**Rental Housing amid a Pandemic: Landlord and Tenant Response to COVID-19**

**Project Objectives**

The COVID-19 pandemic is rapidly evolving into a housing crisis, as renters experiencing unemployment or income loss are increasingly unable to meet their rental payment obligations. In response, moratoriums on rental payments, as well as on private or social sector rental evictions, have been proposed or enacted around the world, including in the United States, Europe, and Australia. In the United States, Congress has passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which places a temporary moratorium on eviction filings for residential properties financed by federally supported mortgage loans. At the state level, governments have adopted prohibitions against evictions of residents who have suffered economic repercussions from the coronavirus pandemic. Yet, despite the emergent crisis and numerous governmental efforts to assist landlords and tenants, to date, there is little high-quality data on landlords’ and tenants’ responses to the pandemic-induced financial shock and the resultant regulations. This study will test the roles that legal protections, contractual provisions, and social connections play in shaping post-contract negotiations of rental agreements between landlords and tenants, using a nationally representative survey of residential tenants and landlords in the United States. It will explore the nature and scope of communications between landlords and renters, their awareness of the legal protections accorded to them, and their on-the-ground agreements and solutions. In particular, the survey will explore whether tenants and landlords are able to reach voluntary repayment agreements without recourse to legal channels, and, if so, what types of agreements are reached. For example, are landlords willing to defer, reduce, or freeze rental payments? Do they demand longer lease terms in return for rent relief? The study will also examine whether tenants with longer tenure in apartments or whose lease contracts include provisions that effectively provide for damages for non-payment of rent are less likely to default or breach their agreements. The short-term objective of this study is to serve as a basis for immediate policy making. The longer-term goal is to provide an empirical context for reforms carried out in the rental housing market during periods of financial crisis.

**Methodology**

The study will consist of a series of nationally representative surveys of U.S. residential tenants and landlords recruited through online crowdsourcing platforms. The survey will focus on participants’ rental housing experiences during the pandemic. The study will test the following questions: (1) Whether, how, and to what extent, tenants and landlords communicate about pandemic-related issues (e.g., job loss and difficulty paying rent); (2) Whether, and to what extent, landlords consider, and tenants are concerned about, the possibility of eviction due to pandemic-related reasons; (3) Whether, and to what extent, tenants and landlords are aware of the legal protections available to them (e.g., the prohibition against evictions for unpaid rent due to COVID-19) and of the financial assistance programs aimed at stabilizing the residential rental market; (4) Whether, and to what extent, tenants and landlords negotiate the terms of their rental agreements in the wake of the pandemic; and (5) What factors influence and shape these negotiations and the resultant contractual outcomes, with a focus on the three main factors of: the contractual provisions: the parties’ awareness of their legal rights and remedies; and the strength of their informal relationships. The study will also examine if there is any correlation between tenants’ and landlords’ demographics and their negotiations and outcomes.

**Data**

According to a national survey of 11.4 million renter households, 22.6% of these households had not paid rent as of July, 2020, compared to less than 20% that had not paid by June, 2020.[[1]](#footnote-1) According to a survey conducted by the U.S. Department of Housing and Urban Development in partnership with other bodies, eviction rates nearly doubled from 4.5% in 2019 to 8.5% in 2020.[[2]](#footnote-2) In a survey of residential landlords conducted in April by the American Apartment Owners Association, 67% of the landlords were reportedly willing to consider offering tenants a rent deferral if needed, and 54% of the landlords had had tenants tell them they were unable to pay rent on April 1 because of coronavirus-related job or income loss.[[3]](#footnote-3) According to a more recent survey conducted by the UC Berkeley Terner Center for Housing Innovation and the National Association of Hispanic Real Estate Professionals, 52% of the surveyed landlords had at least one tenant that failed to pay rent in June, and 25% of the landlords surveyed had already borrowed funds to cover operating costs.[[4]](#footnote-4) The research conducted to date does provide data that is essential for law and policy reforms. However, it fails to examine the effects of the formal contract provisions, the parties’ knowledge about legal protections, and the informal relationships between the contracting parties on their negotiations and resultant agreements. This research will provide insights into these issues by empirically exploring these informal relationships.

**Anticipated Findings**

The study will examine the proportion of renters that is unaware of the protections and rights in place during this pandemic that could change the usual course of an eviction, as well as whether lower-income tenants are more likely to be uninformed about these protections. Renters who are unaware of the additional protections available to them during this crisis period might resort to measures that they would otherwise avoid had they full knowledge of their rights, such as taking on debt rather than establishing a payment plan with their landlord or negotiating temporary reduced rent. In contrast, legally savvy tenants might use their legal protections to strategically breach their contracts, and landlords could be left without redress or the ability to recoup the losses resulting from unpaid rent. This study will also investigate how contractual language affects post-contract negotiations and the likelihood that a repayment agreement will be reached. Another issue to be studied is the correlation between the strength of the social ties between tenants and landlords and the resulting outcomes.

**Academic Contributions**

The proposed research will contribute to contract theory by studying how residential rental agreements are negotiated and modified in the shadow of the legal protections granted by the government, the formal contractual provisions, and the social relationships between landlords and tenants. In this context, it will empirically explore relational contract and incomplete contracting theories.[[5]](#footnote-5)More generally, the proposed project will test the resiliency of residential leases in the face of significant unexpected financial shocks, such as that caused by the recent COVID-19 pandemic, thereby contributing to economic research on the resiliency of contractually-set prices in changing market conditions.

**Appendix 1: Proposed Budget**

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| Research Costs | Total Funds Requested |
| Pilot survey of 500 residential tenants (each paid $2 in accordance with minimum wage laws and crowdsourcing platform policies) | $1,000 |
| Pilot survey of 500 residential landlords (each paid $2 in accordance with minimum wage laws and crowdsourcing platform policies) | $1,000 |
| Nationally representative survey of 2000 residential tenants (each paid $2 in accordance with minimum wage laws and crowdsourcing platform policies) | $4,000 |
| Nationally representative survey of 2000 residential landlords (each paid $2 in accordance with minimum wage laws and crowdsourcing platform policies) | $4,000 |
| Research Assistance for coding ($17 per hour in accordance with UCLA policies) for 100 hours of coding | $1,700 |
| Total | $11,700 |

This Project’s expected costs are $11,700. The pilot studies and RA assistance for the project ($3,700) will be funded using the author’s faculty account at UCLA law school. The author hopes to be able to fund the additional project costs through the generous Ziman Center for Real Estate research grant.

**Appendix 2: Formal Hypotheses**

The surveys will allow testing the following hypotheses:

H1: **Contractual terms are associated with rental payments after a financial shock:**

-H1A: tenants whose leases include provisions that provide for damages for non-payment of rent are less likely to default or pay only partial rent.

-H1B: when the landlord holds a security deposit, tenants will be more likely to pay rent in full (because they know that the landlord will be able to take money from their deposit).

H2: **Information about the law is associated with rental payments after a financial shock:**

-H2A: tenants who know that the law bans landlords from evicting them due to non-payment are more likely to default or pay only partial rent.

-H2B: landlords who know that the law bans them from evicting tenants are more likely to reach a repayment agreement with the tenant (i.e., to reduce, freeze, or defer rental payments).

H3: **Social relationships are associated with rental payments after a financial shock:**

-H3A: tenants with stronger connections to the landlord (as measured by tenure in the apartment, number of monthly interactions, and self-reports) are less likely to default.

-H3B: tenants with stronger connections to the landlord are less likely to face eviction notices.

-H3C: tenants with stronger social connections to the landlord are more likely to reach a repayment agreement with the landlord.

H4: **Interactions between the law/contract and social relationships:** when tenants and landlords have strong social connections, information about the law or the contract provisions will matter less.

1. See Colin Dunn, *NMHC Rent Payment Tracker Finds 77.4 Percent of Apartment Households Paid Rent as of July 6* (July 8, 2020), available at: <https://www.nmhc.org/news/press-release/2020/nmhc-rent-payment-tracker-finds-77.4-percent-of-apartment-households-paid-rent-as-of-july-6/> [↑](#footnote-ref-1)
2. <https://public.domo.com/embed/pages/ejGvz> [↑](#footnote-ref-2)
3. <https://www.american-apartment-owners-association.org/property-management/latest-news/1000-landlords-respons-to-AAOA-COVID-19-survey> [↑](#footnote-ref-3)
4. <http://ternercenter.berkeley.edu/uploads/NAHREP-Terner-Center-Survey-Factsheet-July-2020.pdf?_ga=2.191472744.312163471.1598728204-1643688489.1598728194> [↑](#footnote-ref-4)
5. Macaulay; Hart & Moore. [↑](#footnote-ref-5)