Eviction Policy and the Rental Market: Evidence from Covid-19 Moratoria

Catriona Farquharson, Princeton University

Setting & Research Question

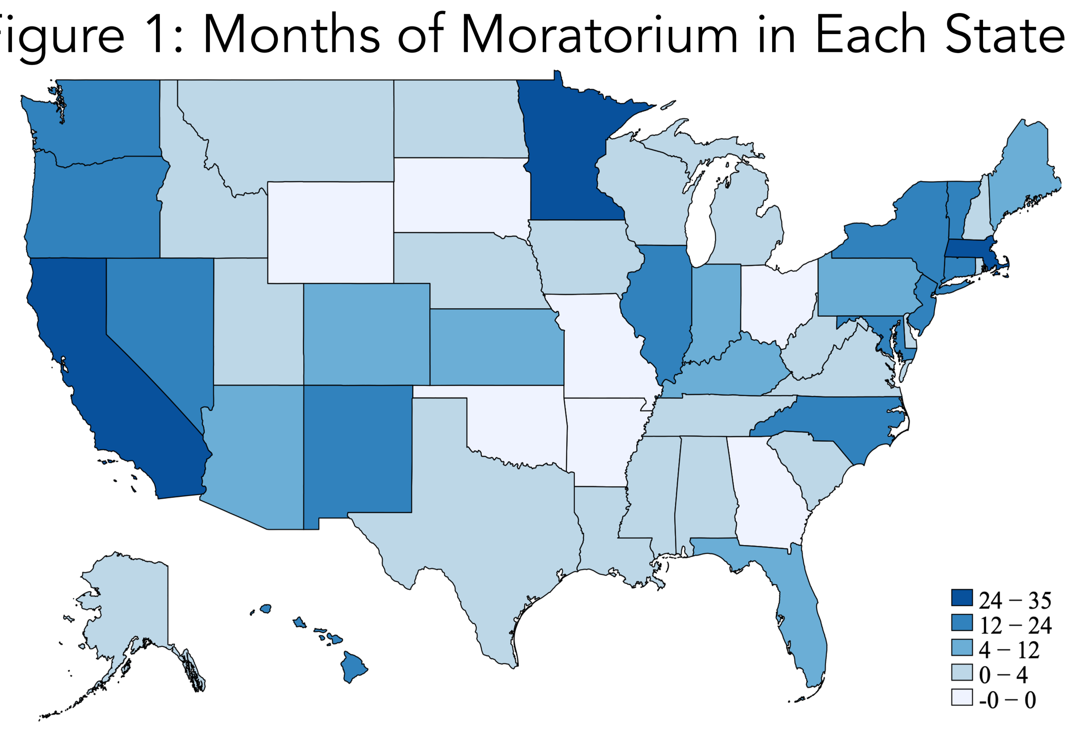
There are 3.6 million evictions filed annually in the United States, the highest rate of any OECD country[1]. During the Covid-19 pandemic, federal, state, and local governments instituted moratoria on evictions. There were two national bans, the CARES Act and the CDC moratorium, which had various eligibility criteria, and which were enforced unequally across states. Additionally, many states enacted their own eviction protections. Moratoria were instated on financial grounds (tenants may be unable to pay rent due to job loss) and health concerns (homeless and doubling up post-eviction could lead to increased Covid-19 transmission).

Q: How does a moratorium on evictions affect rents?

Economic theory[2] and other empirical work[3] suggest that restrictive housing policies often materialize in higher rents (or house prices). To the best of my knowledge, there is no comprehensive empirical literature on how eviction policies impact housing costs.

Data & Methods

Figure 1: Months of Moratorium in Each State



I leverage the variation in state eviction moratoria. Figure 1 shows the number of months of moratorium (main treatment variable) in each state, calculated from Benfer and Koehler (2023)[4].

Data sources:

- Documentation of state eviction moratoria[4]
- Monthly median asking rent and home values by ZIP code[5]
  - Adjusts for changes in quality of rental stock
- Monthly eviction filings by county[6]
- American Community Survey (ACS)[7]

Event study after March 2020, where treatment intensity is **number of months of state moratorium**:

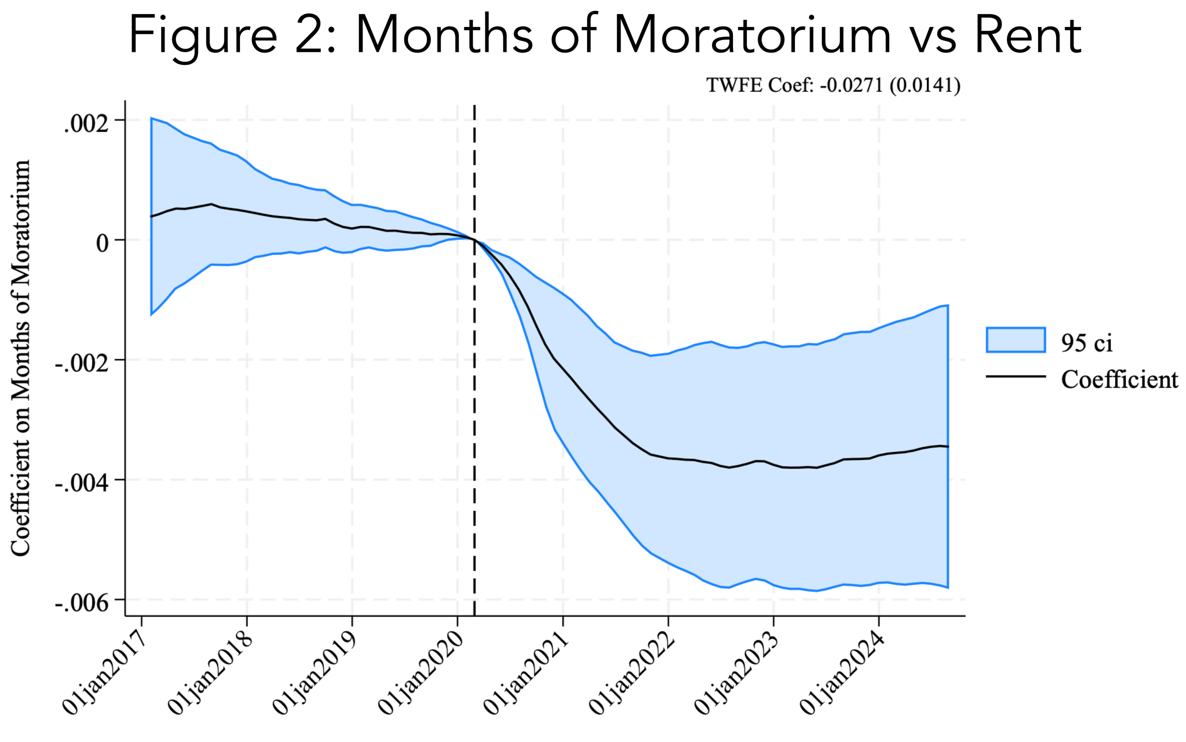
$$y_{it} = \sum_t \beta_t (n_s \times \gamma_t) + \gamma_t + \alpha_i + \epsilon_{it}$$

i – ZIP ; t – month ; n_s - number of months of moratoria in state s

The coefficients from two-way fixed-effects regression of a binary state-month moratorium variable are printed in the corner of each graph.

Headline Result

Figure 2: Months of Moratorium vs Rent



Longer eviction moratoria are associated with lower rent hikes from 2020-2022, with no reconvergence by 2024.

The **average moratorium** (lasted nine months and cut eviction filings by half for the 24 months) is associated with **2-4% lower rent** by 2022.

Average rent increased by 18% between February 2020 and February 2022. The difference between the 90th percentile and 10th percentile of state moratorium duration (22 and zero months) is associated with 8% lower rent.

Despite parallel pre-trends, there are threats to causal identification, including other Covid-19 housing trends (explored in next section).

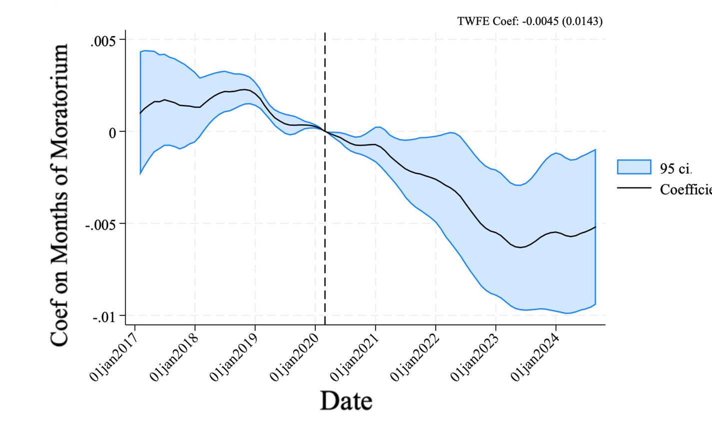
Contact: cf4072@princeton.edu

Robustness

1. What about other housing market trends that may coincide with moratoria?

Home values do not respond to moratoria (consistent with pre-tends) [Fig 3].

Fig 3: N. Months vs Home Value



ZIP characteristics and other Covid policies do not explain the results.

Figures 4 and 5 add controls interacted with date fixed effects.

Fig 4: ZIP Characteristics Controls

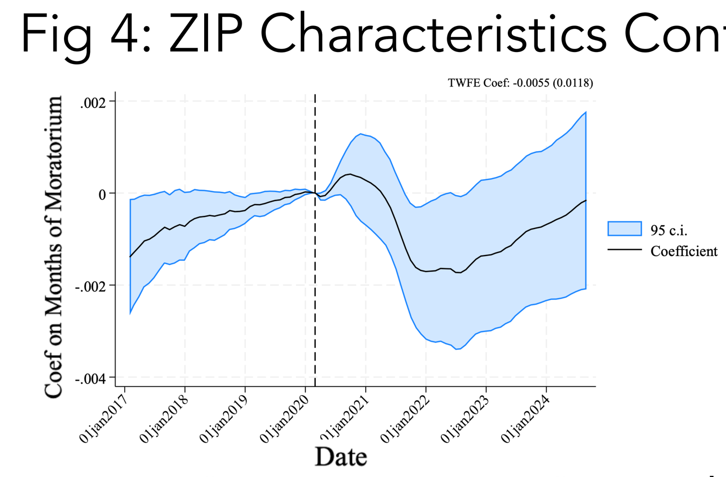


Fig 4 controls for ZIP-level log population density, log median household income, log median gross rent, share of renter-occupied homes, share of adults with a Bachelor's degree or more, and racial and ethnic composition (from 2015-2019 ACS). The results are attenuated but remain significant.

Fig 5: Stay-at-Home Control

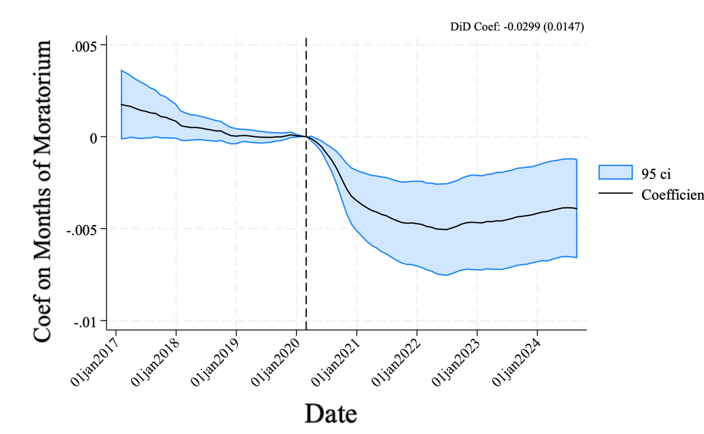
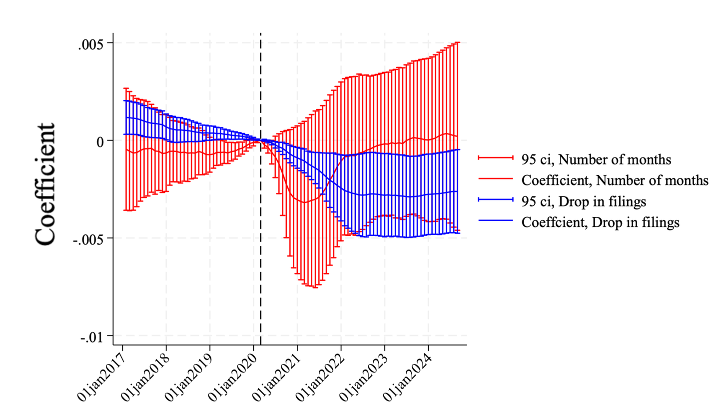


Fig 5 controls for days of state stay-at-home orders. The results are unchanged. Not shown but I also find robustness to mask mandates, restaurant closures, UI benefits, and emergency rental assistance.

2. Do the moratoria affect rents via their effect on eviction filings?

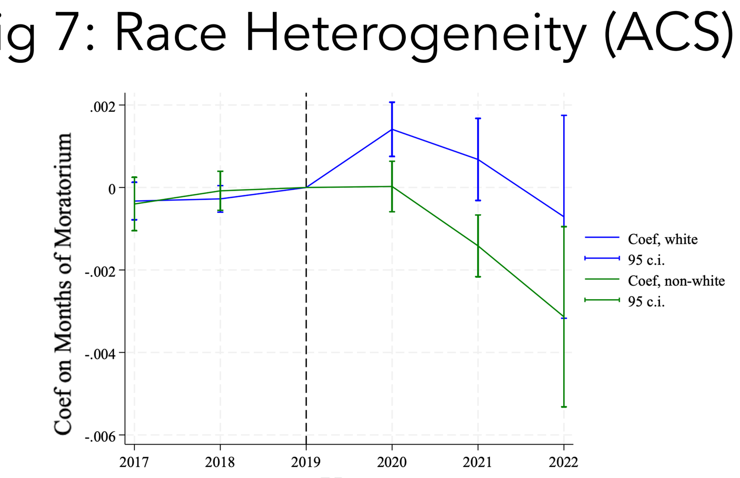
Fig 6: *De Facto* vs *De Jure* Moratoria



The **county-level drop in eviction filings** for the first two years of Covid-19 **holds more predictive power** on persistent lower rents than the state moratoria duration [Fig 6] .

The results are **driven by demographics at greater risk of eviction** (non-white in Fig 7). Not shown but effects are also strongest for low-income renters, urban/suburban renters, and small properties.

Fig 7: Race Heterogeneity (ACS)



Conclusions

This paper provides novel empirical evidence that rents may respond to eviction policy. I find that **the average Covid-19 state-level eviction moratoria is associated with 2-4% lower rents**. A primary concern may be that Democratic-leaning urbanized states were more likely to adopt strict moratoria, and these states also experienced Covid-19 related declines in home prices and rents[8]. ZIP characteristics do not explain my results, and neither do coinciding Covid-19 policies. Nor were there any effects of the moratoria on home values. I find that ***de facto* policies** (actual drops in evictions) **are more predictive than *de jure* policies** (number of months). **The effects are driven by demographics at greatest risk of eviction**. Together, my findings suggest that policies restricting evictions lead to lower existing and asking prices in the rental market (Zillow documents asking rents and I find similar effects of the moratoria for new and existing tenants in the ACS).

My results are perhaps surprising; eviction moratoria increase the risk landlords face, which could increase the asking rent[2]. However, eviction is very expensive, and landlords often raise rents after an eviction. The results are consistent with a rental market in which rent hikes between tenants are greater after an eviction than after a voluntary turnover. To empirically determine the mechanism, micro-panel data would be required.

References

[1] Gromis, A., Fellows, I., Hendrickson, J. R., Edmonds, L., Leung, L., Porton, A., and Desmond, M. (2022). Estimating eviction prevalence across the United States. Proceedings of the National Academy of Sciences.
[2] Abramson, B. (2023). The Equilibrium Effects of Eviction and Homelessness Policies.
[3] Glaeser, E. L., & Gyourko, J. (2002). The impact of zoning on housing affordability. NBER.
[4] Benfer, E. and Koehler, R. (2023). Eviction Moratoria & Housing Policy: Federal, State, Commonwealth, and Territory.
[5] Zillow (2024). Zillow Observed Rent Index.
[6] Legal Services Corporation (2023). Eviction Tracker.
[7] Census Bureau (2024). American Community Survey.
[8] Gupta, A., Mittal, V., Peeters, J., and Van Nieuwerburgh, S. (2022). Flattening the curve: Pandemic-Induced revaluation of urban real estate. Journal of Financial Economics.