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Monthly condensed analyses of crucial real estate and economic issues offered by the UCLA Anderson Forecast and the UCLA Ziman Center for Real Estate. In this October 2020 Letter, authors Michael Manville, Paavo Monkkonen, Michael C. Lens, and Richard K. Green find that, compared to homeowners who have lost employment or lost income, renters are more likely to struggle financially, and to suffer from depression and anxiety. They also suffer disproportionately from mental health problems and food insufficiency. A link to the complete study is here.

This research study was generously supported by the California Community Foundation, the UCLA Luskin Institute on Inequality and Democracy, the UCLA Luskin School of Public Affairs, the UCLA Ziman Center for Real Estate's Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics, and the USC Lusk Center for Real Estate.

COVID-19 and Renter Distress: Evidence from Los Angeles

By Michael Manville, Paavo Monkkonen, Michael C. Lens, and Richard K. Green

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We examined the condition of tenants in Los Angeles during the COVID-19 emergency, using data from the U.S. Census, and an original survey of tenants in 1,000 L.A. County renter households. Our results reveal distress along multiple dimensions, almost all of them stemming from losses of work and income. These economic losses interact with many renters' low household incomes and other pre-COVID vulnerabilities to create a host of difficulties which could compound over time if left unaddressed.

"Renters in L.A. confront an income crisis layered atop a housing crisis. In normal times rents in Los Angeles are high, and renters often struggle to pay their rents. But rent levels for the most part did not change during the COVID pandemic. What changed was renters' ability to pay."

The renter distress we document owes to two overlapping factors. First, renters are more likely than homeowners to have lost work or income during the pandemic. Second, in part because of the pre-pandemic lower incomes and the insecurity that can accompany renting, renters who have lost work or income during the COVID emergency are faring worse than homeowners in a similar position. Compared to homeowners who have lost employment or lost income, renters who have lost employment or income are more likely to struggle financially, and to suffer from depression and anxiety.

The most important manifestation of renter distress is nonpayment of rent, and we find that troubling proportions of tenants are unable to pay rent, in part or in full. This nonpayment puts those tenants at risk of eviction, and by our estimate, about 15 percent of tenants who are behind on their rent have been threatened with eviction. Eviction, however, while doubtless the most dire consequence of nonpayment, is not the only consequence. Renters are also suffering disproportionately from mental health problems and food insufficiency. Many—even among those tenants paying on time and in full—are relying on credit cards, loans from family and friends, and even payday and other emergency loans to cover their expenses.

SPECIFIC FINDINGS

- Despite extraordinary economic difficulty (between 58 and 68 percent of tenant households have lost income since March 13), most renters are paying their rent on time and in full.
- Many tenants who are paying are nevertheless having difficulty, and are paying by relying in part on their savings, or going into debt, or asking friends and family for help. Across our L.A. County sample, the use of credit cards to pay rent tripled from before to during the pandemic, and over 20 percent of tenants paying on time and in full have dipped into their savings to pay rent.
- Not all tenants are able to pay on time and in full. In each month we surveyed, from May through July, about 16 percent of tenants paid late. Because many tenants who paid late in one month paid on time in others, about 22 percent of renters overall paid late in at least one month.
- About 10 percent of renters did not pay rent in full for at least one month between May and July.
- Renters who paid late, or who paid only part of their rent in at least one month, relied heavily on unconventional sources of income to make their payments. Over 60 percent of households that paid partial rent report using their savings to make rent, and over 40 percent report taking out a payday or emergency loan.
- About seven percent of renters did not pay rent at all in at least one month between May and July.
- About two percent of renters were three full months behind on rent as of August 1. This proportion, when applied to the population of county tenants, translates into almost 40,000 households in a deep financial hole.
- Late payment and nonpayment are much more common among households with very low-incomes (households earning under $25,000 annually) and Black and Hispanic households.
- Nonpayment, in part or full, occurs disproportionately among tenants who rent from friends and family. We see less nonpayment in bigger, professionally-managed buildings.

- Most households that did not pay in full or in part in at least one month entered into a repayment plan with their landlord. A repayment plan is a far better outcome than eviction, but given the low pre-COVID incomes of the tenants behind on rent, and the prevalence of COVID-related job loss among these tenants, repayment could be extremely challenging.

- About 15 percent of households behind on rent were threatened with eviction, and about two percent of our sample reports having an eviction proceeding initiated against them. These proportions suggest that approximately 98,000 L.A. County tenant households have been threatened with eviction, and that some 40,000 face eviction proceedings.

- In both the Census data and our original survey, and in both raw correlations and controlled statistical models, it is lost work or employment, along with sickness from COVID-19, which is the strongest and most consistent predictor of renter distress. Households that lost work or income are 2.5 to 4.5 times more likely to have trouble paying rent than households whose work or income remained intact. These households are more likely to pay rent late, miss rent in part or in full, and to rely on credit cards, savings, family members or payday loans to help cover their rent. Statistical models also suggest that unemployment benefits reduce the likelihood of a household missing rent.

- The evidence in sum suggests that renters in L.A. are confronted with ***an income crisis layered atop a housing crisis***. In normal times rents in Los Angeles are high, and renters often struggle to pay their rents. But rent levels for the most part did not change during the COVID pandemic. What changed was renters' ability to pay. It is the loss of income, sometimes through sickness but mostly due to shelter-in-place, that has been decisive.

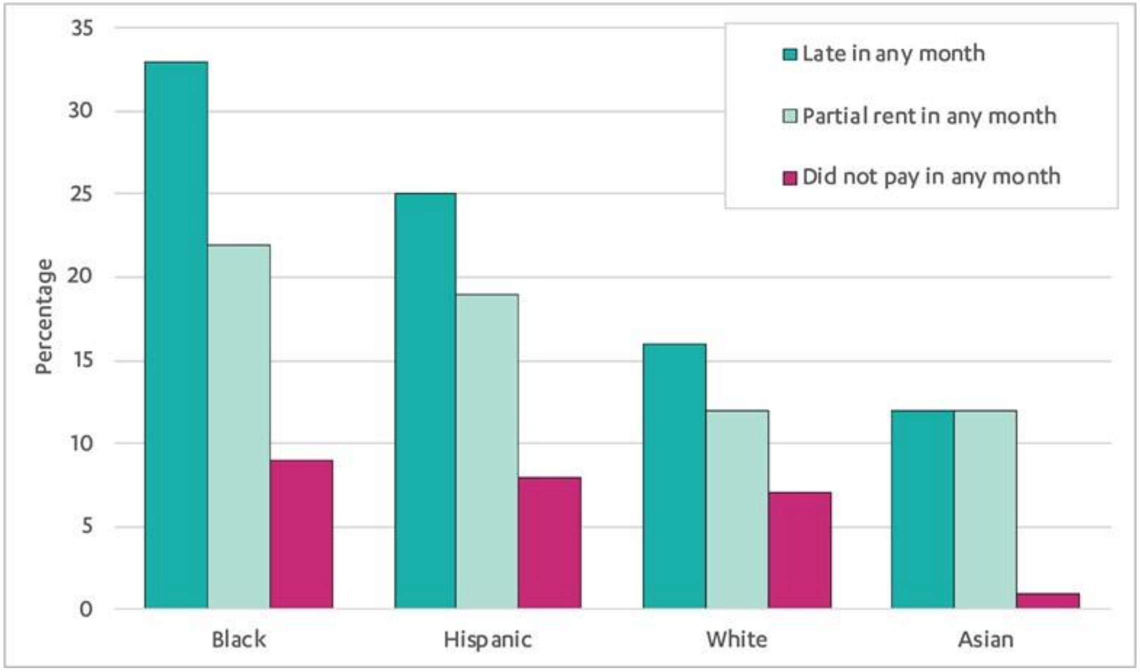
- This evidence suggests the ***vital importance of getting more money into the hands of struggling renters***. Our data strongly suggest that renters who can pay will. The vast majority of renter households who missed rent had members who lost work, became sick with COVID, or both. Delivering assistance to renters now cannot just stave off looming evictions, but also prevent quieter and longer-term problems that are no less serious, such as renters struggling to pay back credit card or other debt, struggling to manage a repayment plan, or emerging from the pandemic with little savings left. Renter assistance can also help the smaller landlords who are disproportionately seeing tenants unable to pay.

These conclusions are based on data from the U.S. Census Household Pulse survey, and from an original survey of 1,000 renters in L.A. County, which we conducted in July 2020. Our original survey asks, for multiple months, not just if tenants have paid on time, but whether they were able to pay in full, and—if they did not pay in full—if their landlords have threatened eviction or initiated eviction proceedings.

Both surveys suggest that each month about 16 percent of tenants pay late. More disturbing is that the majority of this group (about seven to 10 percent of tenants overall) are unable to have paid all their rent by month's end. About two percent of tenants (roughly 40,000 households) are by our calculations a full three months behind in their rent as of August 1. This group is disproportionately low-income and nonwhite. About 15 percent of those that did not pay or paid only partial rent were threatened with eviction, and a smaller share, translating to roughly 40,000 households, have had eviction proceedings started against them.

In addition to being concentrated among low-income tenants, rates of nonpayment and late payment are consistently higher among Black and Hispanic renters. The chart below displays late, partial, or nonpayment of rent by race and ethnicity. Eighteen percent of Hispanic respondents, and 22 percent of Black respondents, reported not being able to pay in full for at least one month. Nine and eight percent of these groups, respectively, reported not being able to pay at all in at least one month. In contrast, only 12 percent of White tenants paid partial in one of these months and only seven percent missed a month.

Late, Partial, or Non-Payment of Rent by Race



POLICY CONCLUSION

The evidence we present in this report affirms that renters are facing a crisis of income, and that one important solution to this crisis is income assistance. Many negative outcomes can be avoided if policymakers can get money into the hands of renters who need it. Our data strongly suggest that renters who can pay will, and that many households have been devising stopgap measures to stay housed. The vast majority of renter households who missed rent had lost work, became sick with COVID, or both. Delivering assistance to renters now cannot just stave off looming evictions in the short term, but also prevent quieter and longer-term problems that are no less serious, such as renters struggling to pay back credit card or other debt, struggling to manage a repayment plan, or emerging from the pandemic with little savings left. Renter assistance can also help smaller landlords who are disproportionately seeing tenants unable to pay, and who may, without assistance to their tenants, see their own livelihoods jeopardized.

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