



Tenant Arrears Tracker

UNDER EMBARGO UNTIL 00:01 WEDNESDAY 30TH SEPTEMBER 2015

Q2 2015

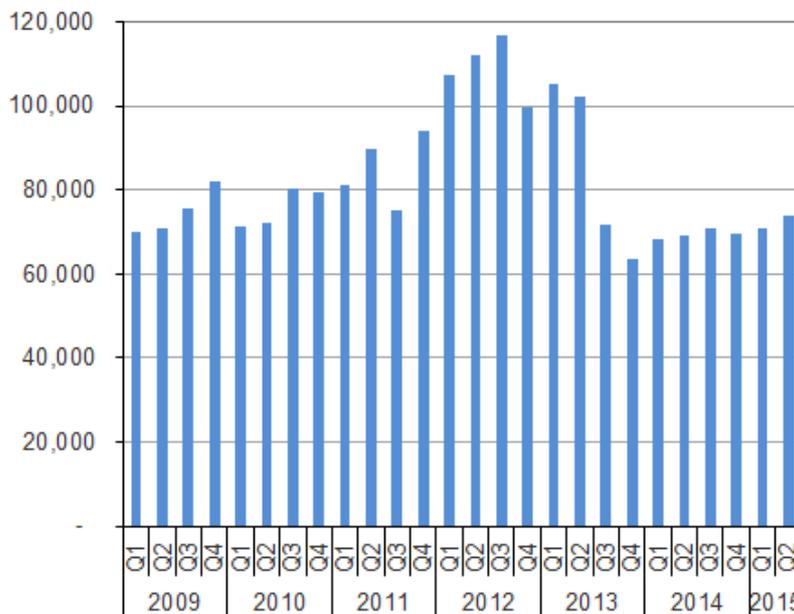
Severe tenant arrears at two year high

- As of second quarter of 2015, total of 74,000 private sector tenants owe more than two months' rent
- Number facing serious arrears up 4.4% on quarterly basis, and 7.2% higher than in Q2 last year
- But landlords absorb deterioration, as eviction orders now lower on both an annual and quarterly basis
- Landlords' own arrears continue to improve, with just 5,700 seriously behind on mortgage payments

The number of tenants seriously behind on rent has risen to the highest level in two years, according to the latest Tenant Arrears Tracker by estate agency chains Your Move and Reeds Rains, part of LSL Property Services PLC.

There are now 74,000 tenants owing more than two months' rent, as of Q2 2015. This means 5,000 more households are in significant arrears than a year ago, or an annual increase of 7.2% since Q2 2014, when this figure previously stood at 69,000 across the UK. On a quarterly basis, the number of cases of severe arrears has risen by 4.4% or 3,100 households, since standing at 70,900 in Q1.

Graph 1: Tenants in severe arrears



Source: LSL / Templeton LPA

Tenant Arrears Tracker

The recent worsening in the number of tenants in serious difficulties remains relatively mild by historical comparison. Compared to the worst peak of serious rent arrears, seen in Q3 2012, when 116,600 households owed more than two months in late rent, this has moderated significantly.

The chance of a given tenant falling seriously behind on rents is still extremely low. As a proportion of all tenancies, those in severe arrears represent just 1.4% of all tenants, stable compared to the previous quarter and the same as was seen a year before in Q2 2015. This compares to 2.9% of tenants in Q1 2008 (twice the current proportion), even before the worst of the financial crisis and recession.

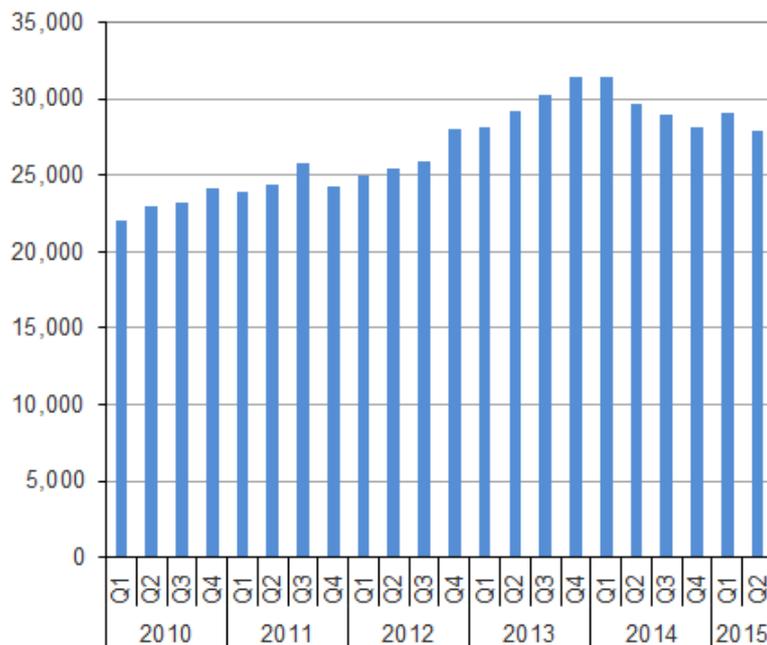
Adrian Gill, director of estate agents Your Move and Reeds Rains, comments: “Across the UK most households are beginning to earn more, and it is this majority of tenants who are able to bid up the price of rented homes in the face of constricted supply. Rents are accelerating in response – rising by more than 5% over the last year according to our separate research.

“But behind this headline buoyancy, there is a less positive story. For a small minority there has been no transformational boost to household earnings, and it is this more marginal population of tenants who are feeling the squeeze of rising rents most sharply. Severe arrears are still much lower than their previous peaks – but a lack of further progress highlights the underlying and fundamental supply shortage. Tenants need more available properties on the market, and landlords should be encouraged to invest further in order to keep up with growing demand.”

Eviction rates improve despite arrears setback

In the same quarter of Q2 2015, a total of 27,910 tenants faced a court order for eviction, on a seasonally adjusted basis. This represents a 3.9% improvement since Q1 2015 and is also 5.9% lower on an annual basis, compared to Q2 2014.

Graph 2: Landlord possession claims leading to a court order



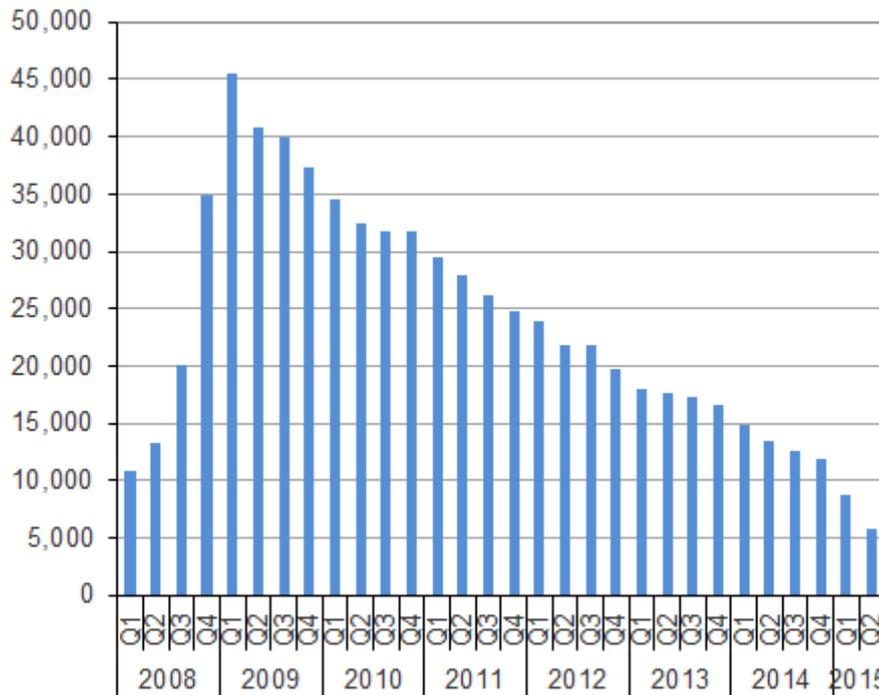
Source: Ministry of Justice, Your Move/Reeds Rains analysis (Seasonally adjusted)

Tenant Arrears Tracker

Landlords' mortgage arrears continue to recover

In the eleventh consecutive quarter of improvements, the number of buy-to-let mortgages over three months in arrears has fallen by 35% since the previous quarter of Q1, and by 58% since Q2 2014. With just 5,700 cases of landlords now more than three months in arrears, this represents the lowest level of landlord mortgage arrears on record.

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



Source: CML

Adrian Gill concludes: “While slight, there remains a persistent risk of severe arrears. From landlords this demands awareness, communication, sensitivity and support for tenants. Landlords also need the right incentives to invest further and boost supply. This means rent controls are categorically not the answer.

“Yet more fundamentally, this is a wider challenge that highlights the need for a sea-change in the construction of property in the UK. A healthier jobs market means many tenants may be earning more. This may even help with rising rents for a time. But in the long-term it is only through actually building more homes – of all tenures – that the British property market will house more people. This fundamental challenge is as true in the private rented sector as for owner occupiers and across all types of social housing.”

- 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.

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