

# Tenant Arrears Tracker

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Q4 2014

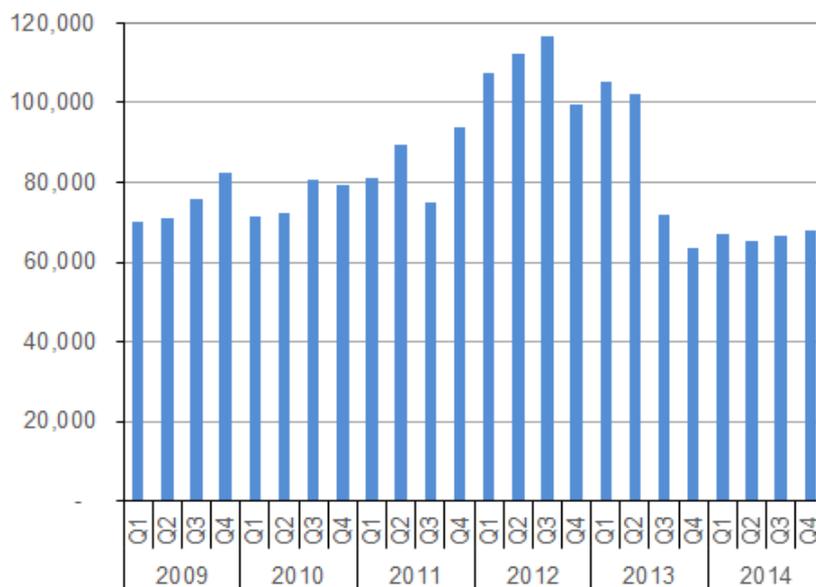
## Tenant finances see short-term setback

- In Q4 2014 there were 7.2% more tenants severely behind on rental payments compared to Q4 2013 – the first annual rise since 2012
- Despite setback, 48,500 fewer tenants face severe rent arrears compared to worst of 2012 record peak
- Evictions fall in the face of recent rent arrears, with latest evictions orders down 6% on a quarterly basis
- Landlords pay off buy-to-let mortgage arrears to the healthiest levels seen since the start of 2008

Tenants have felt a financial setback, with the number falling into serious rental arrears rising on an annual basis for the first time since 2012, according to the latest Tenant Arrears Tracker by estate agency chains Your Move and Reeds Rains, part of LSL Property Services PLC.

In Q4 2014 there were 68,100 tenants in severe rent arrears of more than two months. This represents an increase of 4,600 such tenancies compared to the same quarter one year ago, or a 7.2% annual increase. On a quarterly basis the setback is less severe, with 1,700 more cases of severe arrears in Q4 2014 than in Q3, or a quarterly increase of 2.6%.

**Graph 1: Tenants in severe arrears**



# Tenant Arrears Tracker

Source: LSL / Templeton LPA

Despite this recent deterioration, the longer term trend for tenant arrears remains positive, as improvements seen in 2013 and at the start of 2014 remain overwhelmingly large in comparison. As a result, since reaching a peak of 116,600 tenancies in Q3 2012 the number in severe arrears has dropped by 48,500 as of Q4 2014, an improvement of 42%.

In terms of the proportion of all tenants now in severe arrears, there was no significant setback in the last quarter. As a percentage of all tenants, 1.4% owed rent arrears of more than two months in Q4 2014, the same as in Q3 2014 and in Q4 2013. This leaves a remaining 98.6% of tenants who have consistently avoided serious rental arrears.

A slight deterioration in the most serious rental arrears is consistent with figures for overall levels of late rent including shorter lapses on payments. According to the latest Buy-to-Let Index from Your Move and Reeds Rains, overall tenant arrears of any duration stand at 7.5% as of November, up from 6.6% of rent late in November 2013. However, as with severe arrears, even after November's slight deterioration, rent arrears remain considerably lower than in previous years, since peaking at 14.6% in February 2010.

**Adrian Gill, director of estate agents Your Move and Reeds Rains, comments:** *“Escaping the worst deprivations of the financial crisis has taken half a decade. And even now, for so many households every month is still a difficult month.*

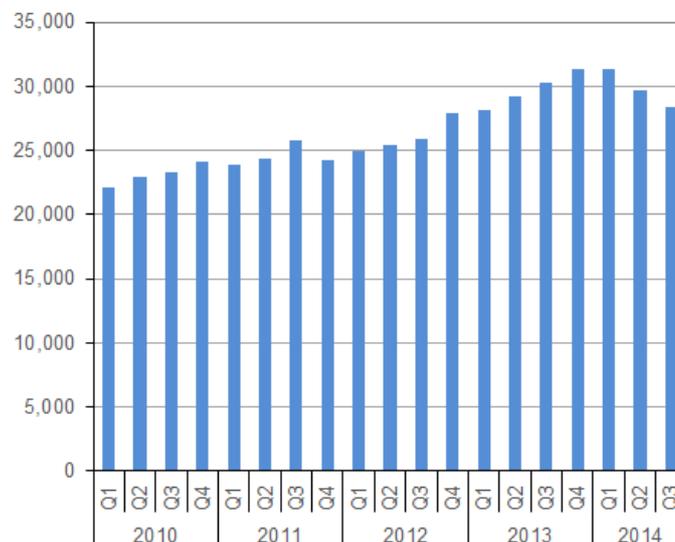
*“Stretching to include even a little festivity often makes December particularly hard. But just as the occasional setback is inevitable, the long-term trend is increasingly clear. Since the sharpest pinnacle of tenant difficulties in 2010 the number in serious rent arrears has practically halved.*

*“As rising wages start to combine with much lower levels of unemployment, the fundamentals of the economy have started to turn in favour of tenants. If that can continue, then so can the trend away from arrears, as renting becomes more affordable.”*

## Eviction rates improve

In Q3 2014, 28,400 tenants faced a court order for eviction, down 4.4% since Q2 2014. On an annual basis this leaves eviction rates 6.0% lower than in Q3 2013 – which is the first annual fall in eviction orders on record (since 2010).

**Graph 2: Landlord possession claims leading to a court order**



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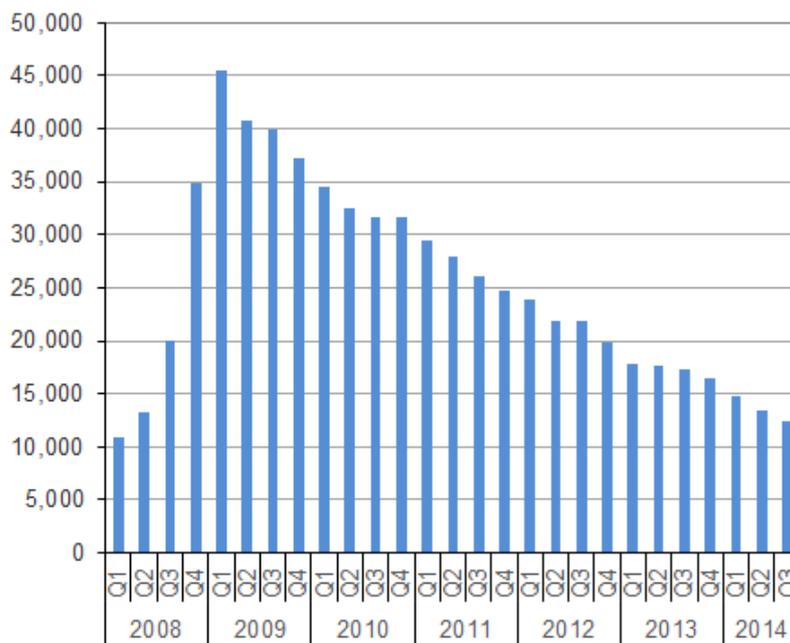
Source: Ministry of Justice (Seasonally adjusted)

## Landlords' finances

In the eighth consecutive month of improvements, the number of buy-to-let mortgages over three months in arrears has fallen by 7.4% between Q2 and Q3 2014. This leaves just 12,400 buy-to-let loans in arrears, and means the number of such distressed loans to landlords has fallen by 28.3% on an annual basis.

As a result the number of buy-to-let loans in arrears is now at the lowest level seen since Q1 2008, before the worst of the financial crisis and ensuing recession.

**Graph 3: Buy-to-let mortgages over three months in arrears**



Source: CML

**Adrian Gill concludes:** *“Landlords absorbed a great deal of pain in the immediate aftermath of economic chaos and the plummeting mortgage availability that followed. Now, as tenants mend their income streams, both players in the rental market are supporting one another’s finances.”*

*“Gradually landlords have turned from a defensive mindset, saving what they can from the financial fire, to thinking once again about growing their portfolios and supplying more homes to let. That has been supported by a healthier financial system, but also by a more fundamental improvement in the financial position of tenants.”*

- ENDS -

**NOTES TO EDITORS:** LSL Property Services plc (LSL) owns a mix of residential property companies including estate agents Your Move, Reeds Rains and e.surv Chartered Surveyors. Following the purchase of 218 branches (including 93 franchised operations) from a major high street estate agency, LSL is the UK’s second largest estate agency group (584 branches). LSL is also the largest residential lettings agent in the UK.

LSL Property Services: <http://www.lslps.co.uk>