



# Tenant Arrears Tracker

Brought to you by LSL Property Services plc

Q3 2015

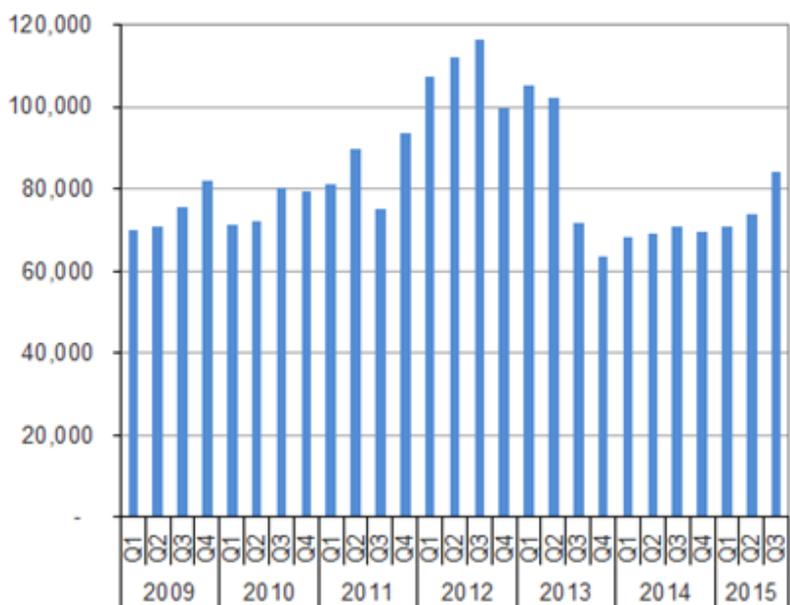
## Serious rent arrears worsening towards 2013 highs

- Cases of tenants seriously behind on rent are rising once more – rising 13.8% between Q2 and Q3 2015
- Those more than two months behind on rent now number 84,200 – the most households since Q2 2013
- Landlords absorb arrears spike, as evictions maintain improvement, dropping 4.3% on a quarterly basis
- Landlord’s own finances remain solid, with buy to let mortgage arrears steady at 5,700 as of Q3 2015

The number of tenants seriously behind on rent has risen by 13.8% on a quarterly basis, according to the latest Tenant Arrears Tracker by LSL Property Services plc, with data provided by estate agency chains [Your Move](#) and [Reeds Rains](#).

There are now 84,200 tenants more than two months behind with paying their rent, as of Q3 2015, compared to 74,000 in the second quarter. In absolute terms this represents a quarterly increase of 10,200 additional households in potentially serious financial difficulties. On an annual basis, this means 13,200 more households are in significant arrears than a year ago, or an annual increase of 18.6% since Q3 2014, when this figure previously stood at 71,000 across the UK.

**Graph 1: Tenants in severe arrears**



Source: Your Move/Reeds Rains

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On a historical basis, the latest deterioration in serious tenant arrears remains relatively mild, remaining considerably below the record 116,600 such cases seen in Q3 2012. However the latest figures for Q3 2015 represent the highest levels in more than two years

In part, the increase in absolute numbers of serious arrears due to the overall growth in the size of the UK private rented sector. As a proportion of all private tenancies, just 1.6% are in serious arrears of more than two months, as of Q3 2015. This compares to a peak proportion of 2.9% of tenants in Q1 2008. However this proportion has also increased marginally from 1.4% in serious arrears as of Q2 2015.

**Adrian Gill, Executive Director of Estate Agency, LSL Property Services plc, comments:** *“The chance of an individual tenant falling into serious arrears remains very low. In general, renting works for most people. Over the last decade the private rented sector has expanded at an unprecedented pace, providing homes for millions of households at the same time as absorbing the worst financial crisis in living memory.*

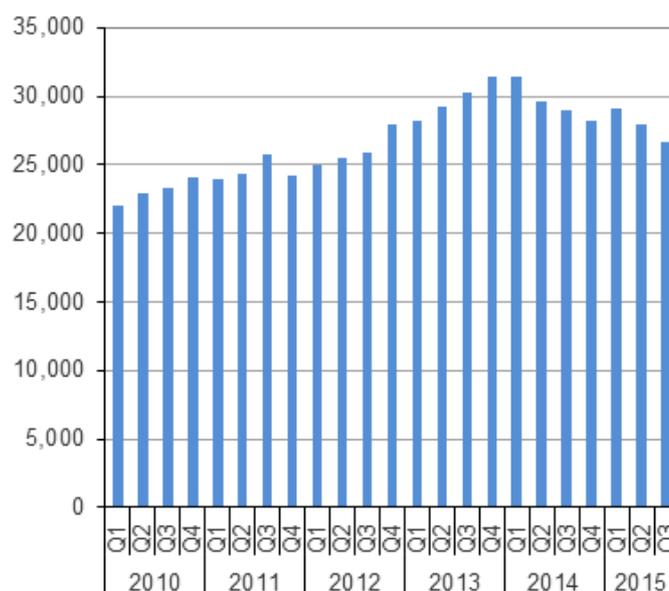
*“In the current climate, optimism feels increasingly reasonable. Most households are beginning to earn more, the cost of living is stable and the chance of falling into unemployment is diminishing. For the majority of tenants, paying the rent is becoming easier rather than harder.*

*“But beneath this rising tide there are inevitably some households and individuals who are not yet feeling any new economic buoyancy. As others bid rents higher there will be a minority who are still struggling to keep up. Landlords and tenants have a mutual responsibility to be aware of this small but significant risk.”*

## Eviction rates yet to mirror higher levels of serious rent arrears

In the same quarter of Q3 2015, there were a total of 26,712 court orders for the eviction of tenants, on a seasonally adjusted basis. This is 4.3% lower than was seen in Q2, when seasonally adjusted eviction orders stood at 27,909, and 7.8% fewer evictions than 28,959 a year before in Q3 2014.

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



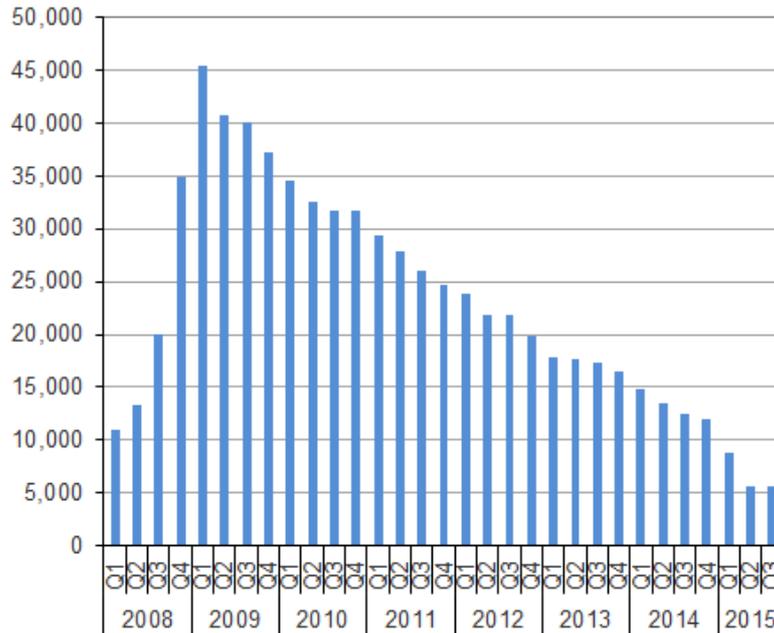
Source: Ministry of Justice, Your Move/Reeds Rains analysis (Seasonally adjusted)

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## Landlord finances stabilise with lower arrears than in 2007

Breaking eleven previous consecutive quarters of improvement, landlords' own finances have remained in stable health between Q2 and Q3. In the latest figures there are currently 5,700 cases of buy-to-let mortgage arrears, the same level as was seen in the previous quarter. On an annual basis, this represents less than half the 12,500 cases of buy-to-let mortgage arrears seen in Q3 2014, or a drop of 54.4% over the last four quarters.

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



Source: CML, Your Move / Reeds Rains analysis

**Adrian Gill concludes:** “Landlords and buy-to-let lending have been targeted from a variety of angles in 2015 – under a harsh political spotlight, subject to new taxes and freshly scrutinised by regulators. There could be a real debate about the role of landlords, and indeed the urgent need for more investment to keep up for demand for homes to rent. However this should be done constructively – and any worriers about the financial health of landlords should consider the reality of buy-to-let mortgage arrears at record lows.

“In the context of resurgent tenant arrears, landlords are the buffer delaying a parallel peak in evictions. And healthy landlord finances make that tolerant approach more likely. So while penalising landlords may win easy political points, making investment in new homes to let harder could be counterproductive – especially in the face of new challenges.”

- ENDS -

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## NOTES TO EDITORS

### LSL PROPERTY SERVICES PLC

LSL is one of the leading residential property services companies in the UK and provides a broad range of services to a wide range of customers including mortgage lenders together with buyers and sellers of residential properties.

LSL's operations cover four key areas; surveying, estate agency, corporate services and financial services.

#### Surveying

LSL's [surveying](#) business operates under the e.surv Chartered Surveyors brand, and the Walker Fraser Steele brand in Scotland. e.surv is one of the largest employers of residential Chartered Surveyors in the UK and is the largest distributor and manager of mortgage valuations and private surveys.

#### Estate Agency

LSL's [estate agency](#) business operates under the Your Move, Reeds Rains, Intercounty and several independent brands. Your Move is the single largest estate agency brand in the UK.

In January 2010 the acquisition of the Halifax Estate Agency (HEA) business from Lloyd Banking Group saw LSL increase in size to become the second largest UK estate agency network - with around 570 branches. It is also the largest letting agency in the UK.

#### Corporate Services

LSL Corporate Client Services was launched in 2008 to provide asset management and lettings property portfolio management services to corporate clients. This business has grown through the addition of St Trinity Asset Management - which previously operated as HEA Corporate Services - and Templeton LPA, which LSL acquired in February 2010. The asset management services, provided predominantly by [LSL Corporate Client Department](#) (LSL CCD), focus on repossession sales and include a specialised high value sales team. The Corporate Property Management division of LSL CCD provides a full suite of management services to multi-property landlords, offering tailored solutions for asset management, facilities management, lettings, risk mitigation, direct management, property portfolio auditing, market research and consultancy, and a range of other services. LSL CCD's client base includes banks, building societies, developers, institutional landlords, local government, offshore trusts, and PRS investment funds.

#### Financial Services

LSL offers financial services across its entire branch network. In May 2010 LSL acquired over 450 advisers from leading financial services network Home of Choice - these advisers now operate under the brand of First Complete.

In October 2010 LSL also announced the acquisition of mortgage distribution company, Advance Mortgage Funding Limited (trading as Pink Home Loans) and its subsidiary business BDS Mortgage Group Limited, (together known as Pink), from Skipton Building Society. It further confirmed LSL's position as one of the largest mortgage advisory businesses in the UK today.

For further information see [www.lslps.co.uk](http://www.lslps.co.uk)

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