Rental Property Risk Report

Almost Half of U.S. Counties at Above-Average Risk for Increased Rental Property Defaults

Single-family rental property owners in 48% of all U.S. counties are at above-average risk for default – according to the first RealtyTrac Rental Property Risk Report™ – which measures the relative default risk of single-family rental property owners across the country. The analysis considers risk factors which include the financial impact of COVID-19; unemployment rates; and the government-imposed eviction moratoria.

The pandemic and the government's response to it have created a unique situation which may put thousands of rental property owners at risk of bankruptcy, foreclosure, or the need to sell off properties at distressed prices. This, in turn, can have negative implications for tenants, neighborhoods and communities where the rental properties are located.

Risk Factors

The unemployment caused by the COVID-19 recession has severely impacted a number of industries – hospitality, travel, tourism, retail, and restaurants – which tend to pay relatively low wages, and whose employees tend to be younger and have less post-secondary education. A very high percentage of the 22 million jobs lost during the recession came from these industries, whose employees tend to mostly be renters. Not coincidentally, the number of tenants not making their rent payments has increased since the beginning of the pandemic. According to the U.S. Census Bureau Pulse Survey[2], over 9.6 million renters were behind on their rent as of February 1, 2021.

Recognizing that tenants may have difficulty making their monthly rent payments, the Federal Government (along with a number of state and local governments) instituted an eviction ban to prevent large-scale evictions during a global pandemic. The ownership of single-family rental units is skewed heavily towards small, "mom-and-pop" investors who own between 1-10 properties. A recent Freddie Mac study[1] reports that 88% of single-family rental property owners fall into this category of investor. Most of these property owners have financed the purchase of their rental units, and many are highly leveraged.

The combination of high unemployment rates, missed rental payments, and a ban on evicting non-paying tenants in order to lease properties to paying tenants can prove to be a toxic mix for these mom-and-pop landlords, whose mortgages are generally not protected by the mortgage forbearance program in the government's CARES Act, and also not eligible for protection from foreclosure. This report assesses the risk posed to these landlords on a county-by-county basis across the country.

Risk Scores

The RealtyTrac Rental Property Risk Report, using real estate and mortgage records from ATTOM Data Solutions and unemployment data from the Bureau of Labor Statistics, analyzed data from the 3,143 counties across the United States against three criteria to determine which counties might be the most at-risk of single-family rental properties going into default: the percentage of properties in the county that were rental units; the unemployment rate in the county; and the degree to which rental properties were leveraged (the loan-to-value ratio). A weighted average was

– Continued

Rental Property Risk Report – *Continued*

created using those criteria on a scale of 0 – 100, with 100 representing the highest potential risk. Counties with a high percentage of rental properties, high unemployment rates, and high LTV ratios had a higher risk score; while counties with a low percentage of rental properties, low unemployment rates, and low LTV ratios were considered less at risk. According to the data, the average risk score among the country's 3,143 counties is 50.2, with 1,514, or 48%, at above-average risk.

When looking at the largest 100 counties – based on the total number of properties – the average risk score is 43.6, with 53% of the largest counties at above-average risk. Among these large counties, Florida, New York, and California counties accounted for 44% of the 25 most at-risk counties. New York (Erie, Kings, Monroe, and New York Counties) and Florida (Collier, Lee, Polk, and Marion) each had four counties in the Top 25 ranking, and California (Kern, Riverside, and San Bernardino) had three. Mohave County in Arizona was rated as the most at-risk of the 100 largest counties in the country.

Of the 100 largest counties, Mohave County in Arizona had the highest risk score at 77.2, due to a high percentage of rental properties (79%) and a higher-than-average unemployment rate (8.7%). Salt Lake County in Utah had the lowest risk score at 17.2, reflecting the county's relatively low percentage of single-family rental homes, low LTV ratios and low unemployment rate.

Six States Account for a More Than a Quarter of Highest-Risk Large Counties

Of the 100 largest counties with higher-than-average risk scores, those located in six states accounted for 27%: Florida (7), New York (5), California (4), Ohio (4), Texas (4) and Illinois (3). Four states had two counties each with above-average risk scores – Arizona, Connecticut, Maryland, and Michigan. No other state had more than one of the 100 largest counties with an above-average risk score. The average unemployment rate for all of the 100 largest counties with above-average risk scores was almost a full point higher than the national average (7.62%). But while unemployment rates were one of the three criteria used to assess risk, there wasn't always a direct correlation between a state's unemployment rate and above-average risk scores. While California (9.0%) and New York (8.2%) had two of the highest unemployment rates in the country, Florida, which had the highest number of at-risk counties among the 100 largest, had an unemployment rate below the national average (6.1% vs. 6.7%), as did Ohio (5.5%).

Regionally, the Midwest has the highest number of large counties with above-average risk scores with 12, followed by the Northeast with 11, the Southeast with 10, the West with eight, and the South with six.

Fifty Highest At-Risk Rental Markets of the 100 Largest U.S. Counties

State	County	% SFRs	LTV Ratio	UE Rate	RISK SCORE
Arizona	Mohave	78.68%	49.0%	8.70%	**77.20**
New York	New York	51.76%	75.0%	9.30%	**70.61**
California	Kern	58.96%	59.0%	9.40%	**70.06**
South Carolina	Horry	64.76%	67.0%	5.30%	**67.23**
Florida	Collier	75.85%	58.0%	4.90%	**64.77**
Florida	Polk	54.19%	63.0%	7.40%	**64.75**

– *Continued*

Rental Property Risk Report *– Continued*

State	County	% SFRs	LTV Ratio	UE Rate	RISK SCORE
Texas	El Paso	48.81%	64.0%	9.30%	**61.47**
Michigan	Wayne	42.85%	74.0%	11.30%	**61.23**
Texas	Hidalgo	46.20%	66.0%	12.50%	**61.21**
Florida	Marion	56.75%	62.0%	6.00%	**61.12**
New York	Kings	36.07%	86.0%	12.10%	**60.85**
California	San Bernardino	51.98%	54.0%	8.00%	**58.15**
Oklahoma	Tulsa	38.56%	97.0%	6.30%	**57.66**
Tennessee	Shelby	41.78%	76.0%	7.30%	**57.00**
Oklahoma	Oklahoma	42.31%	91.0%	5.80%	**56.36**
Illinois	Cook	26.97%	90.0%	7.90%	**54.44**
California	Riverside	49.67%	52.0%	7.80%	**54.15**
Ohio	Montgomery	47.52%	71.0%	5.80%	**54.10**
Wisconsin	Milwaukee	32.91%	88.0%	6.50%	**52.56**
Michigan	Macomb	21.53%	84.0%	8.30%	**51.33**
New York	Monroe	32.34%	90.0%	6.00%	**50.19**
Nevada	Clark	44.12%	48.0%	11.50%	**49.74**
New York	Erie	37.90%	80.0%	5.90%	**49.60**
Illinois	Will	31.06%	84.0%	6.30%	**49.15**
Texas	Montgomery	42.62%	56.0%	8.30%	**49.08**
New York	Queens	34.23%	63.0%	11.60%	**48.93**
Hawaii	Honolulu	43.69%	51.0%	8.80%	**48.65**
Ohio	Cuyahoga	29.60%	81.0%	6.50%	**48.15**
New Jersey	Ocean	40.10%	56.0%	9.20%	**47.74**
California	Fresno	41.11%	55.0%	8.60%	**47.44**
Alabama	Jefferson	45.39%	79.0%	4.60%	**47.06**
Kentucky	Jefferson	33.17%	88.0%	5.50%	**46.95**
Connecticut	New Haven	27.41%	70.0%	8.10%	**46.88**
Ohio	Summit	38.33%	77.0%	5.60%	**46.73**
Maryland	Baltimore	28.08%	81.0%	6.30%	**46.41**

– Continued

Rental Property Risk Report – *Continued*

State	County	% SFRs	LTV Ratio	UE Rate	RISK SCORE
Illinois	Lake	34.86%	80.0%	5.70%	**46.30**
Florida	Miami-Dade	38.02%	61.0%	7.40%	**46.29**
Arizona	Pima	41.66%	53.0%	7.60%	**45.57**
Missouri	Jackson	42.74%	78.0%	4.80%	**45.51**
Connecticut	Hartford	26.14%	68.0%	8.00%	**45.16**
Maryland	Prince George's	26.61%	65.0%	9.00%	**44.81**
Florida	Volusia	44.51%	57.0%	6.10%	**44.70**
Florida	Orange	39.81%	52.0%	8.10%	**44.44**
Texas	Fort Bend	34.66%	58.0%	8.40%	**43.97**
Ohio	Franklin	35.31%	78.0%	5.40%	**43.77**
Texas	Harris	35.65%	54.0%	9.00%	**43.36**
New Jersey	Monmouth	27.92%	62.0%	8.60%	**43.18**
Texas	Dallas	32.24%	60.0%	7.70%	**42.68**

Source: ATTOM Data Solutions, Bureau of Labor Statistics, RealtyTrac analysis

Despite the pandemic, default activity is at its lowest level in decades, and the government and mortgage industry are working together to prevent unnecessary foreclosures and evictions. But there needs to be a concerted effort to backstop the landlords as well, or numerous counties across the country may see rising levels of foreclosures on rental properties and needless financial distress.

About RealtyTrac

Founded in 1996, RealtyTrac publishes the largest database of foreclosure property information in the U.S. along with other real estate and mortgage data used by real estate investors and professionals to find, analyze and purchase residential and commercial distressed properties. RealtyTrac is owned and operated by ATTOM Data Solutions, a leading provider of publicly recorded tax, deed, mortgage and foreclosure data as well as proprietary neighborhood and parcel-level risk data for more than 150 million U.S. properties. For more information, visit www.RealtyTrac.com.

About the Author

Rick Sharga is the Executive Vice President of RealtyTrac, a leading foreclosure search and discovery website used by real estate agents and investors. One of the country's most frequently-quoted sources on real estate, mortgage and foreclosure trends, Rick has appeared regularly over the past 15 years on CNBC, the CBS Evening News, NBC Nightly News, CNN, ABC World News, FOX, Bloomberg and NPR. Rick is a founding member of the Five Star National Mortgage Servicing Association, a member of the Board of Directors of REOMAC, and was included in the Inman News Inman 100, an annual list of the most influential leaders in real estate in both 2013 and 2014.

[1] Single Family Rental: An Evolving Market, Freddie Mac, December 2018
[2] U.S. Census Bureau Household Pulse Survey, Week 23