The rapidly maturing single family rental market is moving toward the middle – in myriad ways. While the biggest segment of the SFR market, both in terms of number of properties and number of investors, is still by far the mom-and-pop investor who owns one or two single family rentals, that segment is shrinking. Meanwhile the SFR market share of investors owning between 6 and 10 rental homes increased 65 percent from February to November 2017.

A home’s location can be its best advantage. It can also pose a big problem. Homes located near manmade environmental hazardous waste sites can have their property values decrease. In this article, one state health department asks how it can understand this complex issue better. How does stigma affect property and health and what can be done for homeowners located near a Superfund site?

Out of the 342,034 U.S. residential properties in the foreclosure process, 14,312 of them are vacant “zombies”, accounting for 4.18 percent. While the number of vacant foreclosures has plummeted over the last few years, there are still 40 zip codes where at least one in every five homes is a zombie. Are you living amongst these “Zombie” homes?

The epicenter of a rebounding Nevada real estate market has shifted Northwest. Median home prices in Reno have skyrocketed 160 percent since bottoming out in January 2012 and are now just 4 percent below their prerecession peak in July 2005 while median home prices in Las Vegas have posted an impressive 135 percent increase since January 2012, but are still 20 percent below their pre-recession peak in June 2006.

An ideal rental property is the opposite of a money pit; it produces income for its owner. To help prospective landlords identify places where they can still find cash-flowing rental properties, we broke out the big data. We looked at 8,841 U.S. zip codes to create this interactive heat map showing where the best rental property cash flowing opportunities are available across the country.
The rapidly maturing single family rental market is moving toward the middle – in myriad ways.

“We finally landed on the experienced private investor as the way to refer to people who are serious, not rookies, and they are active as hell right now,” said Greg Rand, CEO of OwnAmerica, an exchange for occupied rental properties that is targeting investors who own anywhere from five to 1,000 properties in an effort to get those investors to register their property portfolios with the service for a free “strategy profile”.

Rand said 2,500 of these investors, whom he refers to as “the big middle,” have already signed up for a strategy profile after just a few months of marketing.

“They are a force that is much bigger than the institutional,” he said. “More than 200,000 investors that own about half a trillion dollars of real estate 15 properties at a time.”

An analysis of non-owner occupied (rental) single family homes nationwide confirms Rand’s hypothesis that the middle tiers of single family rental
Migrating to Middle America

Rand also noted the mid-tier investors his company targets are more willing than the mammoth institutional investors to move to smaller secondary and tertiary markets — many of them further from the coasts and deeper into middle America.

“One of the things we’re excited about is the secondary and tertiary markets that are getting some action. … What was being done in Nashville, they’re doing in Chattanooga instead. Oklahoma City instead of Dallas,” he said, noting that this migration is happening in different ways. “Some of them are acquiring and growing. Some of them are liquidating and re-capitalizing and looking for a new play. They are not riding off into the sunset.”

Five years after acquiring a portfolio of 150 single family rentals mostly in Florida, Jamie Nahon is one of those mid-tier investors looking to move to middle America.

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“We love the SFR rental model and the opportunity that exists in the market, and we’re no longer able to find any good yields in Florida,” said Nahon, president of Eagle River Homes. “In order to grow that business we have to go elsewhere.

“We are looking from the Midwest through to some Northeast markets,” Nahon continued. “All the usual suspect markets throughout Pennsylvania, Ohio, into Illinois, maybe Indiana. Places where you can still find good blue collar houses where the demographics are showing opportunity for rental appreciation, asset appreciation. Really where the rent-cost matrix still shows a yield better than what you can get in the fixed income markets. That still has that unique SFR, HPA (home price appreciation) profile which was what existed in Florida five years ago.”

While Nahon is moving toward middle America from the east coast, Jeff Pintar is moving toward middle America from the west coast when it comes to acquiring single family rentals.

“From a rental standpoint, the yields are really attractive from what we are starting to see,” said Pintar, founding partner and CEO at Pintar Investment Company, which began investing in residential real estate in 2009 and has built up a rental portfolio of about 400 properties in Southern California and Nevada.

Now Pintar has been looking further toward the nation’s interior to identify markets ripe for profitable SFR acquisition, working to identify trusted local partners already operating in those markets. Some of the markets the company is targeting for future acquisitions include Houston, Indianapolis, Nashville, and Columbus, Ohio.

“We’ve been able to find the right local partners … they are us in that local market. That is really what has given us comfort in investing capital in local markets that we haven't

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“The RISING ‘BIG MIDDLE’ OF SINGLE FAMILY RENTALS

MARKETS WITH HIGHEST SHARE OF INVESTORS BUYING 10 OR MORE PROPERTIES: Q3 2017

- MEMPHIS, TN-MS-AR: 9.3%
- BIRMINGHAM-HOOVER, AL: 8.3%
- CLARKSVILLE, TN-KY: 6.9%
- CHARLOTTE-CONCORD-GASTONIA, NC-SC: 6.6%
- KILLEEN-TEMPLE, TX: 6.1%
- JACKSONVILLE, FL: 5.8%
- EL PASO, TX: 5.3%
- ATLANTA-SANDY SPRINGS-ROMSHELL, GA: 5.2%
- NASHVILLE-DAVIDSON-MURFREESBORO-FRANKLIN, TN: 5.1%
- OMAHA-COUNCIL BLUFFS, NE-IA: 5.0%

JAMIE NAHON
PRESIDENT, EAGLE RIVER HOMES

ATTOM DATA SOLUTIONS
traditionally been in,” said Pintar, noting that the company carefully studies demographics such as population growth, job growth and income growth to determine which markets to target. “We’re negotiating a couple different partnership agreements now. I think by the end of this year, we anticipate probably investing three to four million in a new market.”

Nahon and Pintar are not alone in migrating to smaller markets further into the middle of the country. Markets with the highest share of Q3 2017 single family home and condo sales to investors purchasing at least 10 properties per year were Memphis, Tennessee (9.3 percent); Birmingham, Alabama (8.3 percent); Clarksville, Tennessee (6.9 percent); Charlotte, North Carolina (6.6 percent); and Killeen, Texas (6.1 percent), according to the ATTOM Data Solutions Q3 2017 Home Sales Report. Nationwide, 2.7 percent of all home sales were to investors purchasing at least 10 properties a year in the third quarter of 2017.

Rise of the Repeat SFR Buyer
That trend toward buying rentals in middle America is trickling down to smaller, retail investors as well, according to Gary Beasley, co-founder and CEO at Roofstock, an online marketplace for single family rentals.

“We definitely see retail investors seem to be attracted to yield and as a consequence we’ve moved into some additional Midwest markets that seem to have a lot of interest for folks,” said Beasley, noting the company recently launched SFR listings in Cleveland and already has Memphis and some other low-cost markets with high rental yields.

Meanwhile, some of the massive institutional investors that gobbled up thousands of single family rentals in the past five years are starting to cull their portfolios, providing more inventory for the mid-tier and smaller investors looking for yield.

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“We’re also seeing a lot of repeat purchasers. Oftentimes the second or third house they just do without even talking to us. People get comfortable with the asset class, they get used to buying remotely and they feel like they can buy on their own.”

GARY BEASLEY
CO-FOUNDER AND CEO, ROOFSTOCK

Thanks in part to a nascent industry of SFR-focused products and services such as Roofstock, smaller and middle-tier investors are becoming more willing to buy outside their backyard, according to Beasley.

“I see continued interest in people buying outside of where they live. ... Ninety percent of our buyers are buying out of market.

“We’re also seeing a lot of repeat purchasers,” added Beasley, noting that the typical pattern is for the investor to engage directly with the Roofstock team on the first purchase but then employ a more do-it-yourself strategy on subsequent purchases. “Oftentimes the second or third house they just do without even talking to us. People get comfortable with the asset class, they get used to buying remotely and they feel like they can buy on their own.”

Financing Options Need to Mature
Financing single family rental purchases and portfolios remains one area that has not adequately matured, according to Dennis Cisterna, CEO at Investability, a services platform targeting middle market and institutional investors in the single family residential sector.

“The part of the puzzle where we are kind of lagging behind other real estate assets is the capital markets ... this needs to look and feel like multi-family,” Cisterna said. “The goals of the single family rental industry are no different than that of the multi-family industry ... 

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there need to be programs to offer good long-term financing for operators in this space — longer-term loan products that are priced much more reasonably."

Cisterna noted that long-term financing for an apartment building is readily available with a 4.0 to 4.25 percent interest rate and a 70 to 75 percent loan-to-value ratio while a long-term loan for a single family rental property will run closer to 5.5 percent interest with a maximum LTV of 70 percent.

“‘There need to be programs to offer good long-term financing for operators in this space — longer-term loan products that are priced much more reasonably.’”

DENNIS CISTERNA
CEO, INVESTABILITY

“‘There is just a disconnect between what the pricing of the debt is and what the actual risk of the asset class is,’” Cisterna said. “‘Once Fannie and Freddie support this to a greater degree you’ll see more pricing compression overall in the industry.’”

Fannie Mae provided the first sign that the government is willing to support SFR financing with its backing of a 10-year $1 billion mortgage to Invitation Homes earlier this year. Invitation Homes, the largest owner of single family rentals with about 50,000 nationwide, disclosed the Fannie Mae financing arrangement on the heels of its initial public offering announcement in January.

Freddie Mac entered the fray in July with its own announcement of $1 billion in financing for single family rental operators. Although full details of the Freddie Mac plan have yet to be disclosed, the announcement came couched in affordable housing-heavy messaging, possibly a response to criticism of the Fannie Mae financing deal as a boon for Wall Street at the expense of taxpayers.

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“Freddie Mac wants to provide tens of millions of dollars in financing to midsize landlords, not to giants like Invitation Homes, which operates nearly 50,000 rental homes in 13 markets,”
according to a New York Times article on the announcement. “In all, Freddie Mac could provide up to $1 billion in financing or loan guarantees to smaller firms that buy single-family homes and operate them as what it considers affordable-housing rentals, a company official said in an interview. Some nonprofit housing groups might also be eligible for financing.”

Cisterna expressed optimism that the Freddie Mac financing will go much further than the Fannie Mae-Invitation Homes deal to support the rapidly growing middle of the single family rental industry.

“A lot of the middle market guys (are) getting squeezed right now as their cost of capital is more expensive than the debt,” he said. “A lot of people are eager to see what that program really looks like.”

**Frustration with SFR Financing**

Both Pintar and Nahon — two prime examples of the middle-market operators Cisterna refers to — expressed some level of frustration with the financing options available to them.

“We couldn’t get financing until a couple of years into the game, and then we had to deal with community banks,” said Nahon. “Wall Street acknowledgement of our asset class is allowing us to borrow with more favorable terms.”

Pintar said about a year ago he began looking into options for getting his company’s portfolio of about 400 rental properties into long-term debt, ideally a 10-year term with a 30-year amortization so the loan term could be fixed anywhere from 10 to 30 years.

“It is important to us to get debt that pushes out that debt expiration as far as possible but also gives us as much flexibility (as possible),” he said, noting the ideal financing would allow for swapping out of properties and not incurring pre-payment penalties. “For a lot of banks it just falls into the too-hard basket.”

Pintar said that while there is “no shortage of capital” from non-traditional lenders such as Anchor, Genesis Capital and CoreVest, all of which also have strong processing operations that allow him to submit and get a loan within 24 hours, the higher cost of debt along with less flexible loan terms make those non-traditional lenders less appealing.

“They are trying to securitize the loans so they have some things in there that are pretty specific ... that basically make it punitive. There is a real lack of flexibility that we weren’t comfortable...”

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with," he said, noting that the company eventually secured financing with three banks that are providing a 4.25 percent interest rate with 30-year loans. As a bonus, the financing the company secured also includes lines of credit with a 4 percent interest rate on a three-year term that can be drawn down as needed for the fix-and-flip side of the business.

**Smaller Operators Gaining Scale**

Rand, the OwnAmerica CEO, noted that the type of government backing floated by the Freddie Mac announcement will allow landlords to increase their cash flow without having to increase rents — helping to achieve the government-backed entity’s stated goal of improved housing affordability.

“That whole trend is as exciting as it can be. … the validation for a market that wants these type of products is pretty broad … I believe it's going to happen and it's going to fuel a wave of activity among the mid-market,” said Rand, noting that while financing for the SFR asset class has come a long way in the last five years, it still has more room for growth. “It’s come a long way with the entrants in the markets like CoreVest … but they are in the mid-6s (in terms of interest rates) … if you can get into anything with a 4 in front of it, vastly more properties across the country become good investments.”

“I think that is huge,” said Ryan McBride, COO at CoreVest (formerly Colony American Finance), of the interest that both Fannie and Freddie are showing in supporting SFR as an asset class. “An acknowledgement that yes there are other ways to provide affordable housing. People don’t have to own their homes. They can also rent homes. … Seems like it’s important public policy going forward.”

Over the past couple of years CoreVest has been focusing more on the “broad base” of the investor pyramid, according to McBride, who echoed the theme provided by others that many of the investors in that broad base are maturing along with the market.

“We are starting to see more and more of the smaller operators gain scale … with the debt capital like the loans we provide. …. They know that there are real financing opportunities for them,” McBride said, noting that his company also gets calls from investors looking to sell inventory. “Typically we have three or four buyers on speed dial, and we are happy to provide financing.”

Financing for that maturing middle of the SFR market — those that Rand referred to as the "experienced private
“We are starting to see more and more of the smaller operators gain scale. … We have very, very good performance from these smaller investors. … The proof is in their performance. They tend to have very high occupancy, very low delinquency, very low eviction rates.”

RYAN MCBRIDE
COO, COREVEST (FORMERLY COLONY AMERICAN FINANCE)

The rising ‘big middle’ of single family rentals

investor” — are also performing well, according to McBride.

“We have very, very good performance from these smaller investors. The proof is in their performance. They tend to have very high occupancy, very low delinquency, very low eviction rates,” he said, noting that the smaller to mid-tier investors are also less likely to push rents up as quickly as the mammoth institutional investors. “They have been doing it for a long time, they know their market, they know their renters. They are very good at keeping their renters in the home.”

CoreVest, which provides both 5- to 10-year loans for portfolios of rental assets as well as short term lines of credit for fix-and-flip investors, has seen “negligible” losses on the roughly $3 billion in loans it has originated, according to McBride.

“We have actually seen very little change in delinquency. We have had very good performance to date across the board,” he said. “Foreclosing on the borrower tends to be one of the last things we do.”

Above-Average Foreclosure Rates

An analysis of a select group of leading fix-and-flip lenders by ATTOM Data Solutions shows foreclosure rates are above the national average for five out of the nine lenders analyzed: LendingHome, Cascade Land Home Financing, Cason Home Loans, Patch of Land Funding, and 5 Arch Funding. Meanwhile foreclosure rates for four of the nine prominent fix-and-flip lenders analyzed were below the national average: Genesis Capital, Lima One, Anchor Funding and private individual lenders.

The increasing capital flooding, the fix-and-flip and SFR markets does concern David Hicks, CEO at HomeVestors, a 21-year-old company known for the “We Buy Ugly Houses” branding. HomeVestors supports a franchise network of real estate investors who buy off-market homes directly from homeowners.

“The last housing boom was fueled by the easy money. Every economist I talk to says how hard it is to get money has helped keep this housing boom in check,” said Hicks. “Now it’s getting easier for investors to get money, which might be the scary part.”

The HomeVestors business is seeing evidence of strong interest from real estate investors in multiple metrics that it tracks, according to Hicks.

“I’ve never seen so much clamoring for investment properties, and that’s

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why our franchise growth has been so strong,” he said, noting that the number of franchises under the HomeVestors umbrella has grown from 165 to 870 since 2009.

Additionally, Hicks said that an increasing number of properties sold by HomeVestors franchises are going to other investors rather than to owner-occupant end-users.

“We were selling more than half to end-users a few years ago, and now we are selling more than half to other investors,” he said, noting that HomeVestors franchises combined are on track to purchase about 9,000 properties in 2017. “There is a huge interest in people wanting to be landlords, wanting to buy investment properties.”

The increased interest in real estate investing by novice real estate investors, in part enabled by access to the efficient financing options available, is cause for some concern for Nahon, the midsize investor planning to migrate from Florida to Midwestern markets.

“There’s a lot of people that are trying to buy houses for rentals and flips,” he said. “When we are evaluating a flip house, a $500,000 to $600,000 house, and the lady who works at the Thrifty Car Rental is walking the house, trying to buy it at the same time as us — that could be a small warning signal for us.”

**Build-to-Rent Strategy Emerging**

Although still evolving, the more mature financing options that have emerged in the SFR space over the past five years are now laying the groundwork for a shift in strategy.

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THE RISING ‘BIG MIDDLE’ OF SINGLE FAMILY RENTALS

BUILD-TO-RENT BY-THE-NUMBERS

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<th>COSTS</th>
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<td>LOT PURCHASE:</td>
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SOURCE: THE WHITMIRE GROUP, FOR ATLANTA-AREA DEAL

Adam Whitmire is employing the build-to-rent strategy in full force in Atlanta, where the low-hanging fruit of existing single family homes available at the necessary price point to convert to cash-flowing rentals has largely dried up.

“If you’re in a seller’s market and you don’t have anything to sell, you build. You create inventory. We basically made an extreme shift; in Atlanta that is all we do: build to rent.”

You create inventory,” said Whitmire, director of acquisitions for The Whitmire Group. “We basically made an extreme shift; in Atlanta that is all we do: build to rent.”

A market like Atlanta with a paucity of housing inventory — particularly affordable housing inventory — relative to demand, provides Whitmire with two favorable exit strategies when buying and developing lots for new construction: sell directly to owner-occupant homeowners or sell to SFR funds hungry for inventory.

“I can make a little bit more money by selling to homeowners. ... But at the same time we have build-to-rent investors that will take down the whole subdivision as build to rent,” he said, noting that selling to build-to-rent funds saves on marketing and holding costs. “I can develop a subdivision of 100 houses or 200 houses, and instead of adding a marketing arm to my business I can sell the whole subdivision to a fund that will take it and rent it out. I’m in and out, done.”

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THE RISING ‘BIG MIDDLE’ OF SINGLE FAMILY RENTALS

Not everyone is buying into the build-to-rent strategy, however.

“I don’t get it to be honest,” said Mark Bloom, owner and broker with NetWorth Realty, a Dallas-based company that helps investors acquire off-market properties. Bloom said in his experience it’s always cheaper to rehab an existing property than building new. “For me if it has an existing structure on it, I’m going to rehab it and rent it. Then I’ll look at tearing it down, when I’m the last house on the block that has not been torn down and replaced with new construction.”

The build-to-rent strategy also can be employed in areas of Atlanta without strong demand from homeowners, according to Whitmire.

“I can buy lots in areas that I can’t sell homes, but I can rent,” he said, providing as an example neighborhoods south of Atlanta with a higher share of renters. “The local economy may not have enough income or enough credit to buy but there is enough income to rent ... and I can make a good cash flow.”

Whitmire said many of his projects are infill developments in already established neighborhoods, but that the multiple exit strategies available to him also allow him to buy, develop and build in suburban and rural areas.

Quantity versus Quality

“The only reason we had new subdivisions with poor demographics during the last housing boom was government policy trying to push homeownership in those areas,” he said. “This time around subdivisions will be built in those areas because they can be rented. The capital markets are driving it.”

While Whitmire is willing to go into neighborhoods with lower incomes and lower credit scores, regional SFR operator Memphis Invest is intentionally choosing quality over quantity, according to Chris Clothier, partner and VP of sales and marketing with the firm, which specializes in acquiring, rehabbing and selling single family homes as “turnkey” rental

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CHRIS CLOTHIER

PARTNER AND VP OF SALES AND MARKETING, MEMPHIS INVEST

HIGHEST SHARE OF INVESTMENT HOMES

OKLAHOMA CITY, OK 32.2%
KNOXVILLE, TN 31.8%
TULSA, OK 31.8%
LAS VEGAS-HENDERSON-PARADISE, NV 29.4%
RIVERSIDE-SAN BERNARDINO-ONTARIO, CA 28.4%
MEMPHIS, TN-MS-AR 28.0%
CHARLOTTE-CONCORD-GASTONIA, NC-SC 26.1%
SACRAMENTO-ROSEVILLE-ARDEN-ARCADE, CA 24.8%
DETROIT-WARREN-DEARBORN, MI 24.8%
ORLANDO-KISSIMMEE-SANFORD, FL 24.7%
PHEONIX-MESA-SCOTTSDALE, AZ 24.0%

“We had two choices: go to other cities or lower our standards. ... If you want to buy the less expensive junk there is a provider for you, but it’s not us. We wouldn’t be able to sustain our growth if we didn’t find new markets.”

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properties to passive investors from across the country.

“The high quantity of properties are located in the most challenged areas of markets ... parts of the city that are struggling. That’s not always a good investment because the people there are struggling. That’s not the best areas for rents,” Clothier said. “They should invest today for return of capital first and return on capital second. Investors should focus on only properties where they can get back 100 percent of their money if they sell it.”

Founded in Memphis in 2003 by Clothier’s father, Memphis Invest has migrated to other markets as the available inventory of properties that meet the company’s quality standards has decreased, according to Clothier.

“We don’t want to buy as many properties in Memphis as we used to because the market dynamics are not the same. We are looking to go into not just the secondary markets, but the tertiary markets, because we have a highly duplicative model,” he said, explaining that the company is already active in Texas, Oklahoma City and Little, Rock Arkansas, but is also considering markets such as Cincinnati, St. Louis, Nashville and Louisville, Kentucky. “We had two choices: go to other cities or lower our standards. If you want to buy the less expensive junk there is a provider for you, but it’s not us. We wouldn’t be able to sustain our growth if we didn’t find new markets.”

While Memphis Invest and large hedge-fund backed SFR operators are still banking on the relative safety of the suburbs, Bloom, owner of NetWorth Realty, believes the quality of those suburban neighborhoods is being eroded by the higher share of renters now present in those areas.

“They are turning these subdivisions into rental neighborhoods, and low-income rental neighborhoods at that. ... For the most part in any major area, I’m not buying in the suburbs. I’m buying downtown. I’m buying in areas that in 10 to 15 years I’ll be able to tear down ... hold the property and redevelop it when everything changes.”

MARK BLOOM
OWNER, NETWORTH REALTY

Bloom is banking on this trend he dubs “the reverse suburbanization of America” for his long-term investing strategy.

“For the most part in any major area, I’m not buying in the suburbs,” he said. “I’m buying downtown. I’m buying in areas that in 10 to 15 years I’ll be able to tear down ... hold the property and redevelop it when everything changes.”
Location, location, location. A home’s location can be its best advantage.

It can also pose a big problem. Homes located near manmade environmental hazardous waste sites can have their property values decrease. In this article, one state health department asks how it can understand this complex issue better. How does stigma affect property and health and what can be done for homeowners located near a Superfund site?

What is a Superfund Site?
Superfund sites are manmade environmental hazardous waste sites the US Environmental Protection Agency (EPA) prioritized for cleanup because of the risk they pose to human health or to the environment. EPA currently oversees the cleanup of 1,342 Superfund sites in the United States. Many of these sites are located near residential neighborhoods.

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Superfund Stigma

The Site Assessment Section (SAS) of the California Department of Public Health (CDPH) investigates whether Superfund sites affect the health of those who live near them. SAS talks to many residents and homeowners. Besides concerns about their health, the department often hears about fears of declining property values. A home’s proximity to a Superfund site will foster fear that the home is contaminated and living there poses health risks. These fears are persistent, even in communities where a site is cleaned or doesn’t pose health risks. This is Superfund stigma.

Merriam-Webster defines stigma as a “mark of shame or discredit”. The stigma related to Superfund sites is due to the perception of risk. If a Superfund site poses risk, it is vital for communities to understand the sources of that risk. For example, it may not be OK to walk on the site or site contaminants could have moved into the neighborhood causing health risks. To ensure these risks are understood SAS reaches out into communities to inform residents what steps will minimize their risk. The department also provides EPA professionals with recommendations to reduce health risk.

Often occurrences unrelated to a Superfund site, such as an unusual odor, dust in the air, or a change of color/taste in the drinking water can create a false perception of risk; even if the site is not the cause of the occurrence or data are available to show the site is not posing a health risk. Sometimes cleaning activities can heighten the perception of risk, such as workers in strange protective clothes collecting samples or the coming and going of large trucks. Media attention focused on a site can also falsely amplify the perception of risk.

Homeowners whose homes devalue due to Superfund stigma can experience prolonged feelings of stress. Enduring long periods of stress can negatively affect health. Feeling tired, nervous, angry, and anxious are common symptoms of stress. Stress can also cause stomachaches, headaches, and make it very difficult to relax or sleep. Stress can also spur people to increase their use of alcohol or drugs or to adopt unhealthy coping methods such as smoking or overeating. Over time, the constant strain of stress can contribute to heart disease and high blood pressure (Agency for Toxic Substances and Disease Registry, Coping with Stress that Environmental Contamination Can Cause, 2017).

What Can We Do?

How can we address Superfund stigma, even after a site is clean? SAS posed this question to health professionals, researchers, community leaders, and government agencies. First, they pointed out that this issue is not isolated to communities near Superfund sites. Many neighborhoods are near...
manmade environmental hazardous waste sites that are not Superfund sites. Similar to Superfund sites, these sites have or had leftover industrial contamination. Residents living near these sites also experience stigma.

Second, they suggested re-shaping media outlet narratives, organizing community residents, a strong government action, and quicker removal of pollutants. They also suggested providing an official certification for homeowners to show their home is clean and to offer tax incentives to encourage home buying in stigmatized areas.

Last, the experts recommend widely distributing information about manmade environmental hazardous waste sites credible information can help reduce stigma. Real estate professionals and homeowners who want to learn about a specific Superfund site can start on this EPA webpage: Search for Superfund Sites Where You Live. Through this link, a visitor can read a site’s background and locate the EPA staff assigned to each site. For health-related concerns, the federal Agency for Toxic Substances and Disease Registry (ATSDR) is a great source. ATSDR conducts assessments on every Superfund site in the nation. Each assessment examines whether a Superfund site’s contaminants are affecting people’s health. ATSDR collaborates with 25 state Cooperative Agreement programs to conduct these assessments. The Site Assessment Section of CDPH conducts California’s assessments. ATSDR posts these assessments on this web link: Public Health Assessments and Health Consultations. ATSDR also provides health information about many toxic substances.

For information about non-Superfund hazardous waste sites, look into your specific state agency’s resources. Typically, many states will have agencies that oversee cleanup and assess health concerns. The EPA has listed these agencies here: Links to Hazardous Waste Programs and U.S. State Environmental Agencies.

“Many neighborhoods are near manmade environmental hazardous waste sites that are not Superfund sites. Similar to Superfund sites, these sites have or had leftover industrial contamination. Residents living near these sites also experience stigma.”
Next Steps
Although cleaning up the contamination at hazardous waste sites will reduce the health risks, it won't necessarily address the stigma. Stigma may lower property values causing homeowners long periods of stress. Stigma has many causes and requires multiple actors to address it. In addition to health professionals, government agency staff, media representatives, and community leaders—real estate professionals can be key participants. Real estate professionals have access to homebuyers and homeowners and can provide them with information about the state of a site's cleanup. Communicating the right information about the health risk a site might or might not pose is crucial. Don’t be surprised if you meet a health professional seeking assistance from a real estate expert to help accomplish this vital task.

Russell Bartlett
Russell investigates if hazardous chemicals are harming communities for the California Department of Public Health. In his nine years working for the State of California, he has assessed numerous potential human health issues related to Superfund sites, manmade environmental hazardous waste sites, and emergency chemical releases. Russell is also a Lecturer at San José State University in the Health Science and Recreation Department.
The ATTOM Table of Data Elements includes various data elements such as Public Records, Tax Assessment, Deeds, Mortgage Loans, Foreclosures, Pre-foreclosures, Plat Maps, FCC Towers, Demographics, Property Characteristics, Neighborhood Characteristics, Environmental Risks, Natural Hazards, Health Hazards, and more. The website www.attomdata.com provides access to this data, and the contact number is 1-800-462-5125.
ZIP Codes where at least one in five homes is a vacant “zombie” foreclosure

Out of the 342,034 U.S. residential properties in the foreclosure process, 14,312 of them are vacant “zombies”, accounting for 4.18 percent. While the number of vacant foreclosures has plummeted over the last few years, there are still 40 zip codes where at least one in every five homes is a zombie. Are you living amongst these “Zombie” homes?

Top 10 ZIP Codes Where the “Zombie” Foreclosure Rate is Alive

<table>
<thead>
<tr>
<th>ZIP</th>
<th>City</th>
<th>State</th>
<th>2017 “Zombie” Foreclosure Rate (Pct. Pre-Foreclosures Vacant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>33774</td>
<td>Largo</td>
<td>Florida</td>
<td>37.50%</td>
</tr>
<tr>
<td>20019</td>
<td>Washington</td>
<td>District of Columbia</td>
<td>35.00%</td>
</tr>
<tr>
<td>14215</td>
<td>Buffalo</td>
<td>New York</td>
<td>34.48%</td>
</tr>
<tr>
<td>61616</td>
<td>Peoria Heights</td>
<td>Illinois</td>
<td>34.38%</td>
</tr>
<tr>
<td>14901</td>
<td>Elmira</td>
<td>New York</td>
<td>30.95%</td>
</tr>
<tr>
<td>40211</td>
<td>Louisville</td>
<td>Kentucky</td>
<td>29.17%</td>
</tr>
<tr>
<td>14701</td>
<td>Jamestown</td>
<td>New York</td>
<td>28.06%</td>
</tr>
<tr>
<td>44112</td>
<td>Cleveland</td>
<td>Ohio</td>
<td>27.97%</td>
</tr>
<tr>
<td>33702</td>
<td>Saint Petersburg</td>
<td>Florida</td>
<td>26.67%</td>
</tr>
</tbody>
</table>
| 62220| Belleville      | Illinois         | 26.56%
Reno Leads Nevada Housing Rebound While Las Vegas Lags

BY JOEL CONE, STAFF WRITER

The epicenter of a rebounding Nevada real estate market has shifted Northwest. Median home prices in Reno have skyrocketed 160 percent since bottoming out in January 2012 and are now just 4 percent below their pre-recession peak in July 2005, according to data from ATTOM Data Solutions. “It’s absolutely confounding,” said Michelle Foster, a sales agent with Sierra Nevada Properties covering the Reno region. “I’ve had to re-adjust how I do real estate and how we approach everything. The market is so tight right now.”

Median home prices in Las Vegas have posted an impressive — although still inferior to Reno — 135 percent increase since January 2012, but are still 20 percent below their pre-recession peak in June 2006.

Lingering Distress in Las Vegas

The slower rebound in home prices in Las Vegas means a higher share of homeowners seriously underwater — 20.2 percent there compared to 8.6 percent just 4 percent below their pre-recession peak in July 2005, according to data from ATTOM Data Solutions. “It’s absolutely confounding,” said Michelle Foster, a sales agent with Sierra Nevada Properties covering the Reno region. “I’ve had to re-adjust how I do real estate and how we approach everything. The market is so tight right now.”

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MICHELLE FOSTER

SALES AGENT, SIERRA NEVADA PROPERTIES, RENO
percent in Reno. The high share of seriously underwater homeowners (LTV of 125 percent or higher) in Las Vegas is pushing the statewide numbers to 17.4 percent, the highest in the nation.

In its 2017 Midyear Economic Outlook, the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas, reports that the state’s housing market is improving although the state “still faces a substantial issue with underwater mortgages, leading the nation in the percentage of mortgages with negative equity as well as the percentage of mortgages with negative or near negative equity.”

Underwater rates are decreasing statewide, down 20 percent from a year ago, but the stubbornly high rates in Las Vegas translate into an above-average share of distressed sales still lingering there even as the share of distressed sales in Reno has dropped to one of the lowest in the nation.

In the third quarter of 2017, 14.7 percent of all home sales in Las Vegas were distressed sales — short sales, bank-owned sales or foreclosure auction sales — above the nationwide average of 12.5 percent. Meanwhile distressed sales accounted for 6.4 percent of all Reno home sales in the third quarter, 11th lowest among 146 metro areas analyzed by ATTOM in its Q3 2017 U.S. Home Sales Report.

### Silver Lining for Speculators

The higher share of distress sales still lingering in Las Vegas does come with a silver lining for real estate speculators looking for discount buying opportunities.

The Las Vegas-Henderson-Paradise metro area had the fourth highest flipping rate in the nation in the second quarter of 2017 at 8.9 percent of total home sales for the quarter, according to ATTOM. The median purchase price by home flippers was $155,400 and the average days to flip were 160 days for the quarter.

“I think the opportunity exists but for a lot less margins, so you’re okay if you’re able to do a volume of properties,” said Investor Travis Schurr, owner of the WeBuyHouses.com office for all of Clark County. “There’s definitely opportunities to purchase property but the profit is not there.”

Schurr, who said he has been flipping homes in Las Vegas since 2008, estimated his company is on track to do 70 flips in 2017.

“Because we have a lot of investment money we’re one of the larger buyers in town so we do get a lot of property

CONTINUED ON NEXT PAGE ›
sold to us because the owner needs a quick sell strategy,” he said. “They have equity in the property and they have a situation.”

**The TRIC up Reno’s Sleeve**

Although reverberations from the housing crash are still being felt in Las Vegas, its economy and housing market are benefitting from a statewide push to attract businesses to the state. The CBER report noted that the Governor’s Office of Economic Development has “pursued an aggressive policy of attracting high-tech and other firms to Nevada, giving tax abatements as an incentive to locate in Nevada.”

That statewide policy has landed the Silver State a number of big fish when it comes to corporate migration — both in Reno and Vegas — but Reno has upped the ante with its new Tahoe Reno Industrial Center (TRIC) located just south of Reno and Sparks and Northeast of Lake Tahoe. Big-name companies are relocating to the TRIC to take advantage of tax abatements and lots of available space. Some of the biggest new tenants include the Tesla Gigafactory 1, Google, Apple, Switch and Rackspace.

Unemployment was down in the Reno metro area to 4.0 percent as of September 2017, according to the BLS. Additionally, the State Demographer’s office is projecting steady population growth of 1.7 percent per year every year from 2017 through 2021 for Washoe County.

“Reno is affected by activity at the TRIC,” said Stephen Miller, UNLV economics professor and director of the Center for Business and Economic Research at UNLV. “In the situation in Reno, I would say that speculators are driving up prices today, which will stimulate construction so that employment and population grow. Prices will not be as high tomorrow because of the speculation today.”

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**EQUITY RICH IN RENO**

<table>
<thead>
<tr>
<th>Share of Equity Rich Homes (LTV 50 or Less)</th>
<th>Share of Seriously Underwater Homes (LTV 125+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washoe County, NV (Reno)</td>
<td>30.1%</td>
</tr>
<tr>
<td></td>
<td>8.6%</td>
</tr>
</tbody>
</table>

**LINGERING DISTRESS IN LAS VEGAS**

<table>
<thead>
<tr>
<th>Short Sales Share</th>
<th>Bank-Owned Sales Share</th>
<th>Foreclosure Auction Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Las Vegas, NV</td>
<td>3.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Reno, NV</td>
<td>6.7%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>
the CBER. “In the situation in Reno, I would say that speculators are driving up prices today, which will stimulate construction so that employment and population grow. Prices will not be as high tomorrow because of the speculation today.”

Dark Side of a White-Hot Market
The highly speculative seller’s market in Reno does have a dark side, according to local experts.

What is making it particularly tough on the buyer’s side is that sellers are being very greedy, according to Foster, the sales agent with Sierra Nevada Properties.

“Sellers are saying I want more and I want to do less and give less,” she said. “If you want help with the closing costs you have to build it into the offer.”

Foster tries to educate her clients about the market, warning them that they may not get a second opportunity to up their offer, so they need to decide up front how important a particular house is to them. If they absolutely have to have it, then they need to bring in a good offer.

The red-hot real estate market in Reno is also forcing real estate investors to shift strategies, according to Foster.

“Sellers are saying I want more and I want to do less and give less ... If you want help with the closing costs you have to build it into the offer.”

MICHELLE FOSTER
SALES AGENT, SIERRA NEVADA PROPERTIES, RENO

Banker Select Real Estate in Reno, Ron Bell is also keenly aware that it’s a tough market for investors. Given current market conditions, Bell said he’s advising many of his investors to get out of their properties and sit on the sidelines with the cash for now.

“The challenge is finding anything because the inventory is so tight,” said Bell, who is also president of the Reno Real Estate Investors Club.

Still, he is bullish on the market when it comes to buying in the outlying areas like Fernley and Elko.
“I like the less speculative areas like Fallon where the navy base is located. I like those areas because there’s core employment. I’m afraid in Reno we’re on a self-fulfilling prophecy.”

Bell said he is still buying rentals — apartments and other income properties — if he can find them, which in many instances can take months to a year.

“For long term investors I tell them to hold,” he said. “Keep buying if you’re long term. For flippers, just keep your inventory low. Keep flipping, but don’t get stuck with too much inventory in case the market corrects.”

Still Betting on Vegas

While Las Vegas is lagging behind Reno when it comes to most housing indicators, a solid economic and housing recovery is well underway there also, according to John Restrepo, principal at Las Vegas-based RCG Economics.

“...A strong housing market and a recovering commercial market are bolstering construction in Las Vegas, leading to more construction jobs,” said Restrepo in his latest Las Vegas Economic Metrics report.

Job growth is also in the cards for Las Vegas with a number of major projects such as the Apex Industrial Center just north of Las Vegas where Hyperloop One is set to build its test track facility; the Las Vegas Stadium, a $1.9 billion domed stadium, future home for the now Oakland Raiders starting with the 2020 NFL season; and Resorts World Las Vegas, a $4 billion, 3,000-room modern Chinese-themed resort being built on the site of the former Stardust Hotel.

With all this activity going on, corporate broker Paul May with Keller Williams Realty Southwest said he has not seen a lull in his business whatsoever.

“The market is pretty robust right now and people are itching to buy in that $250,000 price range. They’re selling...
"The market is pretty robust right now and people are itching to buy in that $250,000 price range. They’re selling like hotcakes right now in Vegas."

PAUL MAY
BROKER WITH KELLER WILLIAMS REALTY SOUTHWEST, LAS VEGAS

like hotcakes right now in Vegas,” May said. “The inventory being low is keeping the prices strong.”

For August 2017, ATTOM reported a median sales price in Las Vegas of $235,000, a 13.5 percent increase from a year earlier, but down 1 percent from the previous month — the sixth consecutive month with a double-digit increase in home prices.

Those rapidly increasing home prices are making it tougher to find cash flowing rentals, according to investor Schurr with WeBuyHouses.com. “If we get anything under a certain price level we will hold them for rentals,” he said. Rents are increasing. If you can get a super low price then you have to hold them.”

Schurr’s biggest concern at the moment is the city’s new law against rentals for less than 30 days, such as in the case of Airbnb properties. Due to public concerns over “party houses”, the new law requires the homeowner to have a special use permit from the city, proof of $500,000 of liability insurance and placards outside with the owner’s contact information and maximum allowed occupancy.

Jobs, Population Growth Lifting All Boats
According to the Census Bureau, in December 2016 Nevada was one of the fastest-growing states in the nation in terms of population growth at 1.95 percent behind only Utah for the fastest population growth percentage. Two counties — Clark and Washoe — account for approximately 90 percent of the state’s population as well as 90 percent of its housing stock.

While these factors will help shape future economic growth, UNLV economics professor Stephen Miller believes it is too early to tell whether the Trump administration’s economic policies will have any significant impact either locally or statewide.

“The current economy largely reflects going back over several years,” said Miller, director of the CBER, noting it’s also too early to fully gauge the impact of the mass shooting in October during the outdoor concert at the Mandalay Bay Hotel. “So far the evidence is anecdotal. Some cancellations have occurred immediately after the event. The data will give us an answer in several months.”

As of September 2017 the state unemployment rate was 4.9 percent, a substantial decline from its peak 7 years ago, according to the Bureau of Labor Statistics.
Where to Find Cash-Flowing Rentals

An ideal rental property is the opposite of a money pit; it produces income for its owner.

Build a decent portfolio of these cash-flowing rental properties and you may just have enough income to quit your day job.

But with home prices skyrocketing in many markets across the country, it’s getting tougher to find such cash flowing rental properties — especially after taking into account all the expenses associated with owning a property: property taxes, insurance, maintenance, property management and mortgage payment if you financed the purchase.

To help prospective landlords identify places where they can still find income-producing properties, we broke out the big data. We looked at 8,841 U.S. zip codes analyzed in the Q3 2017 Single Family Rental Market report published by ATTOM Data Solutions to create this interactive heat map showing where the best rental property cash flowing opportunities are available across the country.

Buying a single family rental property in more than half of the zip codes analyzed (4,802 to be exact) is likely a losing proposition, with negative net cash flow produced by a median-priced property purchased with a 25 percent down payment and rented out at the median rental rate (see more on methodology below). Rental properties bled the most cash in zips 33480 in Palm Beach, Florida; 92657 in Newport Beach, California; 94027 in Atherton, California in the Bay Area; 90210 in Beverly Hills, California; and 34102 in Naples, Florida. That’s not surprising given the median home price in all five of these zip codes is more than $3.2 million.

But there are still 834 zip codes across the country where buying a median-priced home as a rental can produce annual net cash flows of $5,000 or more, with potential annual net cash flows of $10,000 or more in 48 of those zip codes. At the top of that $10,000 annual cash flow list based on highest percent cash-on-cash return were 74126 in Tulsa, Oklahoma ($10,064 potential annual net cash flow); 63115 in St. Louis ($10,012); 19103 in Chester, Pennsylvania in the Philadelphia metro area ($10,237); 48234 in Detroit, Michigan ($10,292); and 08104 in Camden, New Jersey, also in the Philadelphia metro area ($11,388).

Net Cash Flow Methodology
To arrive at net cash flow, we subtracted the mortgage payment, property taxes and insurance, along with estimated maintenance and other property management costs from the gross rent. The mortgage payment, property taxes and insurance were based on zip-specific data collected from public record sources by ATTOM. Based on feedback from experienced single family rental operators across the country, we subtracted a flat 20 percent of the gross rent for maintenance costs and other property management costs.
Know the Risks and Benefits Before You Buy Your Next Home

- Criminal & Sex Offenders
- Former Local Drug Labs
- Nearby Hazardous Sites
- Quality of Schools
- Property / Loan Information

“I can research homes and neighborhoods like never before. Great data for negotiating with the seller!”

G. BUSBY, HOMEOWNER - CHICAGO

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