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Reports suggest trouble on the horizon for region's housing market

A pair of new reports suggest trouble could be on the horizon for South Florida's housing market as homeowners and landlords face financial strain from the impact of the Covid-19 pandemic.

A CoreLogic mortgage report for April said 11.5% of South Florida borrowers were 30 days or more delinquent on their mortgages, up from 4.8% from the prior year. By comparison, the national delinquency rate was 6.1% in April.

The foreclosure rate declined 0.7%, from a year ago, but Governor Ron DeSantis put a moratorium on foreclosures and evictions to offer relief from the impact the Covid-19 pandemic has had on the job market. The federal government also instructed holders of federally-backed mortgages to provide forbearance to borrowers.

CoreLogic CEO Frank Martell said the rise in mortgage delinquencies will become a bigger issue over the next 12 to 18 months as forbearance periods end and those bills come due. Many of the missed payments were deferred instead of being forgiven.

“The resurgence of COVID-19 infections across the country has created economic uncertainty and leaves those who are unemployed concerned with their ability to make monthly mortgage payments,” said Frank Nothaft, chief economist at CoreLogic. “The latest forecast from the CoreLogic Home Price Index predicts prices declining in all states through May 2021, erasing some home equity and increasing foreclosure risk.”

The rental market has also suffered as tenants who have lost their jobs have had difficulty keeping up with rent payments.

According to the National Multifamily Housing Council and RealPage, the share of South Florida apartment tenants who paid on time through July 6 was 85.3%, a decline of 2.9% compared to the prior year.

The apartment market in South Florida has also suffered a steeper decline in occupancy compared to other metros in the U.S., according to RealPage.

In June, occupancy rate fell 1.7% in Miami-Dade County, 1% in Broward County, and 1.4% in Palm Beach County. Asking rents declined 2.2%, 1.8% and 1.3%, respectively. Before the pandemic started, the asking rent was increasing across the region.

The impact from high unemployment and thousands of new apartments being delivered will slow down an increase in rent prices. There's also less demand from tenants to live in downtown office markets as remote work has become a staple during the pandemic. .

Florida's moratorium on rent put a temporary halt to evictions on renters that could not make rent payments, which has put a financial strain on landlords that still have to meet their financial obligations on properties. What's looming is that once the moratorium expires, landlords can demand missed rent payments and move forward to evict tenants that can't pay.

The moratorium on residential and foreclosure expires Aug. 1, but DeSantis has extended it several times. With federal unemployment benefits ending July 31 and an second wave of the pandemic, there is great uncertainty for the housing market.