Rental Property Risk Report – First Half 2021

Default Risk Among Owners of Single-Family Rental Properties Declines by Almost 16% During First Half of 2021

The average risk of default for U.S. single-family rental property owners in the nation's top 100 counties – as measured by property count – declined by almost 16% from January 2021 to June 2021, according to the RealtyTrac Rental Property Risk Report™. The data-based research report gauges the relative default risk, using a scale of 1-100, of single-family rental homes. The research shows the average **Default Risk Score** (DRS) dropped from 43.6 to 36.7, representing the 16% decline. The Default Risk Score is based on three criteria measured at the county level: the percentage of rental properties, the relative unemployment rate and the loan-to-value ratio for rental properties that have a mortgage. Almost 90% of single-family rental homes in the U.S. are owned by 'mom-and-pop' investors who own fewer than ten properties, many of which carry a mortgage.

New York County in New York was the most at-risk with a DRS of 73.7 compared with the previously top-ranked Mohave County in Arizona which had a DRS of 77.2 in February 2021. Salt Lake County in Utah maintained its position as the lowest-risk county with a DRS of 6.9, a significant decline from its previous score of 17.2.

At-Risk Metros

The top ten counties with the highest risk scores include these **Metropolitan Statistical Areas** (MSAs):

- New York, New York
- Myrtle Beach-Conway-North Myrtle Beach, South Carolina
- Bakersfield-Delano, California
- Dayton, Ohio
- Cape Coral–Fort Myers, Florida
- Riverside-San Bernardino-Ontario, California
- Ocala, Florida
- Seattle-Tacoma-Bellevue, Washington
- McAllen-Edinburg-Mission, Texas

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

County	State	% SFR Properties	LTV Ratio	Unemployment Rate	Risk Score
New York	New York	45%	53%	7.5%	**73.7**
Horry	South Carolina	50%	55%	4.5%	**66.3**
Kern	California	45%	42%	10.1%	**66.0**
Montgomery	Ohio	39%	57%	5.7%	**64.2**
Lee	Florida	47%	46%	4.6%	**56.8**
San Bernardino	California	40%	38%	7.3%	**56.4**
Riverside	California	39%	39%	7.2%	**55.7**
Marion	Florida	42%	43%	5.3%	**54.8**
Pierce	Washington	39%	41%	5.8%	**51.9**
Hidalgo	Texas	32%	44%	9.7%	**51.7**

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

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Ten Lowest At-Risk Rental Markets of the 100 Largest U.S. Counties

County	State	% SFR Properties	LTV Ratio	Unemployment Rate	Risk Score
Salt Lake	Utah	17%	34%	2.8%	**6.7**
Gwinnett	Georgia	15%	46%	3.5%	**16.6**
Travis	Texas	18%	35%	4.2%	**18.8**
Hennepin	Minnesota	13%	45%	4.0%	**19.4**
Fairfax	Virginia	15%	49%	3.7%	**20.0**
Cobb	Georgia	20%	51%	3.2%	**20.0**
Wake	N. Carolina	22%	44%	3.7%	**20.3**
Oakland	Michigan	25%	48%	3.4%	**22.2**
Collin	Texas	19%	39%	4.6%	**23.4**
Denton	Texas	17%	42%	4.6%	**23.7**

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

Above-Average Default Risk Remains Elevated Despite Decline

RealtyTrac research also shows that despite the decline in the overall risk score, almost half of the 100 counties (45%) are still at *above-average default risk*. Among the counties at above-average default risk, Florida has eight counties and California has seven counties. Together, these represent a third (33%) of all highest risk counties.

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New York	New York	45%	53%	7.5%	**73.7**
Horry	South Carolina	50%	55%	4.5%	**66.3**
Kern	California	45%	42%	10.1%	**66.0**
Montgomery	Ohio	39%	57%	5.7%	**64.2**
Lee	Florida	47%	46%	4.6%	**56.8**
San Bernardino	California	40%	38%	7.3%	**56.4**
Riverside	California	39%	39%	7.2%	**55.7**
Marion	Florida	42%	43%	5.3%	**54.8**
Pierce	Washington	39%	41%	5.8%	**51.9**
Hidalgo	Texas	32%	44%	9.7%	**51.7**
Philadelphia	Pennsylvania	25%	51%	8.7%	**49.3**
Milwaukee	Wisconsin	23%	58%	5.8%	**48.3**
Clark	Nevada	30%	43%	8.9%	**48.0**
Baltimore	Maryland	16%	64%	5.7%	**47.8**
Honolulu	Hawaii	33%	42%	6.7%	**47.8**
Shelby	Tennessee	27%	49%	6.8%	**47.0**
San Diego	California	35%	35%	6.4%	**46.6**
Cook	Illinois	13%	54%	8.7%	**46.3**
Polk	Florida	32%	45%	5.8%	**45.4**
King	Washington	37%	42%	4.8%	**44.3**

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Above-Average Default Risk Counties *– continued*

County	State	% SFR Properties	LTV Ratio	Unemployment Rate	Risk Score
Wayne	Michigan	21%	54%	54%	**44.3**
Fresno	California	28%	39%	39%	**44.0**
Sarasota	Florida	41%	43%	43%	**44.0**
Montgomery	Texas	28%	45%	45%	**42.0**
Pima	Arizona	27%	42%	42%	**42.0**
Cuyahoga	Ohio	17%	56%	56%	**42.0**
Kings	New York	12%	49%	49%	**41.3**
Queens	New York	12%	48%	48%	**41.2**
Miami-Dade	Florida	28%	39%	39%	**41.0**
Will	Illinois	16%	50%	50%	**41.0**
Prince George's	Maryland	17%	48%	48%	**40.9**
Ocean	New Jersey	25%	44%	44%	**40.5**
Los Angeles	California	25%	34%	34%	**40.2**
Orange	Florida	29%	44%	44%	**40.0**
Collier	Florida	40%	44%	44%	**40.0**
New Haven	Connecticut	19%	49%	49%	**39.9**
Bergen	New Jersey	13%	50%	50%	**39.9**
Jackson	Missouri	27%	41%	41%	**39.8**
Hartford	Connecticut	17%	50%	50%	**39.6**
Volusia	Florida	32%	42%	42%	**39.5**
Orange	California	28%	35%	35%	**37.8**
Worcester	Massachusetts	23%	43%	43%	**37.7**
St. Louis	Missouri	18%	57%	57%	**37.7**
Fulton	Georgia	24%	53%	53%	**37.3**
Sacramento	California	23%	34%	34%	**36.6**
Bernalillo	New Mexico	19%	42%	42%	**36.6**
Maricopa	Arizona	25%	39%	39%	**36.6**
Lake	Illinois	18%	56%	56%	**36.4**
El Paso	Texas	21%	42%	42%	**36.2**
Broward	Florida	27%	43%	43%	**36.2**

Pandemic-Related Risk Factors Continue to Put Pressure on Renters and Owners

The pandemic and resulting economic slowdown have significantly impacted many tenants' ability to pay their monthly rent which has, in turn, put thousands of rental property owners at risk of default, bankruptcy, foreclosure, or the need to sell off properties at distressed prices. The eviction moratorium, which was extended past its recent deadline of July 31, prevents property owners from taking action to collect rent or evict tenants who are unable to pay. While this is a temporary help to renters, it doesn't prevent back rent from accumulating and puts landlords at risk of default which can have negative implications for tenants, neighborhoods and communities where the rental properties are located.

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According to a recent study by professors at UCLA and USC, tenants owe approximately $3 billion in back rent in Los Angeles County alone. The financial strain on property owners also means maintenance and upgrades may be put on hold. A recent survey from the Urban Institute indicates that 28% of landlords have deferred maintenance during the pandemic, the majority citing financial reasons for doing so. Among tenants, more than one-fourth (27%) reported their maintenance requests were being ignored completely. When asked why they deferred maintenance, 62% of landlords cited financial reasons.

Risk Scores and Methodology

The RealtyTrac Rental Property Risk Report, using real estate and mortgage records from ATTOM Data Solutions, 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 created using those criteria on a scale of 0-100 to create the Default Risk Score, 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.

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.

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