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Resolution Foundation

Coping with housing costs during the coronavirus crisis

Flash findings from the Resolution Foundation's coronavirus survey

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Many (including us) have speculated about how families may be managing their housing costs during the coronavirus crisis. In this spotlight we move from conjecture to firm evidence, presenting findings from our new survey of UK working-age adults on levels of housing stress, and how families in different housing tenures are coping.

We find that while the earnings hit has been widely experienced across tenure groups, renters are one-and-a-half to two times more likely to have fallen behind with their housing payments compared to mortgaged home owners. Owners entered the crisis with lower average housing costs and a bigger financial buffer than renters, and have also been more successful at directly reducing housing costs in recent weeks. While just one-in-twelve home owners applying for a mortgage holiday have been refused, that figure stands at one-in-two for those renters who have sought a rent reduction. While the social security system potentially offers a (more generous) backstop for renters, eligibility rules and caps leave some renters without adequate support. Our survey shows that one-third of new benefit claimants are in housing cost arrears.

We note that across tenure groups, cutting back spending on other items has been the most common way in which families have managed housing costs during the crisis. Worryingly, a majority of renters who have done so are also at risk of material deprivation. Finally, our survey shows that a small group of (especially younger) people have moved to another home, but this is largely the preserve of those with parents willing and able to provide accommodation.

Whether the coping strategies we identify in our survey can stave off large scale arrears in the medium term remains an open question, but we argue that policy needs to respond to the plight of private renters in the here and now.

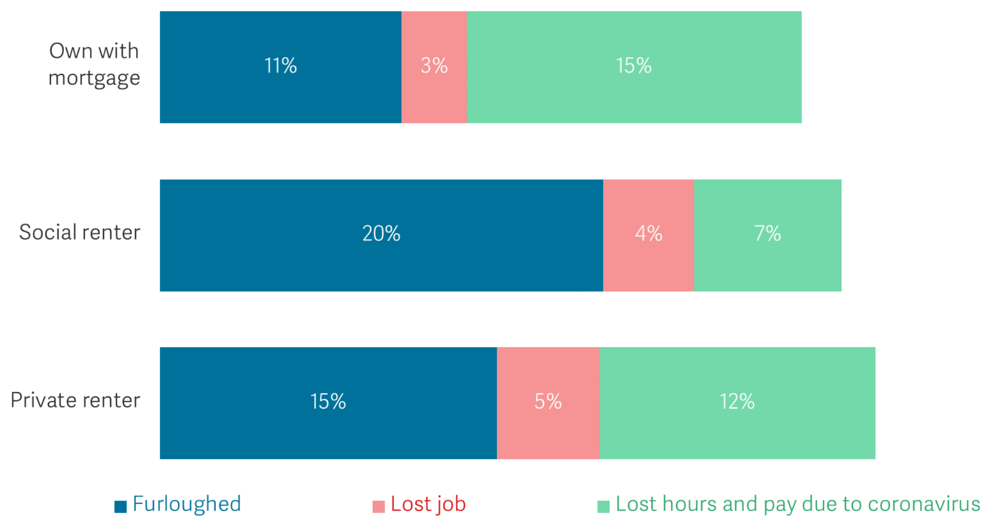
In this spotlight, we present flash results from our new survey of working-age adults in the UK, which provides timely insights into the effects that the coronavirus crisis is having on their earnings, benefits, expenditures and living situations.[1] Here, we focus on the how individuals are managing their housing costs, an important question given that housing is usually a family's largest single outgoing each week; it is a cost that is difficult to flex with ease; and the serious consequences that arise if families cannot keep up with payments.

The coronavirus income shock has been felt widely across tenures, but social and private renters are more likey to have fallen behind with housing costs than home owners

The coronavirus crisis has had a sudden and dramatic effect on the incomes of many, through loss of jobs, lower earnings while on furlough and cuts to hours reducing pay. In previous publications we have shown that those in lower-paid jobs as well as the youngest and oldest workers have been especially hard hit to date. In Figure 1, however, we note that the shock has been fairly evenly experienced across tenure groups,[2] although renters of both stripes are more likely than mortgaged owners to have lost their job or been furloughed.[3] In contrast, mortgaged home owners are the group most likely to have lost pay due to lower hours. Across the board, around three-in-ten working-age adults in each tenure have experienced hit to earnings (28 per cent of mortgaged home owners, 31 per cent of social renters and 32 per cent of private renters).

Figure 1 **The coronavirus earnings shock has been widely felt across tenures**

Proportion of employees who have experienced job changes since the coronavirus outbreak, by housing tenure: UK, 6-11 May 2020

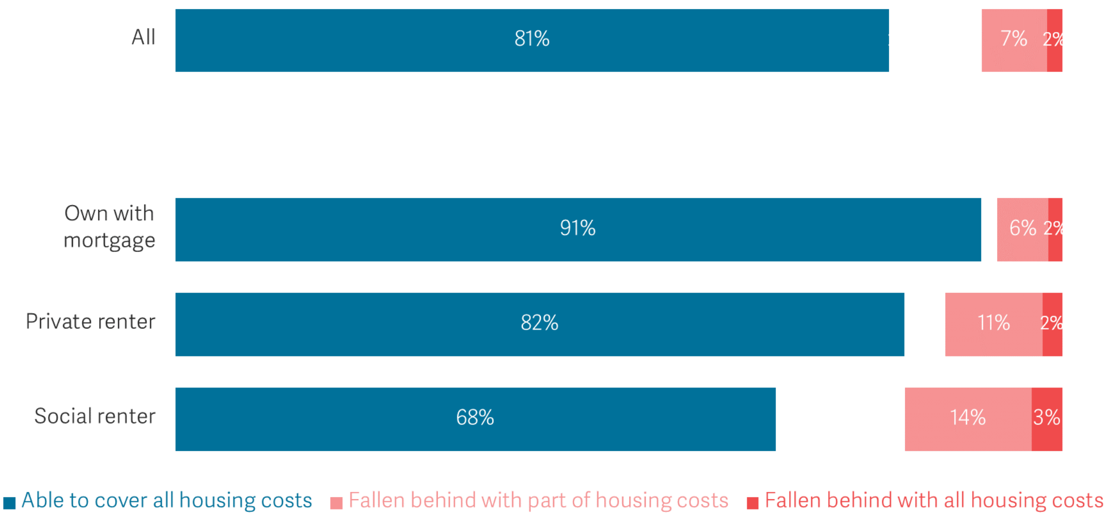


Notes: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

The ability of individuals to cover their housing costs during the crisis is more differentiated by tenure. In Figure 2 we present our survey findings with respect to housing arrears. As this makes clear, while less than one-in-twelve (8 per cent) of home owners with a mortgage have failed to cover their housing costs in recent weeks, the rate rises to one-in-eight for private renters (13 per cent). Most strikingly, one-in-six (17 per cent) of social renters have fallen into (or further into) rent arrears, twice the rate of mortgaged home owners (with a worrying 3 per cent reporting failing to meet housing payments in their entirety).

Figure 2 **One-in-eight private renters, and one-in-six social renters, have fallen behind with housing costs since the coronavirus outbreak**

Proportion of individuals, by ability to cover housing costs since the coronavirus outbreak and housing tenure: UK, 6-11 May 2020



Notes: Base = all UK adults aged 18-65 who provided information on housing costs. The gaps in the middle of each set of bars comprise people who responded 'have no housing costs', 'prefer not to say', or 'don't know'.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

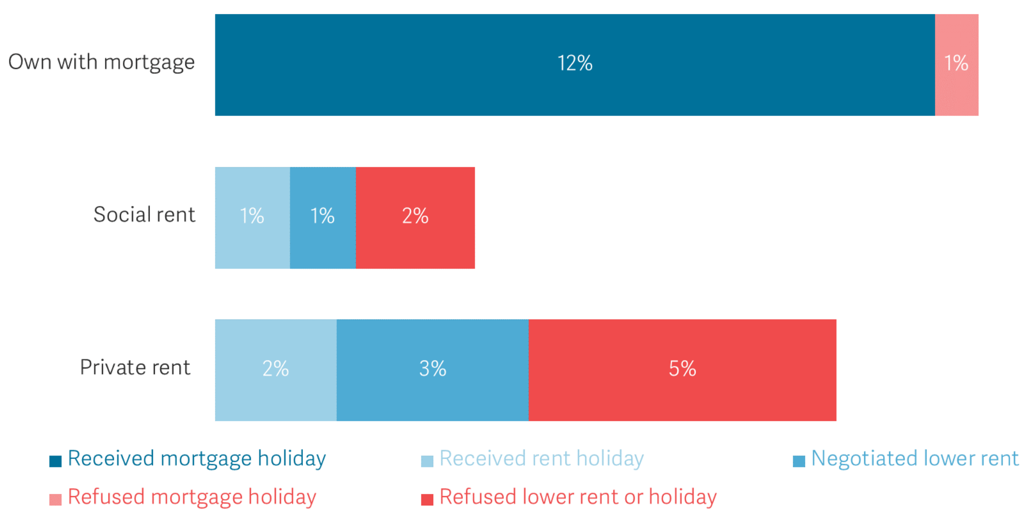
Home owners entered the crisis in a stronger financial positon than renters, but have also received greater forbearance with housing costs

If each of the main tenure groups has experienced the coronavirus income shock to some degree, why, then, has the ability of individuals living in each differed when to comes to covering housing costs? In part, the answer to that question must lie in the fact that going into the crisis, mortgaged home owners had lower housing costs relative to their incomes than renters did (an average figure of 13 per cent, compared to 18 per cent for social renters and 32 per cent for private renters).[4] Moreover, they were a wealthier group: our survey shows that fewer than one-in-seven (13 per cent) mortgaged home owners held no savings before coronavirus, compared to almost one-quarter of private renters (23 per cent) and close to one-half (47 per cent) of social renters. Without the financial buffer that savings provide, it is easy to see how arrears can quickly accrue if earnings fall even slightly.

However, there is a further reason why renters are struggling with their housing costs to a greater extent than mortgaged owners. In Figure 3, we show some of the steps individuals have taken since the coronavirus outbreak in order to manage their housing costs. As this makes plain, close to one-in-seven (13 per cent) mortgaged home owners have applied for a mortgage holiday in recent weeks, with the vast majority being granted relief from their repayments for three months (although, of course, these costs will eventually have to be paid).[5] In contrast, a smaller share of renters have received forbearance from their landlords: while one-in-ten (10 per cent) private renters have tried to lower their housing costs since the start of the crisis, just half (50 per cent) of those have been successful. (The 4 per cent of social renters who have attempted to renegotiate their rent have had a similar success rate.)

Figure 3 **Renters have been less successful than owners at lowering their housing costs in response to coronavirus**

Proportion of individuals acting to reduce housing costs since the coronavirus outbreak, by housing tenure: UK, 6-11 May 2020



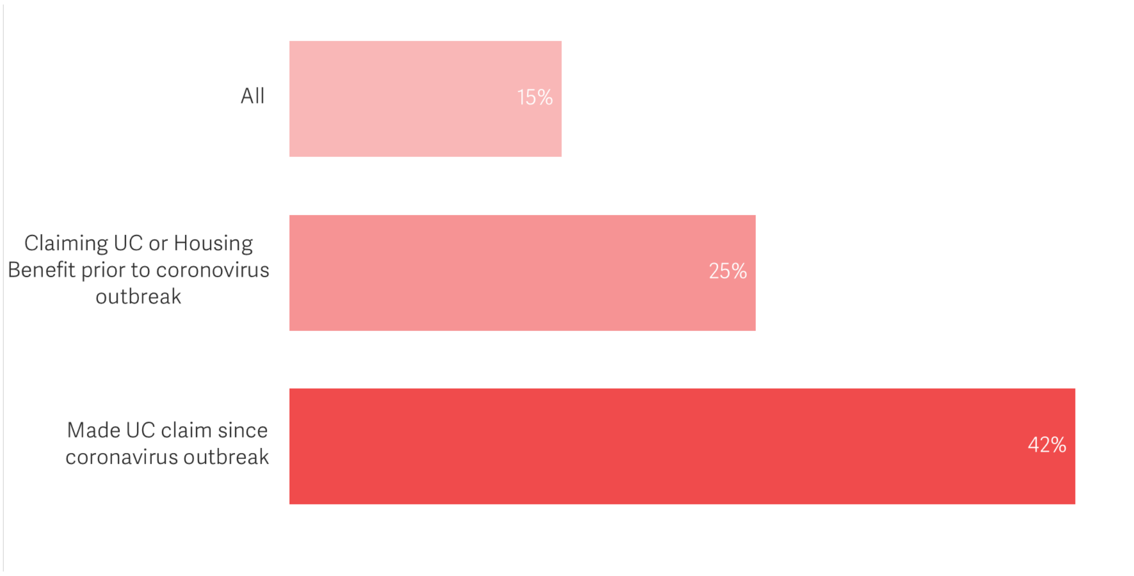
Notes: Base = all UK adults aged 18-65.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

The picture presented in Figure 3 is, in many respects, understandable: it is far easier for policy to insist that a small number of lenders offer forbearance than it is to ask the plethora of landlords to reduce or freeze rental payments. Likewise, it is less risky for lenders to offer new terms to those they have a secured relationship with, compared to landlords who may have more transient connections with their tenants and their own income pressures to deal with at this time. For these very reasons, the benefits system more readily provides support to renters compared to home owners, who receive help with mortgage interest payments only after nine months on benefits. Moreover, those who make a successful claim are given more generous support than a mortgage holiday.

However, as we have suggested before, eligibility rules (for example, the savings cut-off in Universal Credit, and limits on eligible rents) mean that in practice there will often be a shortfall between renters' housing costs and benefit levels. Our survey now confirms this. In Figure 4, we show that renters who have made a benefit claim since the coronavirus crisis began are almost three times as likely to be struggling with their housing costs as the average person, and experiencing significantly more strain than those who were in receipt of housing support prior to the crisis (a finding that does not change when we restrict our analysis to just those who have actually received a payment on a new claim).

Figure 4 **New claimants are less able to cover their rent than those already in receipt of housing support**

Proportion of renters unable to cover housing costs in full or part, by benefit receipt: UK, 6-11 May 2020



Notes: Base = all UK adults aged 18-65 who are renting from either a social or private landlord.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19). Analysed independently of YouGov.

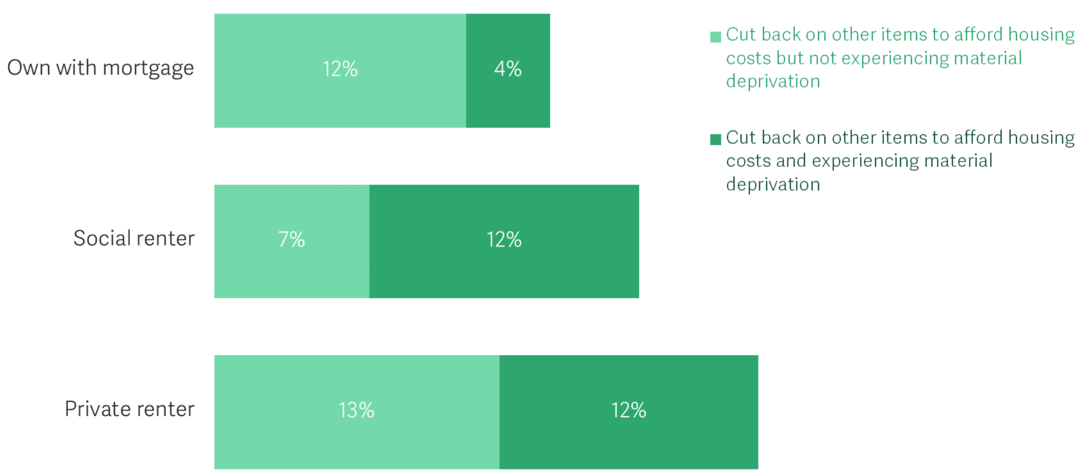
A significant proportion have cut back on other items to cover their housing costs since the coronavirus outbreak, some right back to the bone

Alongside making efforts to reduce housing costs and find other sources of income support, our survey shows that another way that individuals are seeking to manage their housing costs at present is by cutting down on other items of expenditure. Figure 5 shows how prevalent a strategy this is: around one-in-six (16 per cent) mortgaged owners report reducing consumption to be able to cover their housing costs, with close to one-in-five (19 per cent) social renters doing the same. However, here, we note that it is private renters who are most likely to report cutting back to afford their rent: almost one-quarter (24 per cent) say they have adopted this strategy in recent weeks.

Figure 5 also shows how a considerable number of those cutting back to afford housing costs are financially stretched on other measures. Within the group reporting reducing expenditures in order to be able to afford their housing, we can also isolate a sub-group who indicate they are unable to afford at least three items that are conventionally considered to be basics (namely: eating fruit and vegetables every day, covering normal household bills, purchasing contents insurance, turning on the heating when needed, saving £10 or more a month and replacing broken electrical items such as a washing machine or fridge when required). As the chart makes plain, renters again find themselves in a more precarious position than home owners: one-in-six (12 per cent) of both social and private renters have reduced their expenditures to cover housing costs and are also materially deprived according to this measure, a rate three times higher than that of mortgaged home owners (4 per cent).

Figure 5 **One-in-six renters who have reduced consumption to cover housing costs since the coronavirus outbreak are experiencing material deprivation**

Proportion of individuals who report cutting back on other items in order to cover housing costs since the coronavirus outbreak, by housing tenure and material deprivation status: UK, 6-11 May 2020



Notes: Base = all UK adults aged 18-65 who provided information on housing costs and tenure. 'Experiencing material deprivation' flag indicates people in families unable to afford at least three of the following items: daily fresh fruit and vegetables, paying bills, heating when required, contents insurance, to save £10 or more per month, to replace electrical items when broken.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19). Analysed independently of YouGov.

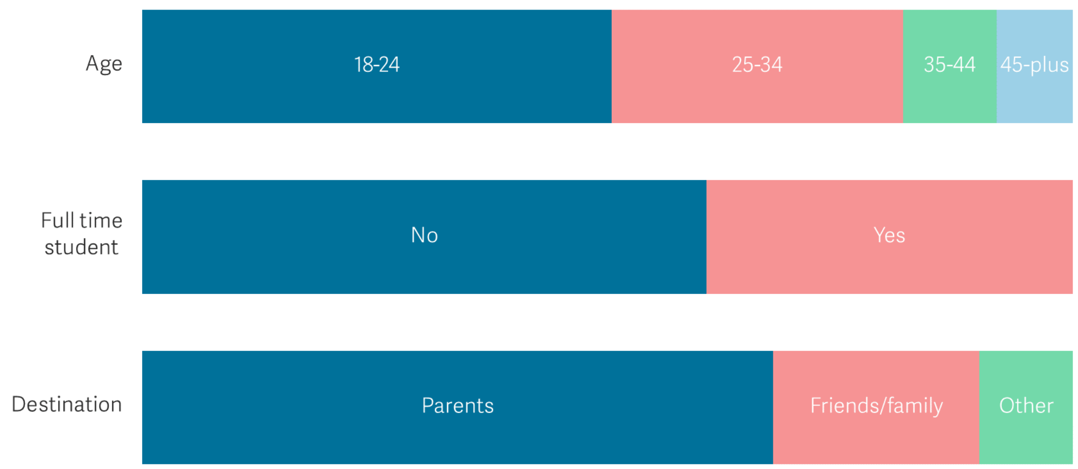
Some private renters have reduced their housing costs by moving home

Our survey shows that there is one other strategy that some are adopting in order to manage their housing costs during the crisis, and that is moving home. This is more common among private renters (2 per cent of private renters, compared to less than 1 per cent of social renters and mortgaged home owners), who are usually able to terminate tenancies with shorter notice than home owners and social renters in their much more secure housing tenures.

Of course, many private renters may be maintaining tenancies while living elsewhere, and housing cost pressures are clearly not the only prompt to move at present. Looking at the composition of the group that have moved for any reason, as we do in Figure 6, we note that moving has largely – although not exclusively – been the preserve of the young (with more than half of movers in the 16-24 age bracket, and a further quarter aged 25-34), in a significant part because of the many students making moves. In keeping with the age profile of this mover group, the most common destination has been the parental home, although one-third (33 per cent) reported moving elsewhere. As a result, at present moving looks to be the answer only for a sub-group of the population who are not, as a rule, moving into permanent or cheaper accommodation.

Figure 6 **Those who have moved are largely young, with a return to the parental home the most common destination**

Composition of those moving home since the coronavirus outbreak: UK, 6-11 May 2020



Notes: Base = all UK adults aged 18-65 who provided information on housing costs and living situations.
Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

This picture is confirmed when we look at the other side of the equation: of the 3 per cent who report someone else has moved in with them since the coronavirus outbreak, half indicate that this was an adult child. However, it is clear that other adjustments have been made to living situations in response to the crisis (perhaps less as a result of housing cost pressures and more because of public health or other social imperatives) – a topic we will return to in future research.

Conclusion

Overall, our survey provides valuable new insights into where housing stress is already being experienced during this crisis, as well as indicating the likely pressure points in the future. Critically, we observe that renters are more exposed than mortgagors (who last week saw provision made to extend mortgage holidays for a further three months). The benefit system – with its recent increases in generosity – is rightly the main backstop for renters at present, and is in general more generous than the housing costs holiday approach. But if families (and indeed landlords) are to be protected from housing arrears, the system needs to be as all-encompassing as possible (by suspending capital rules, for example), and also provide adequate support (for example, by lifting the benefit cap).

Beyond necessary benefit reform, thought should also be given to how landlords and tenants can best be supported to work through arrears in future months. To date, those falling into rent arrears in England and Wales are offered a marginally longer-than-normal notice period of a landlord's intention to evict (three months rather than the standard two, although this stands at six in Scotland). While it is reasonable to think that many landlords will choose not to exercise their right to evict in the event of rent arrears, not least because they could struggle to find new tenants under current conditions, many (especially private) renters are in a precarious position. As a result, providing tenants and landlords with explicit rules for temporary rent reductions or rollovers would be an eminently sensible next step for the Government.

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1 The survey was designed and commissioned by the Resolution Foundation, in partnership with the Health Foundation (although the views in this note are not necessarily those of the Heath Foundation). It was conducted using an online interview administered to members of the YouGov Plc UK panel, which is made up of 800,000+ individuals who have agreed to take part in surveys. The total sample size was 6,005 adults, aged 18-65 and fieldwork was undertaken during 6-11 May 2020. The figures relating to proportion of those reduced hours, furloughed or that have lost their jobs, homeowners/private renters/social renters that are materially deprived, and the share of those struggling with housing costs by benefit status are not reflective of YouGov statistics and have been analysed independently by the Resolution Foundation.

2 Figures presented here have been weighted and are representative of all GB adults (aged 18+) according to age, gender, and region. While our survey cannot be weighted to produce a nationally representative tenure picture, the sample does not differ significantly with from a representative one. According to the Office for National Statistics' Labour Force Survey, in 2019, 37 per cent of adults aged 18-65 lived in home they owned with a mortgage, 12 per cent were social renters and 20 per cent rented privately (compared to 36 per cent, 10 per cent and 20 per cent of our survey's sample).

3 Given this spotlight focuses on housing costs, we exclude those who own their home outright because this group will not have significant and/or regular housing costs.

4 These figures are housing-cost-to-income ratios net of housing costs and mortgage principal, and are from Resolution Foundation analysis of the Department for Work and Pensions' Family Resources Survey, 2017-18.

5 This figure is consistent with those published by from UK Finance. See, for example: UK Finance, Lenders grant 1.6 million payment holidays to mortgage holders, April 2020.