



Tenant Arrears Tracker

Under embargo until 00:01 Wednesday 15th June 2016

Q1 2016

Serious tenant arrears fall 4% as jobs boom

- 3,100 fewer households were in serious rent arrears in Q1 compared to Q4 – a 4% fall
- Eviction orders drop by 3% in Q1 – now representing only one third of tenants in serious arrears
- Just 1% of UK renters face serious arrears – 86,200 tenant households compared to 89,300 in Q4
- Landlords benefit from healthier tenant finances – with fewest buy-to-let mortgage arrears since 2007

Fewer tenants are falling into serious rent arrears thanks to the improving employment market, according LSL Property Services Group letting agents Your Move and Reeds Rains.

In absolute terms, just 86,200 tenants across the UK are more than two months behind in their rent. This compares to 89,300 in the previous quarter. This represents a 4% fall and means that 3,100 households in homes to let have moved out of serious rent arrears since the end of 2015.

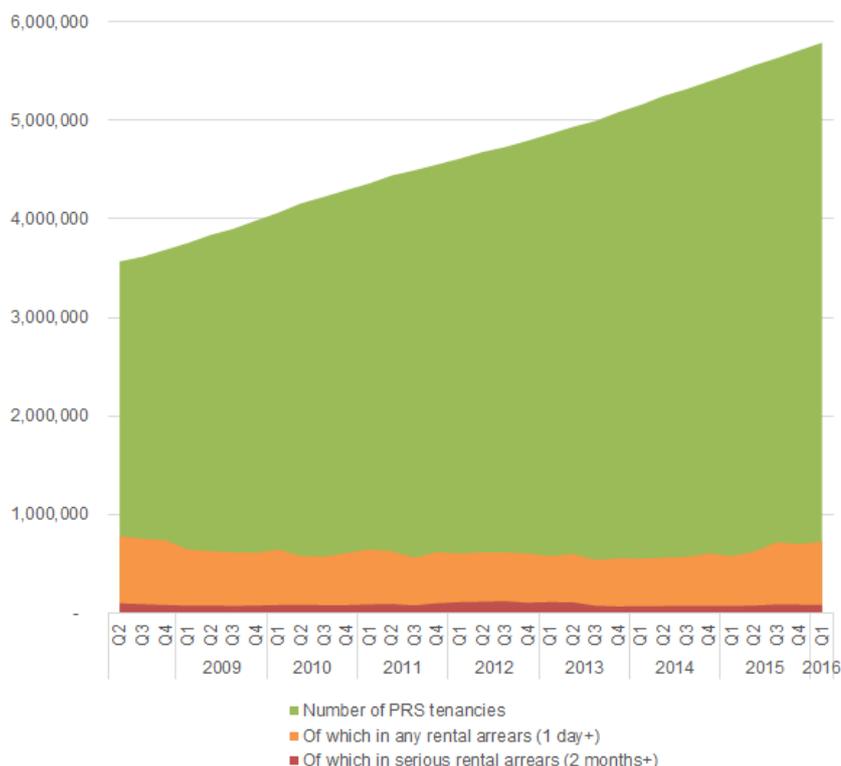
Since 2008, there have been on average 92,600 tenants in serious arrears in the first quarter of each year – meaning that Q1 2016 is also substantially lower than the long-term average.

Adrian Gill, Executive Director – Estate Agency, LSL Property Services plc, comments: *“Fewer tenants in serious arrears reflect the health of the jobs market. With an extra 44,000 jobs created in the first quarter of this year, thousands of tenants have been able to get their finances back on track and pay down late rent. Serious rent arrears peaked in Q3 2012, when 124,800 households owed more than two months’ rent – and when unemployment in the UK stood at 7.9%. Since then a boom in employment has been responsible for lifting many of the most precarious tenant households out of serious rent arrears and onto a more sustainable course. The direction of travel looks very positive.*

“A reduced risk of serious rent arrears will be welcome news for existing landlords, facing so many artificial challenges posed by government meddling. But no-one should be complacent – managing a property is never simple. Some landlords are being held back from buying property by the Stamp Duty Surcharge. If this stems the flow of new homes into the rental market, then shortages in some areas could push up rents – hitting affordability.”

The number of tenants more than two months behind with rent has fallen by 16% since the eve of the financial crisis and recession in Q2 2008 – from 102,900 in Q2 2008 to today’s total of 86,200. This is despite the expansion, over exactly the same period. At the start of this period, there were 3.6 million households living in the UK private rented sector. Now, after just eight years, this has grown by 62% to reach a total of 5.8 million households as of Q1 2016.

Graph 1: Tenant arrears and serious tenant arrears in context: compared to growth of the UK Private Rented Sector



Source: Your Move, Reeds Rains

Adrian Gill adds: “The massive growth in the number of homes available to rent – driven by both deliberate landlords and accidental landlords coming into the market – has ensured that rents have not outpaced the ability of tenants to pay.

“The affordability of renting and the number of tenants falling behind on rent also needs to be seen within the context of the rapid expansion of the private rented sector and the addition of millions of extra houses and flats to rent.”

As a result of this improving picture from tenant rent arrears, the number of eviction orders issued has also dropped considerably.

In Q1 2016, there were 26,230 court orders made for eviction as a result of possession claims by landlords in the county courts¹, down from 26,964 in Q4 2015.

Landlord mortgages: Arrears healthiest since 2007

Landlords themselves are now less likely to fall behind on their mortgage repayments, with Q1 2016 seeing only 9,300 cases of buy-to-let mortgage arrears of more than three months. Despite significant growth in the number of existing buy-to-let mortgages, the number of landlords in arrears has not been lower since Q4 2007 when there were just 7,500 cases across the UK. On a quarterly basis, the latest total represents a drop of almost a tenth (down 9.7%) since Q4, when 10,300 landlord mortgages were in arrears.

¹ Note: This measure of evictions, landlord possession claims leading to court orders for evictions, covers the county courts of England & Wales only, as opposed to all other data here which refers to the entire United Kingdom.

Adrian Gill concludes: *“The evidence is clear – landlords’ finances are the healthiest they’ve been for nearly a decade. Back in 2009, with a distressed purchase market, many owners didn’t want to sell their properties if they inherited or no longer wished to live in their old home – which led to more accidental, DIY landlords. As a result of this, and with more tenants in financial difficulties, buy-to-let mortgage arrears were far higher.*

“Since then the private rented sector has changed. Now, with the rise of deliberate landlords with a professional attitude to their investment, the average property investor is more likely to have a business plan and a more professional approach to letting their property.

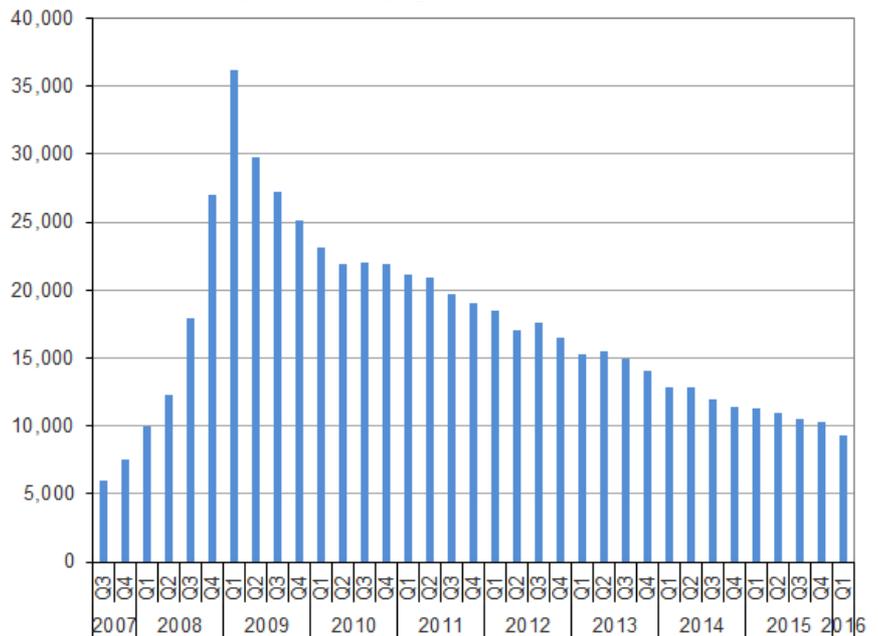
“Any new risks for landlords are now as a result of anti-renting policies – well-intentioned but possibly misguided attempts to further improve the private rented sector. Landlords witnessing this storm of regulatory change will need to build their cash reserves and reassess their business models. But they are in a very good position to do so.

“Looking ahead, the next hurdle put up by the Government will be the coming changes to the tax relief of mortgage interest. For many smaller landlords and for those without significant external income, the phasing out of tax allowances at the higher rate could be minimal if they don’t fall near the higher tax bands in the first place. But professional landlords with more than a couple of properties could be hit harder.

“Regardless of their situation all landlords should know where they stand – with a revised plan and the proper advice to make sure they can continue to operate successfully under the new rules.

“Into the future, if private renting is to continue absorbing the bulk of UK population growth, then landlords will need to be understood better by policy makers – and appreciated better by all the regulatory and political forces behind the latest onslaught. If demand from tenants keeps growing as it has, then landlords will be vital.”

Graph 2: Buy-to-let mortgages over three months in arrears



Source: CML, Your Move / Reeds Rains analysis

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NOTES TO EDITORS

Your Move and Reeds Rains together form the largest network of residential lettings agents in the UK, while in the property purchase market, the combined branch networks also form a UK-wide network of estate agents.

More information on Your Move: <https://www.your-move.co.uk/>

More information on Reeds Rains: <https://www.reedsrains.co.uk/>

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