"Eviction Risk of Rental Housing: Does it Matter How Your Landlord Finances the Property?"

Joint work by Xudong An (Federal Reserve Bank of Philadelphia) and Luis Lopez (College of Business Administration, University of Illinois at Chicago)

Wednesday, March 17, 2021
8:00AM Pacific Time/11:00AM Eastern Time (US & Canada)
(INVITATION-ONLY ONLINE ACADEMIC SERIES)

Brent William Ambrose
Smeal Professor of Risk Management
Smeal Professor of Real Estate
Director of Ph.D. Program
Director of Institute for Real Estate Studies
Smeal College of Business, Pennsylvania State University

We show using a stylized model, how the financing choice of landlords can impact eviction decisions in rental markets. Since multifamily loans rely on timely cash flows from tenants, strict underwriting factors can increase the chances that landlords are able to weather income shocks. Lender provided relief may create further leeway for landlords to work out a deal with tenants who default on rental payments. Using comprehensive data on nationwide evictions in the US and performance records on multifamily mortgages, we confirm predictions from our model by documenting a negative relation between evictions and the financing activity by government-sponsored enterprises (GSE) who impose strict underwriting criteria but generally offer borrowers relief during unprecedented income shocks. We also quantify the eviction risks induced by the COVID-19 pandemic for twelve U.S. cities using our empirical model.