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'Thatcher was right – we need more renters to become home owners'

Claim is made by leading estate agent Trevor Abrahamsohn of Glentree Estates following Boris Johnson's announcement on his new 'right to buy' scheme.

Trevor Abrahamsohn

13th June 2022 249 Views



One of the key planks of Margaret Thatcher's deregulation initiatives during the 80s was to allow council house tenants to buy their own homes and become part of the 'great British property-owning society'.

The idea, which was successful, was to give council tenants the ability to build up wealth for their retirement and help their children onto the property ladder as well.

Boris Johnson **last week announced** an initiative whereby social housing tenants can also buy their own properties using their Housing Allowance and/or Universal Credit payments towards their mortgage costs.

So that the social housing stock is not depleted by this arrangement, the government intend to replace these properties on a one-to-one basis, which is an excellent idea, avoiding one of the downsides of Thatcher's plan.

But there is no question that although the government's plan to build 300,000 new homes a year is not going to happen, the Prime Minister's measures should bolster this campaign so that the aspirations can be delivered.

But the government faces some very different challenges.

For example, the number of new homes built will be constrained by the inflation in building and labour costs which, in some cases, has been as high as 25%. Some development schemes will be rendered unviable if these costs continue to rise unless property values appreciate in parallel.

Interruption in the supply chain is the legacy of Covid and the lack of foreign nationals in the construction industry does not help either. Shipping costs have 'gone mental' over the past two years and some developers are being forced to accumulate materials in warehouses that they need for future development.

This will help them contain the explosion in prices which otherwise makes the imponderables of residential development costs more onerous.

Home builders are wary of fixed-price contracts due to inflationary pressures and far prefer cost-plus arrangements which are flexible and can more easily cater for rising prices of materials, although it does not provide much comfort for the developers who are trying to protect their profit margins.

I know several companies that are reluctant to build out residential land for these reasons.

We have all got 'party gate' fatigue and if these initiatives are the flavour of the government wanting to refresh the agenda, from my point of view, it's not a moment too soon.

Trevor Abrahamsohn is founder of **Glentree Estates**.

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