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HOME-OWNERSHIP POLICY IN THE UK: AN EMPIRICAL STUDY OF NEW PURCHASERS, PROPERTIES AND THE PROCESS OF PRIVATISATION

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Published by Cranfield School of Management

ISBN 094 7767 630

Home-Ownership Policy in the UK:

An Empirical Study of New Purchasers, Properties and the Process of Privatization

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Preliminary results of this study were presented to the International Research Conference on Housing Policy at the National Swedish Institute for Building Research, Gavle, Sweden in 1986.

Acknowledgements. The authors would like to thank the Halifax Building Society for providing the data employed in this study and Helen Litt for research assistance. Mr Nellis would also like to acknowledge financial support from Cranfield School of Management.

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Abstract

The expansion of home-ownership has been a major objective of British housing policy for many years. But housing tenure has developed a marked social stratification and the policy now requires the absorption into owner-occupation of more and more households from the lower social classes. The main thrust of policy since 1980 has been the privatization of housing by encouraging public sector tenants to buy the properties they occupy by giving them the right to buy at discounted prices. This paper utilises a large data base covering 55,000 house transactions to study the processes of change taking place. Three groups of new entrants to owner-occupation are distinguished: previous public-sector renters, previous private-sector renters and newly-formed households and comparisons are made between the flow and the stock of households according to social class and their household characteristics. Comparisons are also made of the characteristics of properties purchased and analyses are made of the financial aspects of purchase: prices, property valuations, incomes and advances. Notable differences between the three groups of entrants are highlighted and the impact of the 'Right to Buy' legislation is discussed.

1. Introduction

A major objective of British housing policy for many years has been the expansion of home-ownership as opposed to renting. Over 60 per cent of the housing stock is now owner-occupied. However, this figure conceals a very marked social stratification: over 90 per cent of the upper social classes (professional and managerial) are now home-owners compared with less than 30 per cent of the lower social classes (unskilled manual workers). Given this social stratification the further expansion of home-ownership requires that more and more house buyers need to be drawn from the lower end of the social scale. New entrants into home-ownership come from three distinct sources, namely private renters, public renters (that is, council house tenants) and newly-formed households (that is, those previously living with relatives). The main aim of the study reported here is to throw light on the process of tenurial change as it takes place in the market. In particular, the research is directed towards the following questions:

- who are the new entrants?
- where do the new entrants come from?
- what are their distinguishing socio-economic characteristics?
- what properties do they buy?
- what are the financial constraints of house purchase for new entrants?

For the purpose of the study we draw comparisons between all three groups of new entrants with regard to each of the above questions. A final question is posed:

- what distinguishes new entrants from those who remain renters?

This is a question of *stock* versus *flow*. It has obvious implications for assessing the extent to which the further expansion of home-ownership is possible in the UK.

An earlier study by the authors attempted to throw light on the process of change by making a study of the socio-economic characteristics of buyers switching from renting in the *private* sector (Fleming and Nellis, 1985a). However, the major part of rented property is in the *public* sector (three times as large as the private sector). With the passage of the 1980 Housing Act, a major thrust of government policy has been to encourage public sector tenants to buy the properties they occupy by giving them the 'right to buy' (RTB) at discounted prices. But this process of privatization has raised a number of issues. Particular concern has been expressed about the operation of the RTB policy in terms of two potential consequences: the 'residualization' of local authority housing and the 'polarization' between its occupants and owner-occupiers. Residualization follows if sales of public sector houses are disproportionately concentrated on the more desirable, better quality, property types and those in more desirable neighbourhoods (House of Commons, 1981, paras 43 and 52). Social polarization follows if council housing then becomes 'welfare housing' providing less popular and less advantageous housing for those with lowest incomes and less buying power (House of Commons, 1981, p 322; Hamnett 1984). We therefore focus particular attention on this aspect of the process of change - that is, the privatization of housing under RTB legislation. Thus, the present research may be seen as extending the earlier analysis referred to above (Fleming and Nellis, 1985a) to encompass public sector buyers.

2. Data Needs and Sources

In order to carry out this study, it is necessary to have detailed information about the new entrants, including information on their previous tenure, about the properties being bought, and the financial aspects of the transactions. For this purpose, we have employed a very large sample of house purchase transactions financed by the Halifax Building Society. This is the largest building society in the UK and has been shown to have good national coverage (Fleming and Nellis, 1985b). The data base as a whole (all new entrants) covers more than 55,000 sales in 1983, this being one of the peak years for the sale of public sector dwellings ('council houses') since the initiation of RTB policy. The sample of council house sales in the data base represents just under 10 per cent of all such sales for that year. The data base is not only exceptionally large but it also provides much more detailed information than that regularly collected in official statistics of house transactions.* In particular, the latter do not distinguish the social class of buyers. It is possible that the characteristics of council tenants who approach a building society for a loan may differ from those that approach other sources (in the main local housing authorities themselves). However, local authorities gave very few mortgage loans in the period covered here (less than 2 per cent overall) and it would seem doubtful if the limitation of the analysis here to one institutional source is an important source of bias in this respect. On the other hand, it is possible that building societies may be more inclined to lend on certain types of property than others.

The sample data provide information about the *flow* of new entrants into owner-occupation. As shown in Figure 1, the data are fairly evenly split between new households and previous renters (53 per cent as against 47 per cent). In turn, the previous renters are split fairly evenly between those from the private sector and public sectors (23 per cent and 24 per cent respectively). Information about the stock of households in different tenure groups for purposes of comparison is drawn from official sources.

Given the marked social stratification of housing tenure, particular interest attaches to the breakdown of new entrants by social class. Consequently, this is used as the framework of the analyses throughout. The social class grading system used is based on a classification of 'social grades' commonly used for market research purposes in the UK. This classification enables us to group the 'main' mortgage applicants into six classes on the basis of occupation as follows:

Class	Descriptive Definition
A	Higher managerial or professional or administrative
B	Lower managerial or professional or administrative
C1	Skilled or supervisory or lower non-manual
C2	Skilled manual
D	Non-skilled manual
E	Residual, including state pensioners (with no other earner) and casual workers.

*The data base was originally developed for our research on house prices; for detailed discussions see Fleming & Nellis (1984, 1985b). Further details of statistical sources are given in Fleming (1986) and a comprehensive collection of data on house prices is given in Fleming and Nellis (1987).

Figure 1. The Flow of New Entrants by Origin.

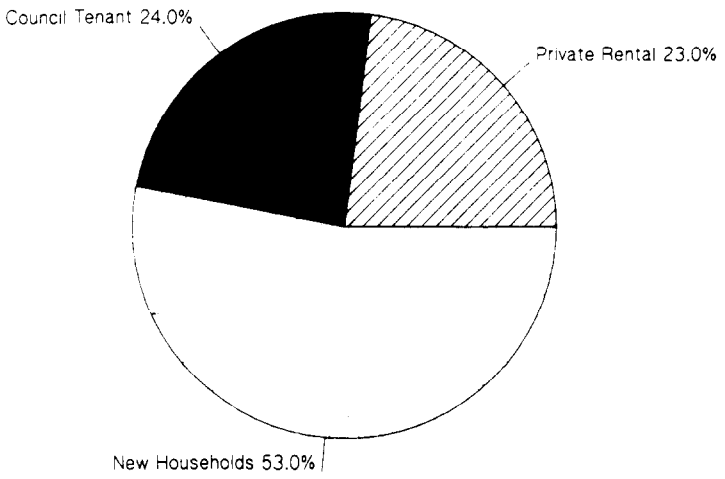


TABLE 1. FLOW/STOCK RATIOS

Social Class*		Council Tenants		
		Stock(%)	Flow(%)	Flow/Stock Ratio
A,B	Professional & Managerial	3	4.2	1.4
C1	Other Non-manual	6	19.4	3.2
C2	Skilled Manual	40	49.3	1.2
D	Unskilled Manual	5	20.6	4.1
E	Retired, Casual Workers, etc	46	6.4	0.1
		Private Renters		
		Stock(%)+	Flow(%)	Flow/Stock Ratio
A,B	Professional & Managerial	8	17.2	2.2
C1	Other Non-Manual	15	45.3	3.0
C2	Skilled Manual	29	28.3	1.0
D	Unskilled Manual	3	7.8	2.6
E	Retired, Casual Workers etc	46	1.4	0.03

* The social class breakdown for the total stock of households is based on the Registrar General's classification. It is not identical to the one used in the analysis of flows but it permits reasonably close comparisons - see Reid (1981).

\+ Stock figures are derived from the General Household survey for 1982 (OPCS, 1984). The private rented stock excludes that part let with a job or business.

Full details of the classification are given in Monk (1970). In the analysis which follows little attention is paid to the category E because of its residual nature covering persons who are not economically active.

3. Characteristics of New Entrant Buyers

3.1. The Facts

This section provides answers to the questions raised earlier about the new entrant buyers, namely who are they?, where do they come from?, and what are their distinguishing socio-economic characteristics? In conjunction with their social classification, we examine and compare each new entrant group on the basis of four key characteristics: origin, age, family size and income.

Origin and social class

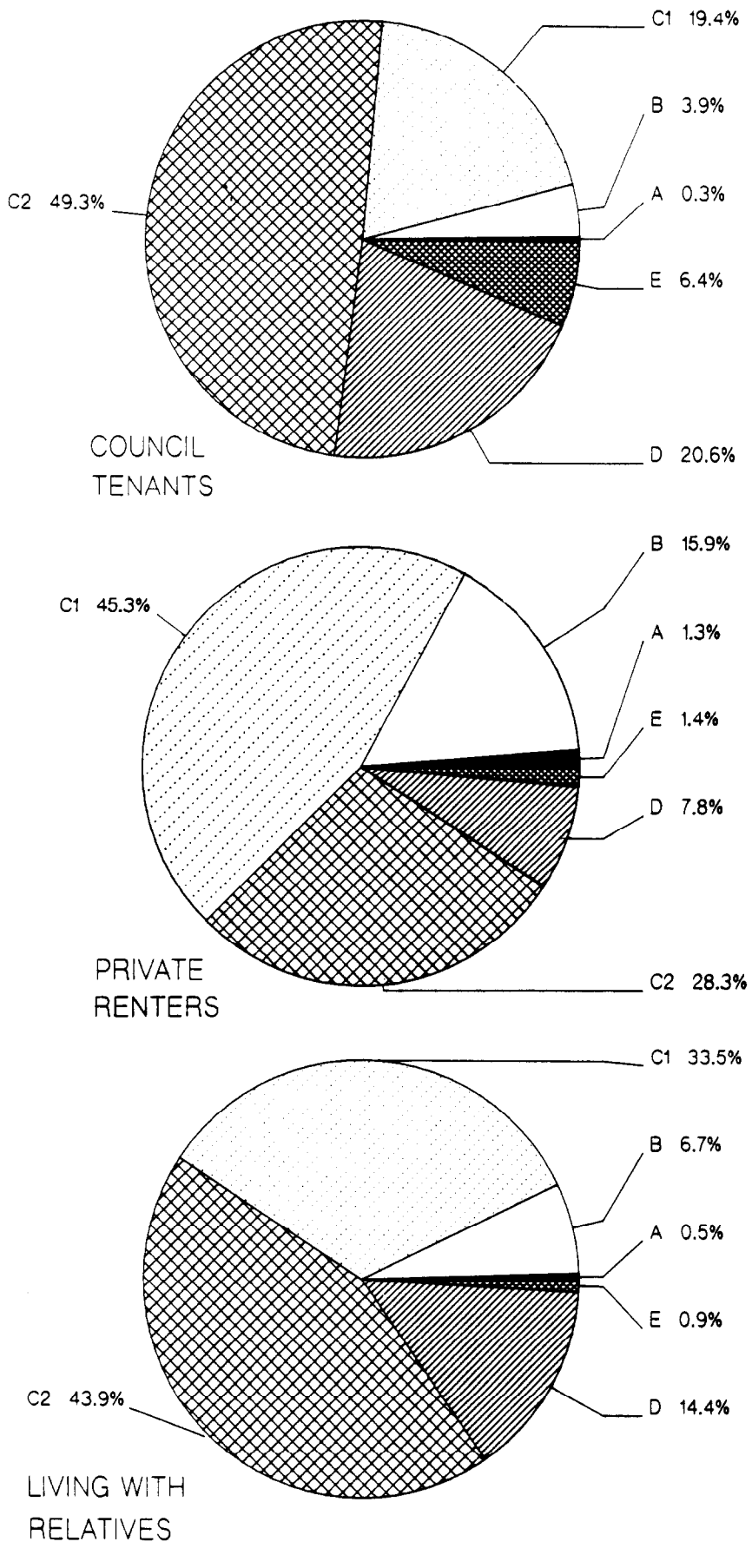
The social class distribution of each group of new buyers is given in Figure 2. The salient features are that former public sector (council house) renters are drawn predominantly from the lower social groups: 70 per cent come from the manual groups (C2 and D). By contrast, former private sector renters are a somewhat more diverse group but are drawn in the main from the middle social groups: over 70 per cent from the skilled manual and lower non-manual groups (C2 and C1) but with the latter group predominating. Likewise, new households are drawn in the main from the middle social groups: 77 per cent from groups C1 and C2.

However, these distributions are dependent to some extent on the pre-existing social stratification of the occupiers of the dwelling stock by tenure. To see if there is a disproportionate tendency for buyers to come from particular social groups we attempt to relate the buyer flows to the stock situation, as discussed earlier.

Flow/Stock Ratios and Social Class

Stock and flow figures and flow/stock ratios for former public and private renters are given in Table 1. A ratio of unity indicates that the flow of entrants from a particular social group is proportionate to its 'stock'. As one would expect there is a very small relative flow amongst economically inactive households. Among the active households, however, what is notable is that although the major flow among former council tenants is of skilled manual class workers, the flow is not disproportionate to stock. But the flows are notably disproportionate among both of the unskilled manual and non-manual groups. Especially notable is the relatively large disproportionate flow among the lower (unskilled) manual workers. A very similar pattern holds for private renters, although here there is also a much stronger representation of the top non-manual classes (A and B).

Figure 2. The Flow of New Entrants by Origin.



Age of Buyer, Dependent Children and Social Class

The relevant analyses of age of buyer, the number of dependent children and social class are set out in Table 2. The most notable feature is the differences between the three groups of buyers rather than the differences by social class. On average, buyers from the council house sector are much older than buyers from the other two categories and tend to have larger families. The average council house buyer has a mean age of 42 years and 1.3 dependent children whereas private renters and new households have mean ages of 29 years and 25 years respectively and 0.3 and 0.1 dependent children respectively. Only about 11 per cent of council house buyers are under 30 years of age; this contrasts sharply with corresponding proportions for private renters (65 per cent)* and new households (85 per cent).

Incomes and Social Class

The average income of the main buyers in each of our new entrant groups ranges from £7,000 to £8,000 roughly - Figure 3 refers. By contrast, the main incomes for heads- of-households for all council tenants and all private renters are £4,004 and £4,160 respectively (OPCS, 1985).+ It is notable, therefore, that *buyers* in both the public and private sectors are drawn from income groups with mean incomes at twice the level of tenants in general in each sector.# The lower income of council-house *buyers* relative to private-sector *buyers* is significant in the light of the age difference (council-house buyers being much older - Table 2 refers).

Figure 3 also indicates that the average income of new households is only slightly more than that of former council tenants but the differential widens considerably as one moves up the social scale.

In general, the relationship between income and social class of buyer is as one would expect with income falling markedly as one moves down the social scale (with one exception - Class D new households). But it is especially notable that the income differential by social class is much less marked for council house buyers than private renters (a ratio between classes A and D of 1.3 as against 2.3).

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*This is consistent with the conclusions of a study by Holmans (1981) that the private rented sector is used by young married couples as a stepping-stone to ownership.

+ These are annual figures based on usual gross *weekly* incomes of heads-of-households in Great Britain in 1983 (OPCS, 1985, Table 6.15a). Alternative income data on an *annual* basis, but for *England & Wales* only, confirms the order of magnitude of income difference between local authority and private (unfurnished) tenant heads-of-households in 1983: £4,273 and £4,506 respectively *(Family Expenditure Survey 1983*, unpublished data supplied by the Department of the Environment)

#The average income figures for buyers exclude economically inactive households. But even including this category (Class E), for purposes of comparison with incomes in general, makes little difference to the general conclusion (£6,880 for all council house buyers and £8,150 for all private sector buyers).

TABLE 2 AGE AND DEPENDENT CHILDREN BY SOCIAL CLASS

Social Class	Mean Age of Buyers (yrs)			Mean Number of Children		
	Council House Renters	Private Sector Renters	New House-holds	Council House Renters	Private Sector Renters	New House-holds
A	43.3	33.1	27.5	1.1	0.5	0.2
B	42.4	30.6	27.7	1.3	0.3	0.2
C1	42.2	28.7	25.7	1.2	0.2	0.1
C2	41.6	28.9	24.6	1.3	0.3	0.1
D	42.7	30.1	24.5	1.2	0.5	0.2
ALL	42.0	29.2	25.2	1.3	0.3	0.1

Figure 3. Mean Incomes of Main Borrowers.

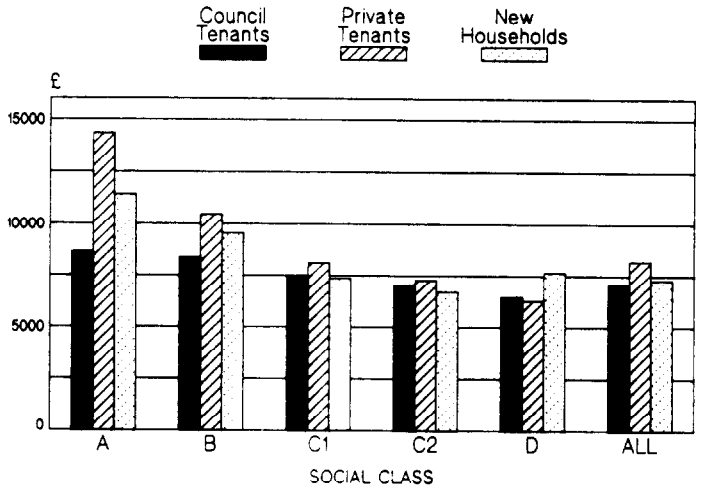

TABLE 3 INCOMES OF COUNCIL HOUSE BUYERS BY AGE CATEGORY

Age Category (years)	Average Incomes (£)
< 25	6,173
25 - 29	7,010
30 - 34	7,190
35 - 44	7,180
45 - 54	6,989
> 54	5,898

3.2. The effects of RTB Policy

It is clear that the RTB legislation is having the effect of extending home ownership up the age bands as much as down the social classes. The reasons are no doubt associated with the fact that the inducement to buy in terms of the discounts available is related to the tenants' length of tenancy. Incomes of council-house buyers appear to be of less importance inasmuch as they vary very little across the social classes or with age (see Table 3). It is also possible that the financial capacity to buy is enhanced by the presence of more than one wage-earner in the family.

The findings are consistent with the results of studies for particular local authorities reported by Murie (1975) and Forrest and Murie (1984). These studies show that the typical council house purchaser is the middle-aged skilled manual worker. In terms of social class, this is not surprising in view of the fact that the skilled manual group constitutes the predominant class among tenants (see Table 1). As indicated earlier, what is particularly notable from our analysis is the much greater proportionate flow into owner-occupation from both the lower (unskilled) manual (D) and the lower non-manual (C1) classes than from the skilled manual class (C2).

From the analysis of incomes it is reasonable to conclude that the RTB legislation has attracted a relatively well-off group of council tenants into owner occupation since, with the exception of the higher social classes, average incomes are broadly in line with those from the private sector. It therefore follows that since prices paid by private sector buyers are much higher than those paid by council tenants (see Section 5.1 for details), the latter appear to be making much less of a financial commitment than their private market counterparts. On the other hand, security of income may be less and the burden of mortgage repayments over shorter repayment periods (see below) may be greater.

We turn next to the characteristics of the houses purchased while in Section 5 we examine the financial aspects of house purchase.

4. The Properties Bought by New Entrants

4.1. The Facts

Our main purpose in this section is to identify any differences in the properties bought by the groups of new entrants, again sub-classified according to social group. The aim is to throw light on the issue of 'residualization' referred to in the introduction. In particular, three house characteristics are examined: dwelling type, size and age. Comparisons based on house prices are included in the next section dealing with the financial aspects of house purchase for first-time buyers.

House Type

Five house types are distinguished: semi-detached house, detached house, terraced house, bungalow and flat. The distributions of choices according to new entrant buyer and social class, are shown in Figure 4 and in Appendix A.

Figure 4 shows that there are some striking differences. Almost 95 per cent of the properties bought by council house renters are either semi-detached (45 per cent) or

terraced houses (50 per cent). In contrast less than two-thirds of private sector renters buy either semi-detached or terraced houses and over one-quarter buy flats. The most marked distinction between the public and private sector buyer, therefore, is the relatively much greater tendency of public renters to buy semi-detached houses and for the private renter to buy flats. With regard to new households, 44 per cent buy terraced houses, just over 30 per cent buy semi-detached houses while around 15 per cent purchase flats. For all categories of buyers, detached houses and bungalows account for the smallest proportion of purchases - less than 2 per cent in the case of council tenants and roughly 9 per cent for the other groups.

It is of interest to note that the sales of council flats (under 4 per cent of the total sales) are well below their share of the outstanding stock of public sector dwellings (34 per cent in 1983 in England and Wales) while the sales of council-houses (as opposed to flats or bungalows) are well above their corresponding share of the stock (95 per cent as against 53 per cent).* This pattern is obviously due to the less favourable terms which pertained to flats under RTB legislation as it stood in 1983 but it no doubt also reflects buyer preferences as well as the composition of the available stock.

With regard to house type and social class (Appendix A refers), the most notable result is that preferences for terraced houses (typically the cheapest properties) are most heavily concentrated in social classes C2 and D (skilled and non-skilled manual). This is to be expected given the lower incomes for all buyers falling within these classes (see Figure 3).

Size of House

Two measures of house size are considered: number of habitable rooms and number of bedrooms. The analyses for each of the categories of new entrants, broken down by social class, are shown in Table 4. The results show that council-house renters acquire, on average considerably larger houses than either private renters or new households. This is true for both categories of house size and is consistent across all social classes, with only a single exception., namely Class A. Furthermore, in the non-council sectors, house size tends to decrease with social class, reflecting the purchasing power of lower income groups who are most heavily concentrated in the lower social classes. This pattern does not emerge in the case of council house buyers where Class D buyers obtain larger properties than those bought by Class A buyers (Table 4 refers).

It is also the case that the average size of houses bought under the RTB arrangements is larger than the mean size in the available stock - 2.9 bedrooms as against 2.5 (CIPFA, 1984). The smaller mean size in the stock no doubt reflects in part the existence of old persons' dwellings in the stock (which are less likely to be bought), the fact that the majority of flats are small and have not been attractive to buyers, as well as buyer preferences for the larger family accommodation.

Age of House

The mean ages of house broken down by buyer type and social class are shown in Table 5. The most significant feature is that the properties purchased by council

*These figures are based on returns covering four-fifths of the total stock of local authority and New Town dwellings in England and Wales only as at April 1983 (CIPFA, 1984).

Figure 4. Choice of House Type by Type of Buyer.

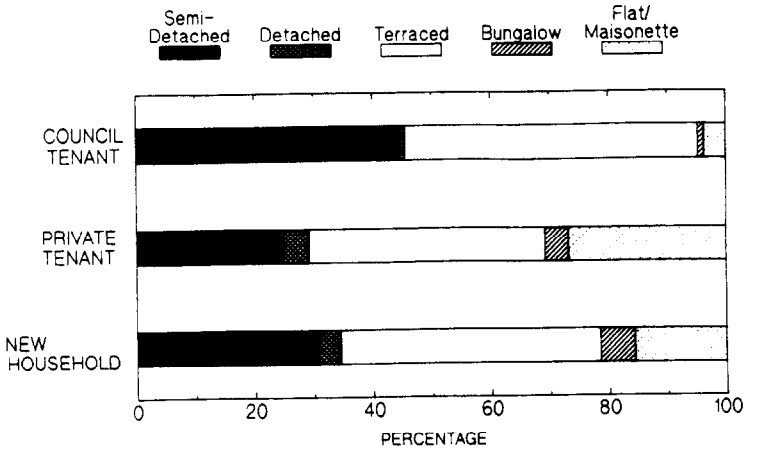

TABLE 4 AVERAGE HOUSE SIZE BY BUYER TYPE AND SOCIAL CLASS

Size Category (mean number)	Buyer Type	Social Class					
		A	B	C1	C2	D	ALL
Habitable rooms	Council house renters	4.8	5.0	5.1	5.1	5.1	5.1
	Private sector renters	5.2	4.8	4.5	4.7	4.8	4.6
	New house-holds	5.0	4.8	4.6	4.7	4.7	4.6
Bedrooms	Council house renters	2.7	2.8	2.8	2.9	2.9	2.9
	Private sector renters	2.7	2.4	2.3	2.4	2.4	2.4
	New house-holds	2.6	2.5	2.3	2.4	2.4	2.4

TABLE 5 AGE OF HOUSE BY BUYER TYPE AND SOCIAL CLASS

(years)

	Social Class					
Buyer Type	A	B	C1	C2	D	ALL
Council house Renters	26.4	26.3	27.6	28.0	29.2	28.1
Private sector Renters	53.9	52.6	53.1	53.2	60.8	53.7
New Households	50.5	43.0	42.4	46.4	53.8	45.9

sitting tenants are much younger than those purchased by other first-time buyers: roughly 28 years as against 54 years for private renters and 46 years for new households. This result partly reflects the fact that the average age of the public sector stock is much less than that of the total housing stock in general - only a quarter pre-dating the Second World War and 35 per cent having been built in the period since 1965. But it also reflects relative purchasing power which is enhanced in the public sector by heavily discounted prices whereas other categories of first-time buyers are forced to move 'down-market' to some extent, buying in the main older, terraced properties, by virtue of having to pay market-determined prices. There also seems to be little relationship between social class of buyer and the mean age of houses purchased.

4.2. The Effects of RTB Policy

The main purpose of this section is to throw light on the question of residualization of the public sector housing stock - that is, of the sales of council houses consisting of the more desirable, better-quality properties in the more desirable locations. The research carried out here provides evidence that this process of residualization is indeed occurring. On the whole council house tenants, who are exercising the right to buy, are acquiring properties which are larger, younger and more desirable with respect to type than their private sector counterparts. By definition, it follows, therefore, that the residual public sector stock will gradually become less attractive to potential purchasers because of their type and size (mainly flats and small properties) and properties serving the needs of special groups such as the elderly.

5. The Financial Aspects of House Purchases

5.1. The Facts

We turn now to examine the final question raised earlier, namely what are the financial constraints facing new entrants to the housing market? Mean incomes were presented in Section 3; here we extend the analysis to include house prices, mortgage advances, as well as the financial ratios which result from these variables. Market valuations of council houses are also discussed in order to highlight the magnitude of discounts received by sitting tenants under RTB legislation.

House Prices

There are, as expected, significant differences in house prices according to buyer type and social class. Mean house prices are shown in Figure 5. Since council-house tenants receive substantial discounts on the houses purchased (with the size of discount related to years of tenancy)*, the average price paid is much less than the market-

*Under the Right-To-Buy legislation as it stood in 1983, tenants of 3 years' standing were entitled to a discount (ie the difference between market valuation and purchase price) of 33% of valuation plus an additional 1% for each year by which the period exceeded 3 years, subject to a maximum discount of 50% or £25,000. For the council-house sales analysed in this study, the average discount received by tenants was 43%, with very little variability across social class or income brackets of buyers.

Figure 5. Average House Prices.

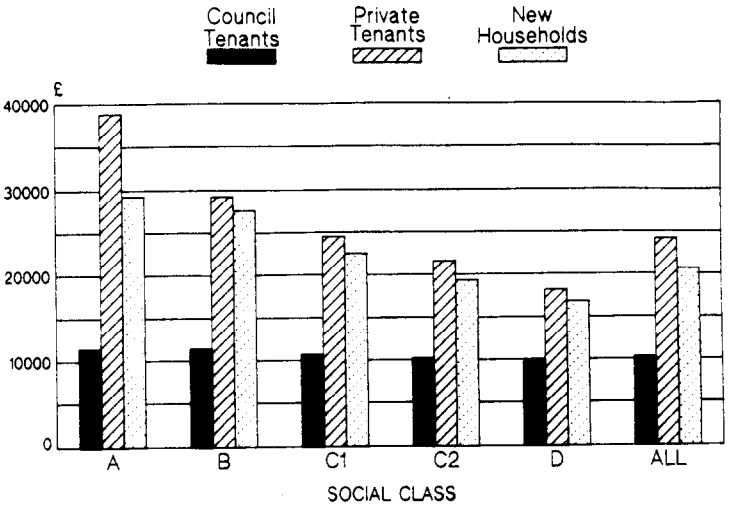

Figure 6. Average Mortgage Advances.

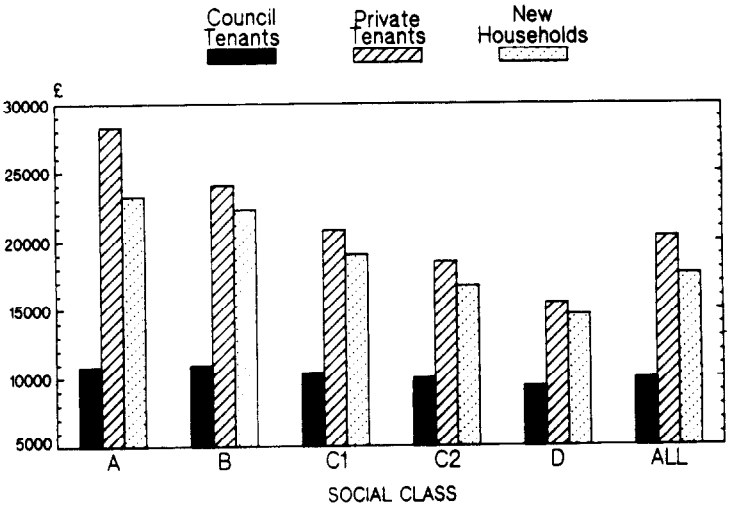

TABLE 6 AVERAGE MORTGAGE TERM FOR FIRST-TIME BUYERS

(years)

Age Category of Borrowers	Council House Buyers	Private Sector Buyers
Less than 25	22.7	24.1
25 - 29	23.4	24.3
30 - 34	23.4	24.1
35 - 44	21.8	23.0
45 - 54	16.1	17.8
55 or over	23.3	13.9
All	19.4	23.5

determined prices of the other two categories of buyer.* On average, council houses are sold to their sitting tenants for a mean price of less than half that paid by other buyers - £10,244 as against £24,122 for private sector sales to private renters and £20,631 for newly-formed households in 1983.

Breakdowns by social class indicate a consistent reduction in average prices as one moves down the social class scale. This is true for all buyer types and is consistent with the income analysis shown earlier (see Figure 3). However, it is particularly notable that the differential by class among council-house buyers declines much less than that for other buyers. A difference of only £1,752 separates the top and bottom of the council-house purchasers as against a difference of £20,660 for private renters and £12,508 for new households!

Analyses which take into account the *valuation* of council houses as opposed to their *discounted prices* are considered below after analysing the size of loans obtained.

Mortgage Advances and Terms

Figure 6 below shows the mean advances obtained by each group of buyers, broken down by social class. On average private sector tenants obtained a mean advance of over £20,000 which is more than double the figure for council-house renters and approximately 20 per cent greater than for new households. In addition, mortgage advances are *highest* for those in the *higher* social classes and decline consistently as one moves down the social class scale (with one exception - social class A of council house renters).

It is also notable that the average mortgage term for council house buyers is about four years less than that for private sector buyers (19.4 years as against 23.5 years) - Table 6 refers. The comparison, age for age, however, shows that there is very little difference between the groups. Thus the difference on average overall is due to a different age composition (council house buyers being older on average - as highlighted in Section 3.1).

Financial Ratios

It is to be appreciated, of course, that the price comparisons above are distorted to a large extent owing to the discounted nature of council house sales. Further analyses, therefore, were conducted based on surveyors' valuations of the properties. Such valuations reflect the market value of each property and are independent of buyer type.

Table 7 below shows the comparisons between ratios relating to incomes, mortgage advances and valuations.+ It is notable that with respect to the three ratios shown, council-house renters entering owner-occupation differ markedly from the other two categories in several respects, namely:

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*Property valuations in the public sector may have been carried out 3-12 months before sale and as price is related to valuation it is probable that they are on a somewhat earlier time base than the private sector purchases where the time lag between agreement on price and actual sale is probably less.

+Additional information on financial ratios based on *house prices* is given in Appendix B

TABLE 7 FINANCIAL RATIOS: VALUATION, INCOME AND ADVANCE*

RATIO	BUYER TYPE	SOCIAL CLASS A	B	C1	C2	D	ALL
Valuation/ Income	Council House Renters	2.61	2.62	2.76	2.75	3.00	2.80
	Private Sector Renters	2.86	2.92	3.10	3.06	3.07	3.05
	New House-holds	2.86	3.00	3.15	2.98	2.94	3.03
Advance/ Valuation (%)	Council House Renters	53.39	55.45	55.11	55.80	54.76	55.64
	Private Sector Renters	81.37	85.34	87.34	87.27	86.40	85.89
	New House-holds	83.60	84.33	86.73	87.78	87.75	87.57
Advance/ Income	Council House Renters	1.38	1.44	1.49	1.51	1.59	1.52
	Private Sector Renters	2.23	2.43	2.65	2.61	2.56	2.59
	New House-holds	2.34	2.47	2.67	2.57	2.52	2.59

*Calculated as the mean of ratios for each buyer, not ratios of means

(a) on average, council house renters buy houses with valuations of only 2.8 times their income compared to ratios exceeding 3 in the case of private sector renters and newly formed households;

(b) the advance-to-income ratio for council-house renters is only just over 1.5 on average while that for the other two categories exceeds 2.5;

(c) advances as a percentage of valuation are much less for former council renters than for private renters and new households (56 per cent compared to 86 per cent for both types of other buyer).

5.2. The Effects of RTB Policy

What is especially striking about the financial analyses reported in this section is that even disregarding discounts to council-house buyers, and thus making comparisons on a like-for-like basis, this category of buyer is much less 'stretched' financially than the other new entrant groups. Allowing for discounts under the RTB policy, which average 43 per cent in this study, he is in a very much better financial position. This picture remains true across all social classes: in no place does the advance/income ratio approach those required by other buyers.

The evidence presented here raises interesting questions about the privatization process under RTB policy. It would seem on the basis of these financial comparisons that the discount provisions of the RTB legislation have been more than adequate to redress any financial disadvantage or other disincentive to purchase perceived by the council sitting tenants. For the council-house buyer the financial commitment is smaller in both *absolute* and *relative* terms than that for first-time buyers in the private market.

The financial aspects of the purchase decision demand further study. Naturally it is based not merely on financial factors at the time of sale, but may take account of likely future security of employment and income, factors associated with the attractiveness of the property occupied and its location (as the RTB buyer has no choice but is restricted to the property he or she occupies) and the degree of satisfaction with present tenure. It is also the case that the financial potential for home-ownership among those not so far opting to buy remains low. It will be appreciated, of course, that the large sample of buyers covered in this study are not necessarily representative of those who remain renters. Indeed, a study by Littlewood (1986), based on data collected in the General Household Survey of 1978 (OPCS, 1980), concluded that only about half of local authority tenants and of private renters who expressed a preference for home-ownership could afford it (Littlewood, 1986, p.9). Since this study, of course, the RTB provisions have been improved.

6. Summary and Conclusions

By way of conclusion we summarise the salient results from the study. The main aim was to exploit a unique data base which allows the integrated analysis of the characteristics of a large sample of three categories of new entrants to owner-occupation, but paying particular attention to those exercising their right to buy the properties they occupy under the 1980 Housing Act. Because of the marked social stratification of

housing tenure in the UK, special attention is devoted to the analysis of the flow of new entrants according to their social class.

The results of the study may be summarised as follows:

New Entrant Buyer Characteristics

Among council house renters, the typical buyer comes from the skilled manual class, is much older and has a larger family, but has a somewhat smaller income, than other new entrants. It is also striking, however, that, relative to the stock of council house tenants by social class, a disproportionate flow comes from the unskilled manual class, rather than the skilled manual class. It also emerges that for both public and private buyers, income levels are roughly twice those of all tenants in these sectors.

Property Characteristics

With regard to the properties purchased, the typical dwelling bought by council tenants is much larger in size, and much younger (roughly half the age) than those purchased by other new entrants. There is also an important difference by type of property: public sector sales are almost entirely of *houses* (95 per cent), whereas over a quarter of private sector renters buy *flats* as opposed to houses (70 per cent). Newly-formed households also buy a much larger proportion of flats (16 per cent) than council tenants.

Financial Aspects of House Purchases

Discounts to council house buyers average 43 per cent in this study, giving a mean price of half or less than that paid by other new entrants. Advances to council house buyers are much less in both absolute (around half) and relative terms than obtained by other buyers (an advance-to-income ratio of 1.5 as against 2.6 respectively).

From the point of view of extending home-ownership, the RTB policy introduced in 1980 has succeeded in the sense of stimulating public sector sales. Since 1979 over three-quarters of a million council houses have been sold to their sitting tenants. These have been on such a scale that for the first time the public sector share of the housing stock has fallen (from 32 per cent in 1978 to around 28 per cent in 1984). This study shows that the policy has also had some 'success' in extending home-ownership down the social class scale. At the same time, however, it is notable that RTB buyers are much older than other new entrants, so that the policy is operating to extend owner-occupation up the age scale as well. It is especially notable, too, on the financial side, that despite substantial discounts (which have had the effect of almost halving the prices paid by RTB buyers relative to others), the effect has been to reduce the loan requirements of buyers in the public sector, rather than extending owner-occupation down the income scale. The average incomes of buyers in all three sectors are much the same and for former renters in both the public and private sectors it is the more well-to-do who opt for ownership - buyer incomes in both sectors being roughly twice the level of tenants in these sectors. This raises the question of whether the financial provisions of the RTB policy have needed to be so generous to accomplish the government's professed aim.

Finally, it also seems clear that residualization of local authority housing is taking place as a consequence of the RTB policy in that the properties which have been most attractive to tenant buyers have tended to be the larger ones, and the vast majority of these have been houses as opposed to flats. Social polarization between council house tenants and owner-occupiers is also taking place in the sense that there is an insignificant flow of buyers from the lowest income and elderly groups, though in terms of social class, as such, the RTB policy does appear to be encouraging a more than proportionate flow of tenants from the lower social classes into home ownership.

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APPENDIX A HOUSE TYPE BY BUYER TYPE AND SOCIAL CLASS

(% breakdown)

BUYER TYPE & SOCIAL CLASS	HOUSE TYPE				
	Semi detached house	Detached house	Terraced house	Bungalow	Flat
Council House Renters					
A	34.8%	0.0%	52.2%	0.0%	13.0%
B	36.3	1.5	52.3	2.7	7.1
C1	42.5	0.7	50.2	1.1	5.6
C2	46.1	0.7	49.0	1.0	3.2
D	45.6	0.7	50.5	1.0	2.3
ALL	44.8	0.7	49.7	1.1	3.7
Private Sector Renters					
A	24.3%	14.8%	23.7%	8.9%	28.4%
B	25.8	9.4	29.3	5.2	30.4
C1	23.2	4.1	37.3	3.5	32.0
C2	27.0	3.0	45.8	4.1	20.1
D	22.0	2.4	59.2	3.7	12.7
ALL	24.6	4.6	40.0	4.0	26.8
New Households					
A	35.7%	12.3%	22.7%	5.8%	23.4%
B	29.8	9.6	28.8	8.5	23.3
C1	30.9	4.4	37.7	6.4	20.6
C2	31.8	2.8	47.1	5.9	12.5
D	27.6	1.6	57.3	3.8	9.6
ALL	30.8	3.7	44.0	5.9	15.6

APPENDIX B FINANCIAL RATIOS: PRICE, INCOME AND ADVANCE*

RATIO	BUYER Type	SOCIAL CLASS A	B	C1	C2	D	All
Price/ Income	Council House Renters	1.45	1.50	1.55	1.55	1.68	1.58
	Private Sector Renters	2.87	2.94	3.12	3.07	3.06	3.07
	New House-holds	2.89	3.02	3.16	2.97	2.92	3.03
Advance/ Price (%)	Council House Renters	96.94	97.04	97.60	98.06	96.90	97.66
	Private Sectors Renters	81.38	85.32	86.86	87.37	87.85	86.76
	New House-holds	83.89	83.97	86.73	88.21	88.44	87.43

*Calculated as the mean of ratios for each buyer, not ratios of means.