GENERATION RENT
The national voice of private renters

Causes & Consequences of Evictions in Britain
October 2016

I. INTRODUCTION

Across England, the private rental sector has become more expensive and less secure. Tenants pay an average of 47% of their net income on rent.[1] Meanwhile, one in four private renters report that they have been forced to move home. More than 14,000 tenants in England were evicted with no grounds in 2015 — more than 45 each day.

As the size of the private rental sector continues to grow, two urgent questions arise. What is driving this surge in evictions? And what is to be done about it?

Analyzing several new sources of data, we find that evictions are driven in large part by landlord opportunism. When house prices go up, landlords evict their tenants in order to free up their property for sale or to raise their rents with a new tenant. Rental prices then rise as a result of the increasing price elasticity that evictions afford to landlords in the private rental sector. The English Housing Survey found that in the three years to 2013, 57% of landlords who asked their tenants to leave did so because they wanted to sell or use the property.[2]

The reverse also holds. When house prices fall, evictions do, too. As the prospects for sale decline, landlords become more anxious to maintain their tenants. The rental index then falls as a result of this shift of bargaining power. Where we might expect evictions to have risen during the recession of 2008-2010 — when tenants were struggling most — we find instead that evictions fell during this period.

These trends are most pronounced in the places where property markets are under the greatest strain. In London and the South East, for example, we can see very clear relationship between house price indices, eviction rates, and rental price indices (see Figures 4 & 5). In regions with less housing market volatility, the trends are less glaring — though the relationship between these variables remains strong. We present our fixed effects modeling in the Appendix.

One common explanation for the recent increase in evictions is the rent unaffordability. As rents rise and government cuts back on housing benefit, tenants struggle to keep up with rental payments. According to this explanation, landlords may be using the quicker no-fault process to evict their tenants on the legitimate basis of arrears. The data we present in this report debunk this explanation conclusively. Analyzing new data on tenant arrears, we find that evictions have been rising *even as tenant arrears continue to decline*. High rent does not appear to drive evictions, but rather the reverse — evictions drive rental price inflation. Evictions therefore do damage not only to tenants' livelihoods, but also to the sustainability of the housing market more broadly.

[1] https://www.theguardian.com/money/2015/jul/16/tenants-in-england-spend-half-their-pay-on-rent
[2] English Housing Survey, 2012-13, Chapter 6 Annex Tables

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II. EVICTIONS & THE HOUSING MARKET

To examine the cause and consequences of tenant evictions, we put together several sources of data. The core body of data from the Ministry of Justice contains information on all evictions in England from the first quarter of 2005 through the first quarter of 2015 at the level of the local authority.[3] We then appended both the regional index of private housing rental price (IPHRP) and the regional house price index from the Office of National Statistics.

The MoJ records three types of evictions: social landlord, private landlord and accelerated. Our analysis focuses on 'accelerated possessions,' which are all "Section 21" evictions. Under section 21 of the Housing Act 1988, landlords have the right to evict their tenants in assured shorthold tenancies with only two months' notice. The eviction is often referred to as a 'no-fault' eviction, as the landlord may evict a tenant without reference to any offence or violation. Between 2009 and 2015, these evictions more than tripled from 5072 to 16620 compared to an increase in social landlord evictions from 18244 to 20048, a rise of 10%.

"Private landlord" eviction statistics include "at-fault" Section 8 evictions (although there is no breakdown), and the level is a fraction of accelerated evictions. And while some social landlords use the accelerated process, all affected tenants are on assured shorthold tenancies. Because there is no defence against a Section 21 eviction, many tenants will move out before their case reaches the courts, and the MoJ does not record these. However, accelerated possessions give us an indication of the fluctuations in the use of Section 21.

To visualize the trends in these data, we first take a look at the scatterplots (Figures 1, 2, & 3). Each follows an almost identical trend: rising toward the recession, falling in its wake, and resuming its rise soon thereafter. However, their trajectories vary in the timing of each of these junctures. Both house prices and evictions begin to fall in the first quarter of 2008. The rental index lags behind, falling only in the second quarter of 2009 — more than a year later. House prices begin their ascent first, in the second quarter of 2009. Evictions then follow, picking up again in the fourth quarter of 2009. And again, the rental index lags behind — bouncing back only in the third quarter of 2010.

[3] The MoJ data codes as missing as values between 1 and 5 so as to protect the anonymity of evicted tenants in a given local authority. I recode them here at the mean of 2.5.

Figure 1:

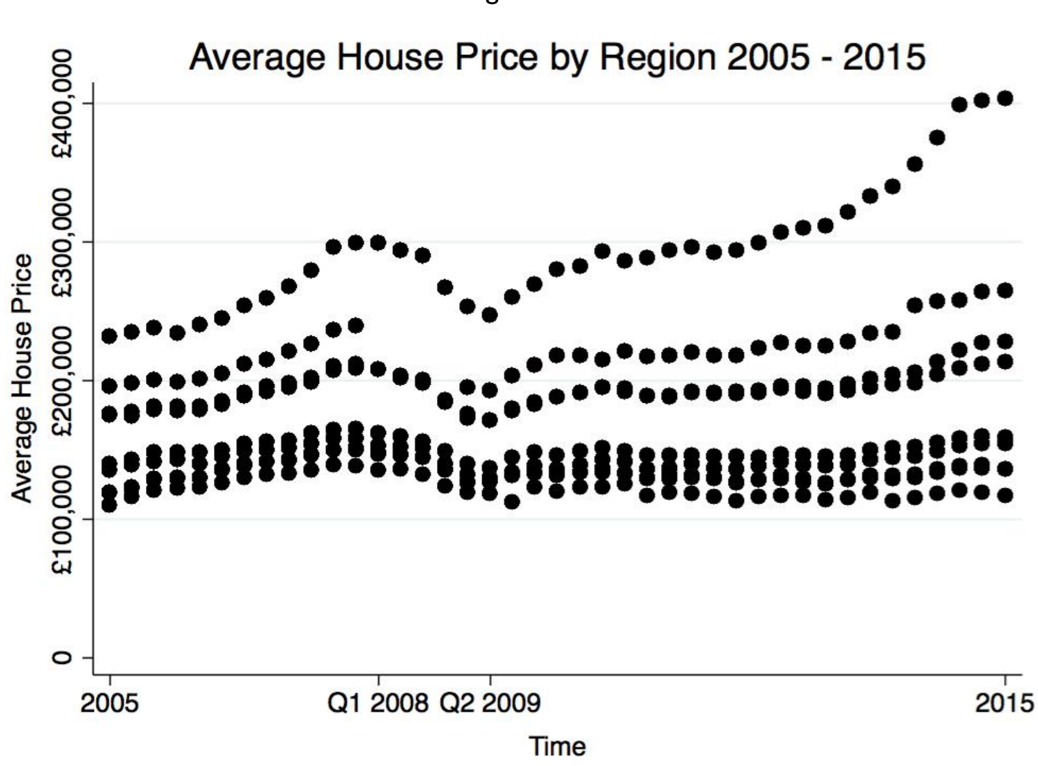


Figure 2: Accelerated Evictions 2005 - 2015

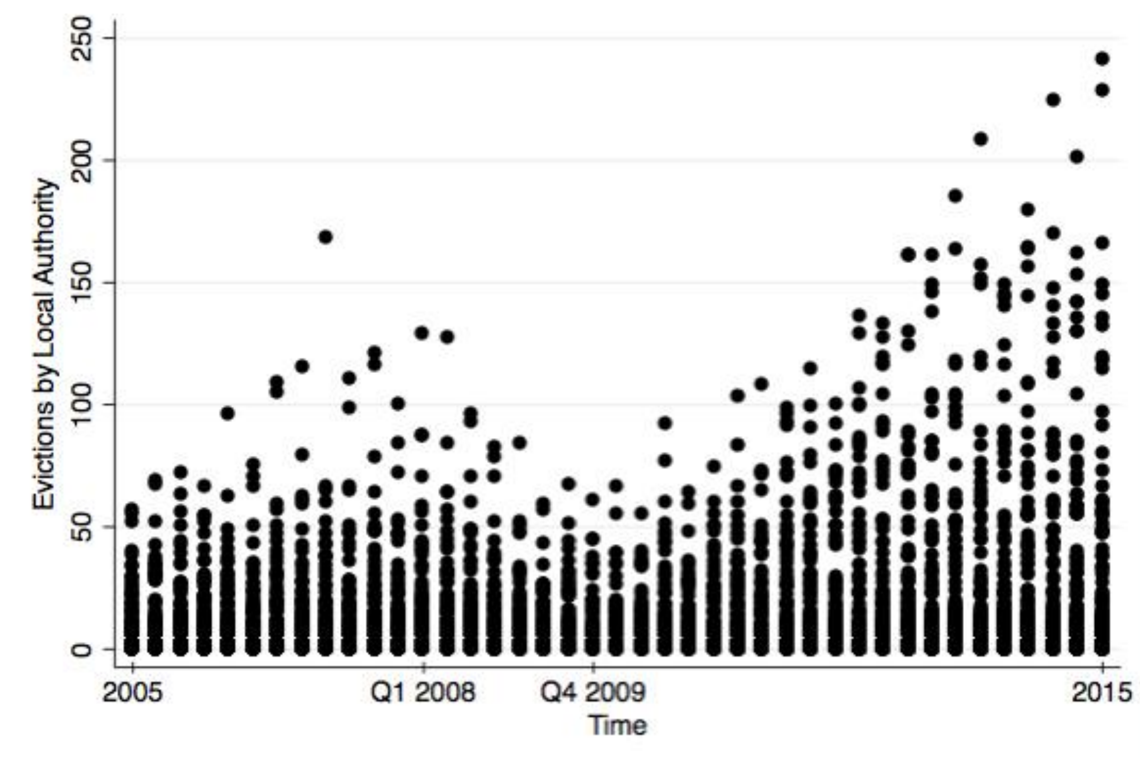
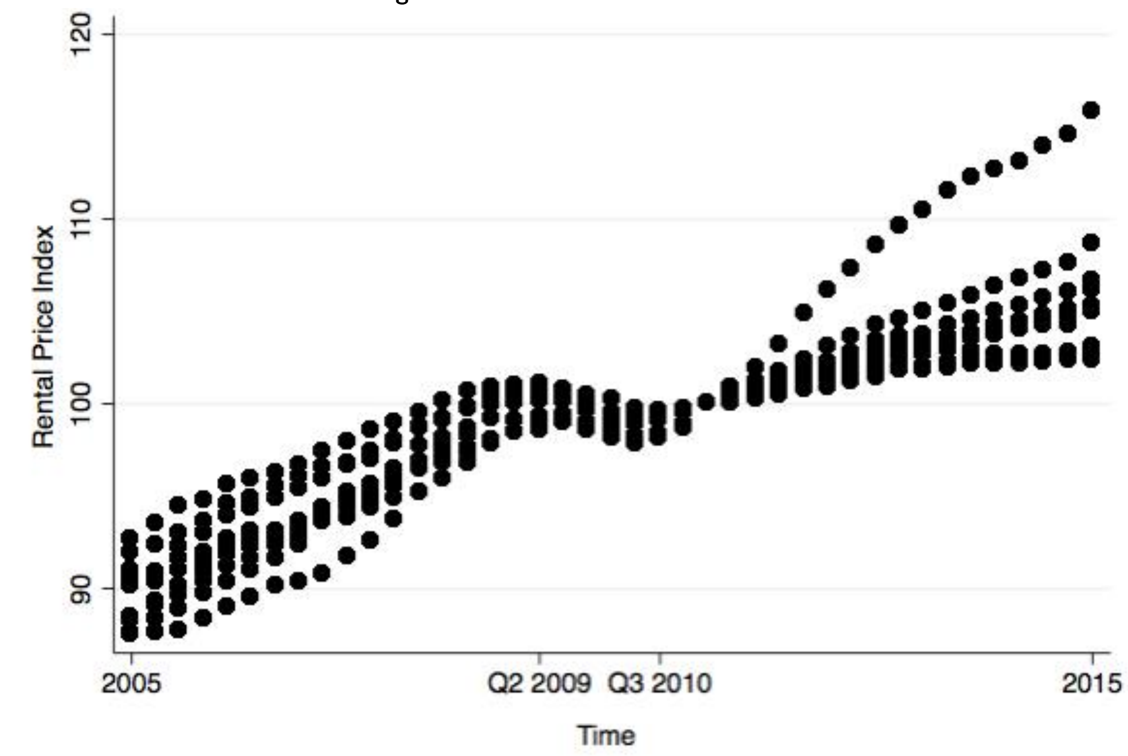


Figure 3: Rental Price Index 2005 - 2015



What can this tell us about evictions and tenant security?

These data suggest a specific causal chain. This chain begins with the investor. House prices respond first to investors' anxieties and expectations about the performance of real estate assets. Landlords then evict accordingly. When house prices are low and the economy is performing poorly, landlords may not be able to find another tenant, so they are forced to negotiate with existing tenants, and the IPHRP falls. When house prices are rising, evictions allow landlords to free up their property for sale or raise their rents accordingly, and the IPHRP then rises.

In Figures 4 & 5, we show the case of London, where these trends are most jarring. Across London's local authorities, evictions track the house price index almost perfectly. The rental price index tracks roughly 4 quarters later.

Figure 4: Evictions & House Prices in London 2005 – 2015

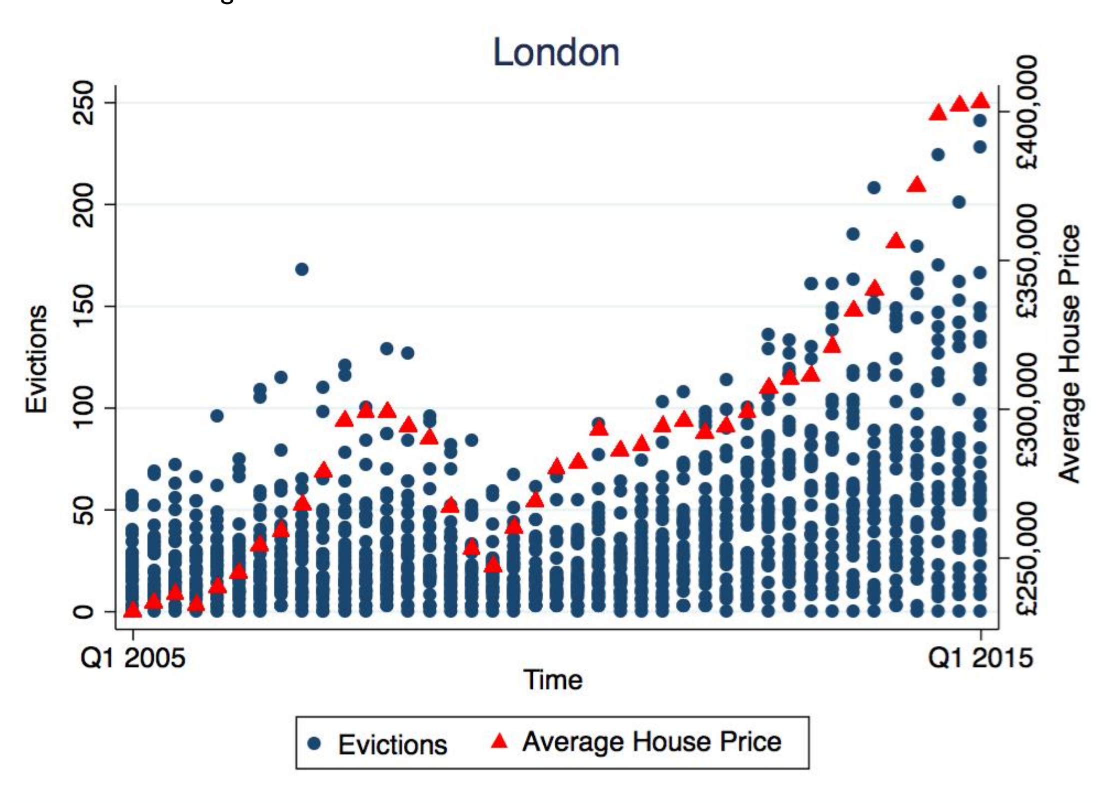
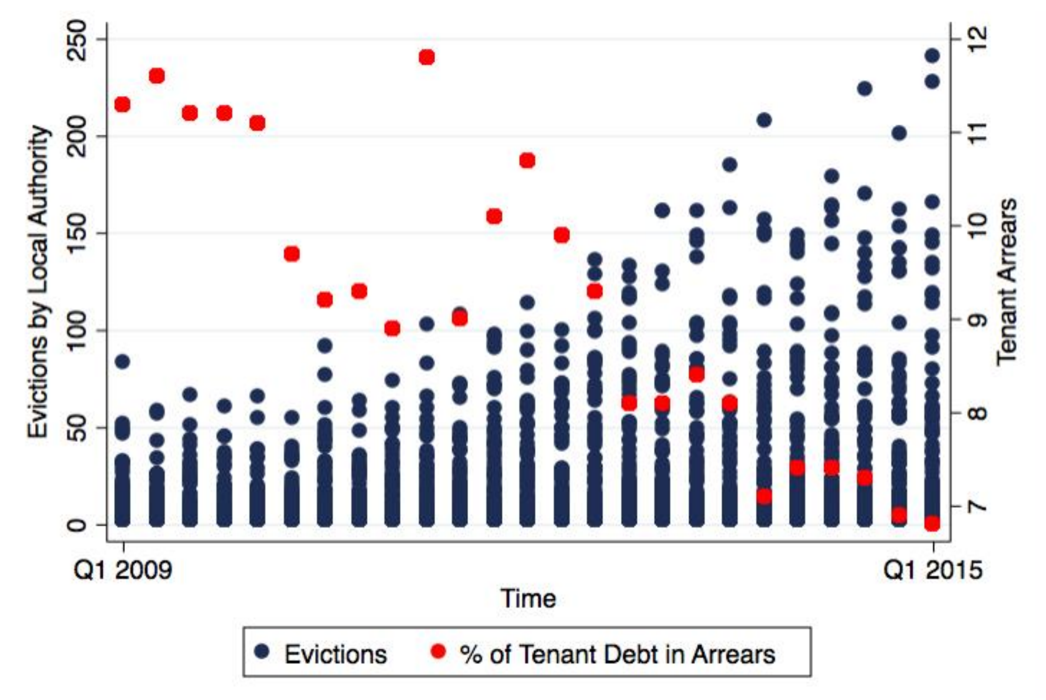


Figure 5: Evictions & IPHRP in London 2005 - 2015

To examine this causal chain more closely, we run a series of bivariate fixed effects regressions, presented in the Appendix. The findings are two. First, the tables show the strong positive correlation between these variables. Since 2008, for example, a 10 percent increase in house prices is on average associated with an increase in evictions of over 60 per cent in a given local authority. Second, the table lends support to the theory because it shows that the strongest relationship[4] between evictions and rental prices is lagged. The trends in evictions predict the trends in the rental price index 4 and 5 quarters ahead. Rising rents are therefore not responsible for rising evictions. Rather, we find the reverse — it is rising evictions that may be responsible for rental price inflation.

Tenant livelihood is therefore shaped more by the dynamics of the housing market than by the tenants themselves. One alternative explanation for the recent rise in evictions is tenant arrears. It is very possible to imagine that as families struggle with rising rent, they fall into debt, and landlords have no choice but to exercise their Section 21 rights. We find, however, that this is not the case. We examined new tenant arrears data from LSL Property Services between 2009 and 2015. As Figure 6 below conclusively shows, evictions have been rising even as tenant arrears have been declining. Tenants today are both paying higher prices and doing so in a more timely manner — and still facing ever greater threats of eviction.

Figure 6: Evictions & Arrears 2009 - 2015



[4] The strength of the relationship is defined here by two metrics — the β coefficient and the R-squared. The size of the β coefficient signals how closely correlated the variables are, and the R-squared signals model fit. In these bivariate regressions, we can see that the two metrics go together: where we find the strongest correlation, we also have the highest R-squared value. This suggests the appropriate lag.

Indeed, the relationship between evictions and tenant behavior may be the inverse. As the exercise of Section 21 becomes more common, tenants' bargaining power has drastically declined. Many tenants report that they refrain from notifying landlords about service problems or repairs needed in the home for fear of a revenge eviction under Section 21. The government has legislated to outlaw this practice in severe cases in the Deregulation Act 2015, though its main benefit is to reduce dangerous practices as opposed to improving security of tenure per se.

Overall, these data shed light on the dual injustice of the private rental sector today, which both demands unaffordable rent from tenants and provides even less security of tenure in return.

III. WHAT IS TO BE DONE?

This report has examined the links between house prices, evictions, and rent. Analyzing new data from the Ministry of Justice, we find that evictions are driven not by tenant arrears but instead by opportunistic landlords eager to take advantage of rising house prices. The graphs presented in the report demonstrate a near-perfect match between house price fluctuations and eviction patterns, with rental prices lagging behind. Fixed effects models presented in the Appendix lend support to this theory.

The data presented here have major implications for housing reform. Government must do more than provide housing benefit and build new homes. As more and more Britons find shelter in the private rental sector, tenants must be afforded new protections from greed-driven evictions, which dislocate families, disrupt communities, and ultimately put inflationary pressure on rental prices. The data show clearly that tenants are not to blame for the recent rise in evictions. Solutions to this problem must therefore start by curbing the excessive use of Section 21.

APPENDIX

Table 1: Evictions and House Price Index

VARIABLES	(4) L.Evictions	(1) Evictions	(2) Evictions
House Price Index (HPI)	1.832***	1.956***	
	(0.0307)	(0.0316)	
L.HPI			1.936***
			(0.0341)
Constant	-27.92***	-29.98***	-29.40***
	(0.580)	(0.595)	(0.639)
Observations	13,000	13,325	13,000
R-squared	0.219	0.227	0.203

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 2: Evictions and IPHRP

VARIABLES	(1) IPHRP	(2) IPHRP	(3) IPHRP	(4) IPHRP	(5) IPHRP	(6) IPHRP
Evictions	0.231***					
	(0.00475)					
L.Evictions		0.239***				
		(0.00491)				
L2.Evictions			0.242***			
			(0.00499)			
L3. Evictions				0.246***		
				(0.00517)		
L4. Evictions					0.245***	
					(0.00531)	
L5. Evictions						0.239***
						(0.00542)
Constant	97.68***	97.89***	98.14***	98.37***	98.62***	98.90***
	(0.0503)	(0.0498)	(0.0489)	(0.0485)	(0.0481)	(0.0476)
Observations	13,325	13,000	12,675	12,350	12,025	11,700
R-squared	0.154	0.157	0.160	0.159	0.154	0.146

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1