

The Role of Investors in the Single-Family Market in Distressed Neighborhoods: The Case of Atlanta

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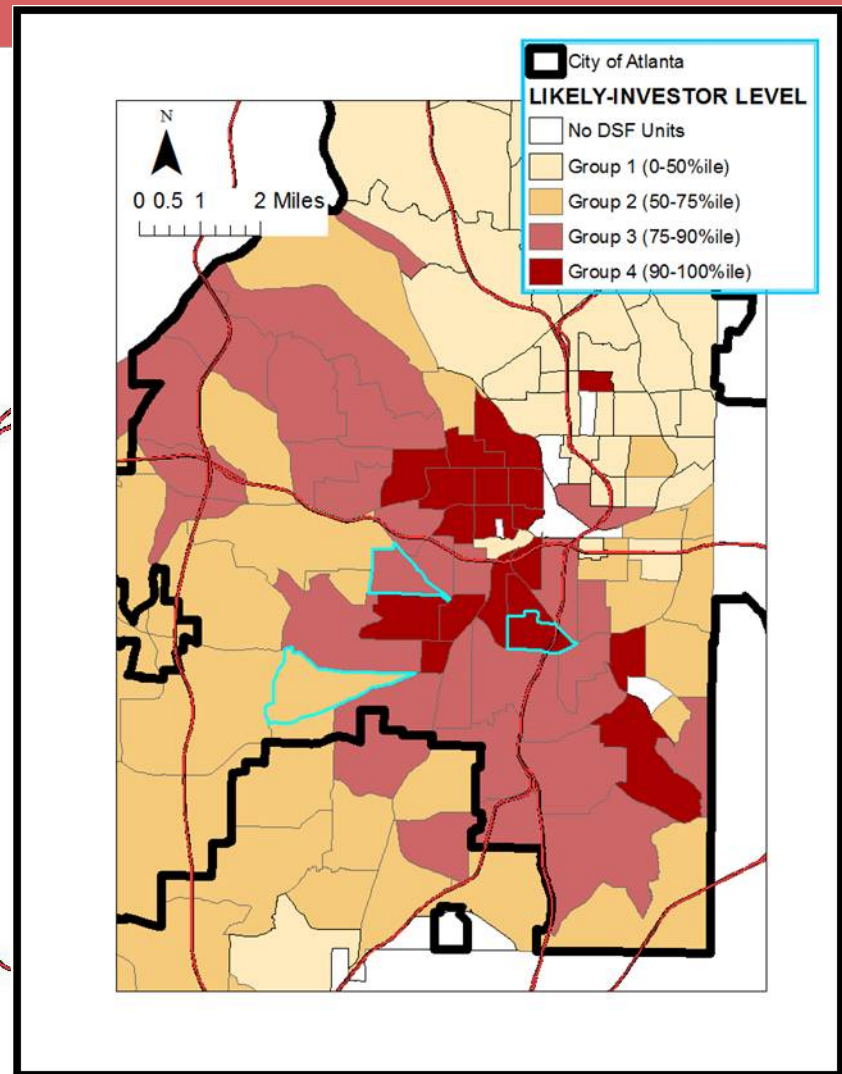
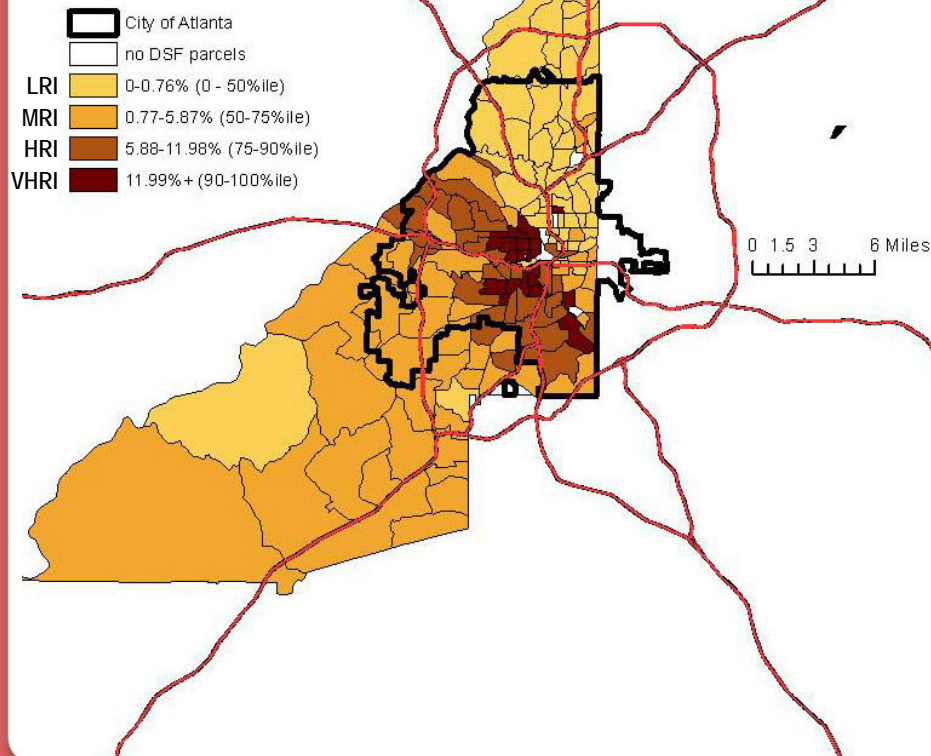
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Full report at <http://www.jchs.harvard.edu/research/publications/role-investors-single-family-market-distressed-neighborhoods-case-atlanta>

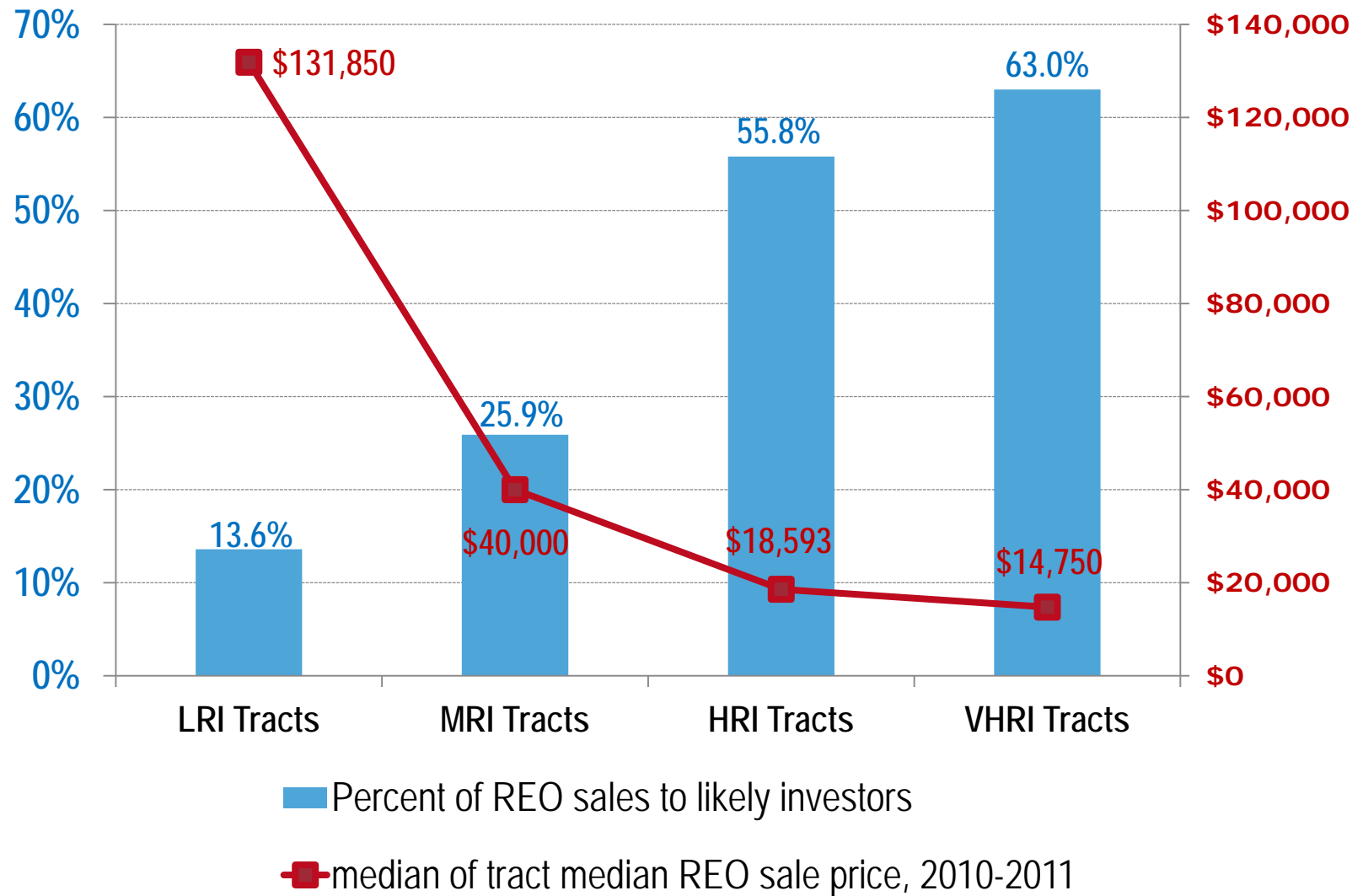
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Likely REO-Investors Ownership Disproportionately Concentrated in Distressed Neighborhoods

Level of Likely REO-Investor Ownership
December 2011

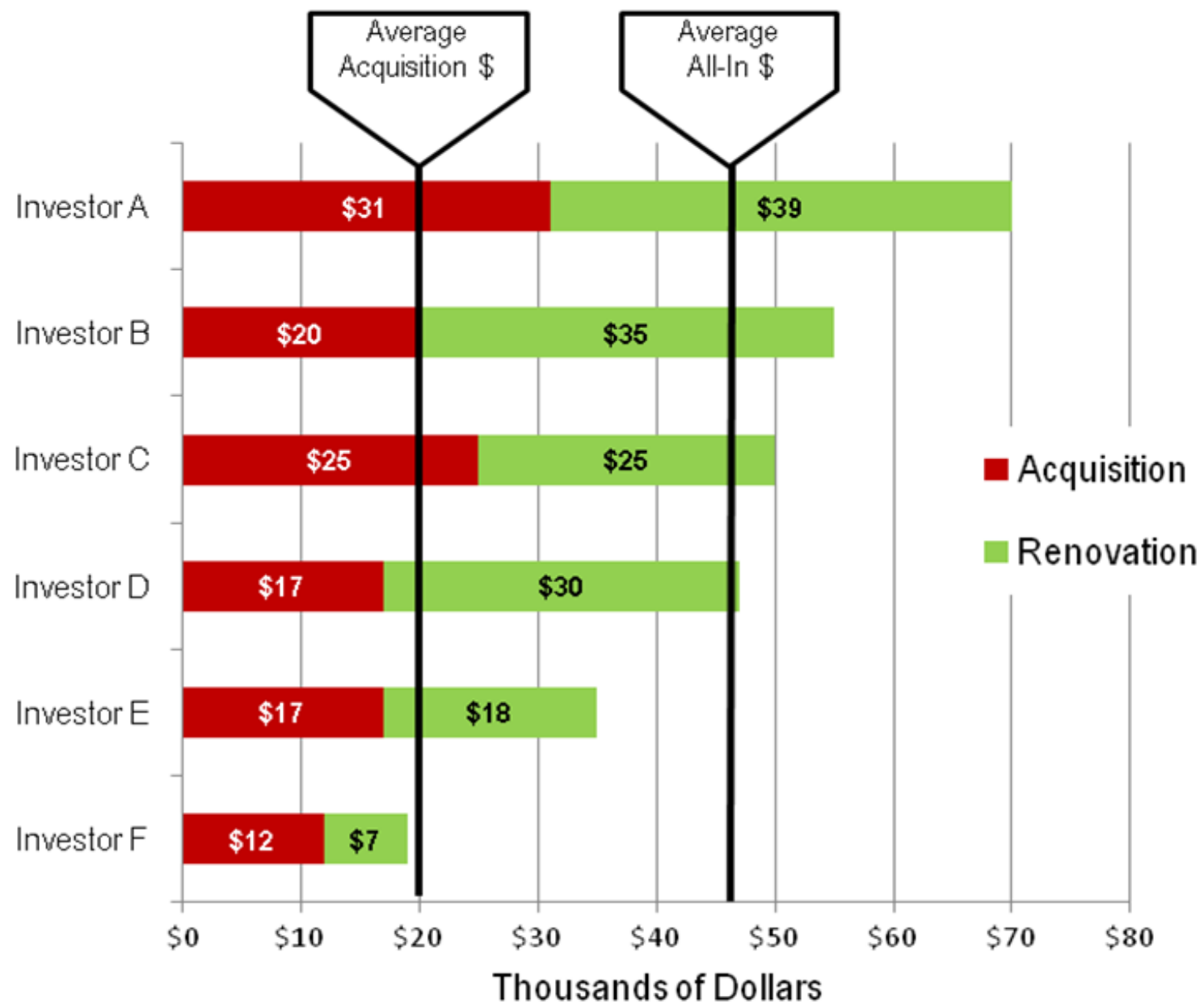


Investors' Market Share and Prices of REO Sales, 2010-11



Key Characteristics of Fulton County REO Investment Market

- Top 10 likely REO investors accounted for 12% of likely investors in 2010-11; top 20 accounted for 18%
- 50% of REO sales to investors in VHRI tracts were to medium-sized/big investors, compared to 11% in LRI tracts
- Investors in LRI tracts were 60% more likely to resell within one year compared to those in VHRI tracts
- 10% of flips by investors in LRI tracts were to other investors; 57% in HRI tracts; 64% in VHRI tracts



Total Cash Invested (All-in Costs, Purchase + Renovation)	\$72,222
Gross Annual Rent (\$950/month)	\$11,400
Vacancy/Uncollected Rent (5%)	(\$570)
Net Annual Rent	\$10,830
Property Management (10% of Net Rent)	\$1,083
Leasing (25% of first month's rent)	\$237
Maintenance (w/reserve)	\$1,604
Insurance	\$500
Property Taxes	\$732
Total Annual Expenses	\$4,156
Net Operating Income	\$6,674
Cash-on-cash return	9.24%

Understanding Investors' Financial Viability

	Low-End Investor/Milker			Mid-Range Investor		
	Scen #1	Scen #2	Scen #3	Scen #1	Scen #2	Scen #3
Total Cash Invested (All-in Costs, Purchase + Renovation)	\$20,000	\$20,000	\$20,000	\$45,000	\$45,000	\$45,000
Gross Annual Rent (1)	\$7,200	\$7,200	\$7,200	\$10,200	\$10,200	\$10,200
Vacancy/Uncollected Rent (2)	(\$600)	(\$1,200)	(\$2,400)	(\$850)	(\$1,700)	(\$3,400)
Net Annual Rent	\$6,600	\$6,000	\$4,800	\$9,350	\$8,500	\$6,800
Property Management (3)	\$660	\$600	\$480	\$935	\$850	\$680
Out-of-Pocket Turnover Costs (4)	\$0	\$700	\$1,400	\$0	\$1,000	\$2,000
Leasing (4)	\$600	\$600	\$1,200	\$850	\$850	\$1,700
Maintenance (5)	\$800	\$1,250	\$1,500	\$1,100	\$1,500	\$1,800
Insurance	\$400	\$400	\$400	\$500	\$500	\$500
Property Taxes	\$350	\$350	\$350	\$500	\$500	\$500
Total Annual Expenses	\$2,810	\$4,150	\$5,580	\$3,885	\$5,300	\$7,280
Net Operating Income	\$3,790	\$1,850	(\$780)	\$5,465	\$3,200	(\$480)
Cash-on-cash return	18.95%	9.25%	-3.90%	12.14%	7.11%	-1.07%