

The Other Waitrose Effect

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Generation Rent

Over the last three decades, Britain's housing market has driven wide-ranging inequalities between property owners and property renters. Renters face a range of challenges that owners do not — from health to education to social inclusion. According to the 2013 English Housing Survey, more than one-third of private rental properties fall below the Decent Home Standards. Recent work by Barnes et al. (2006) shows that renters have the highest levels of exclusion across several domains of civic life — social, cultural, financial, and material. One interviewee described feeling “alone” as a renter:

Everyone always knows if you're renting. And they make assumptions about the people who rent... You get the shame attached to that — that if you're claiming the benefits [to cover the rent], you are a shame (02/09/16).

Even before the recent housing boom, “prejudice against council estates [could] be found everywhere” (Tucker 1966). Today, schoolchildren describe homeownership as the “desirable norm” (Rowlands and Gurney 2000).

Yet the most direct link between the welfare of homeowners and renters lies in the relationship between gentrification and displacement. By its earliest definition, gentrification is a process of urban transformation in which the arrival of wealth serves to upgrade a neighborhood and its services (Glass 1964). I define it here not as a social or political process, but purely in this economic sense — the transformation of a neighborhood from low- to high-value.

With security of place, homeowners stand to gain from this upgrade. Their properties rise in value, but so do their livelihoods: services improve, amenities diversity, and luxuries like upscale supermarkets set up shop.

But what of renters? How is their welfare affected by this urban transformation?

I argue that the rising welfare of homeowners in gentrifying neighborhoods is directly linked to the declining welfare of renters. To make this argument, I focus on the relationship between Waitrose, Britain's highest-ranking supermarket, with the clearest indicator of displacement — evictions. In particular, I focus on the relationship between the opening of a Waitrose and local rates of Section 21 evictions, known as a “no-fault” evictions, as landlords do not have to cite a grievance in order to remove their tenants legally from their homes.

The Waitrose “effect” is well-established in Britain. Not only do homeowners enjoy the supermarkets' high-quality products. According to research conducted by

Lloyds Bank, their properties also rise in value by £40,000 on average. In the North of England, where house prices have remained lowest, proximity to a Waitrose can increase the value of a property by 40 percent relative to surrounding areas.

Yet there is a very different Waitrose effect on renters. In Table 2, I analyze an original data set that brings together eviction data from the Ministry of Justice and Waitrose data from across England. In the data set, I code all quarters without a Waitrose present as 0, and all quarters with a Waitrose present as 1. I then run a basic fixed effects model with clustered standard errors, modeled as

$$Y_{it} = \beta_0 + \beta_1 D_{it} + \gamma_i + \delta_t + \epsilon_{it}$$

where Y is evictions, D is a Waitrose dummy, γ is a local authority dummy, and δ is a year-quarter dummy dummy.

Across all models, I find large and statistically significant effects of Waitrose on eviction rates. In Model 1, I measure this effect using data on repossessions, in which tenants were forcibly removed from their properties. Model 2 repeats this estimation with data on eviction “claims,” or landlord motions to evict. The claims data provide more accurate estimations, as the vast majority of tenants leave their homes on the basis of an eviction claim, rather than waiting for repossession. Models 3 and 4 repeat these calculations but restrict the sample to 2008 and after — when house prices were booming across Britain. These figures are more precise estimate of the other Waitrose effect at existing levels of house price inflation. Overall, I find that the arrival of Waitrose increases the rate of evictions in the private rental sector by between 25 and 50 percent.

Tab. 1: Effect of Waitrose on Evictions

	(1)	(2)	(3)	(4)
Waitrose	3.147*** (0.320)	5.273*** (0.543)	5.590*** (0.604)	9.586*** (0.966)
Time Dummies?	Y	Y	Y	Y
Constant	3.579*** (0.449)	12.40*** (0.763)	2.179*** (0.538)	8.755*** (0.866)
Observations	13,325	13,325	7,475	7,475
R-squared	0.095	0.120	0.096	0.122

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

Claims of causality in these estimations, however, carry a strong assumption of parallel trends. It is possible that the propensity to evict in areas that attracted a Waitrose supermarket were inherently different than the ones that did not. Comparison between treated and non-treated regions would therefore yield bias results.

To test for parallel trends, I plot the trajectory of Waitrose and Non-Waitrose units across the sample time period. The results, presented in Figure 2, are striking. Areas with and without Waitrose show clear parallel trends through the early part of the sample, when few Waitrose have opened. Yet as the number of Waitrose increases across the sample, an increasingly large gap opens up in the eviction rates between those areas with a Waitrose and those areas without it. This Figure therefore lends strong support to my claim about the other Waitrose effect.

Of course, I do not claim that Waitrose alone is responsible for these evictions. Rather, Waitrose participates in a broader process of gentrification — it is both a cause and a consequence of growing affluence in the neighborhood. My findings about the other Waitrose effect suggest only that such affluence — and the amenities it affords — carry negative externalities for the renters living in those neighborhoods, as well. In this way, gentrification in Britain implies polarization between the welfare of homeowners who shop at Waitrose and the welfare of renters who live without security of tenure as a result.

Fig. 1: Evictions in Waitrose and No Waitrose Areas

