discount available is up to 70% of the property value, or a maximum of £80,900 (£108,000 in London). The scheme is now only available in England after being abolished in Scotland in July 2016, and January 2019 for Wales.

The number of right to buy purchases peaked in 1988 – 1989 at 135,701. This figure has dropped substantially to 11,833 sales in 2017/18 showing that maybe this scheme has had its day.

[ENDS]

Notes to Editors:

- Full article/report -

<https://www.kisbridgingloans.co.uk/finance-news/hundreds-of-ex-council-tenants-are-now-property-millionaires/>

- Data Sources:

- Chartered Institute of Housing concerns about Right to Buy

(http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/More_than_165000_homes_for_social_H)

- Local Authority Housing Statistics

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/773079/Local_Authority_H)

- Private rental prices

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/763558/PRM_Statistical_R)

- Council homes now rent out privately

(<https://www.parliament.uk/documents/commons-committees/communities-and-local-government/Full-Report-for-Select-Comr>)

- Number of properties purchased under the Right to Buy Scheme in England

(<https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales#social-housing-sales>)

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