

Analyzing the Investor Population in Your Middle Neighborhood

Investor purchase of single-family housing for rental has increased across the nation and in many instances has disproportionately affected middle neighborhoods. This is mostly due to the type of housing and neighborhoods that large national investors are interested in. Learning the facts about who owns which properties in your neighborhood, and what their business models are, can help practitioners and policy makers shape responses to curb negative impacts on a neighborhood. At the end of this case study, you will find a worksheet to help you with collecting and organizing data in your community.

Methods and Motivation

Real estate investors can bring both benefits and challenges to a neighborhood depending on their goals and skill at property management. Here are some examples of potential benefits and problems that investors may bring to a neighborhood.

Potential Benefits of Investors	Potential Problems with Investors
<ul style="list-style-type: none"> ▪ Investors often acquire properties that no homebuyer would, i.e. properties that need a lot of repairs. ▪ Investors might want to invest in the property for long-term equity gain, in which case they'll likely take care of the property and manage it well. ▪ If they are local, investors usually care about the community, and participate in community development efforts. ▪ Investors may provide much needed rental opportunities for households seeking a single family home instead of a multi-unit apartment. ▪ They may be interested in providing a good product at a fair price. 	<ul style="list-style-type: none"> ▪ Investors often outbid homebuyers who might otherwise buy and become long-term members of the community. ▪ They may strive to drain cash from properties, in which case they are less likely to invest significantly and may not even pay real estate taxes. ▪ If they are out-of-state or international investors, they may have little knowledge of or interest in the communities in which their properties are located. ▪ If investors are acquiring many properties in a cluster of blocks, homebuyers might be hesitant to buy there, and the community may not have enough long-term residents to care for the neighborhood. ▪ Investors may raise rents drastically, impose new fees and have a rapid eviction policy.

Steps to Completing an Investor Analysis

Here are the basic steps to completing an analysis of real estate investors:

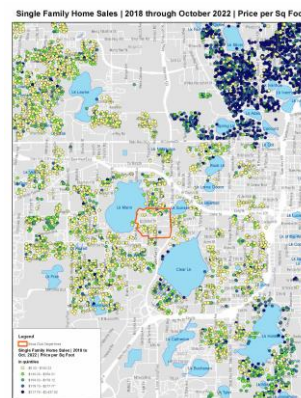
Step One:	Note what's going on in your community
Step Two:	Make a data plan. What are the five main questions you want answers to?
Step Three:	Complete a data search
Step Four:	Build a map of impacted properties and neighborhoods
Step Five:	Build a story and a strategy. Define ways to protect neighborhoods and build strong working relationships with investors.

Types of Investors

Generally, there are three types of investors in neighborhoods: large-scale institutional investors; smaller, locally owned investors; and smaller scale ‘mom and pop’ operations. Exploring websites can provide insight into which category an investor falls into. An online presence – or lack thereof – can tell you a great deal about the investor and its business operations. Start by identifying which state they are from and other states they operate in, if any. Pay attention to the marketing language they use; sophisticated investors will use targeted language aimed at particular markets. Large investors can have a huge impact on middle neighborhoods: they often pay cash which negatively impacts first-time buyers who gravitate to middle neighborhoods that are naturally more affordable. Large investors also solicit sellers by purchasing properties sight-unseen, accessing them prior to being listed on the open market.

Getting Basic Data and telling a Story With It

The local Tax Assessor’s office has data that is publicly available on every parcel of land including owner, land use, and assessed value. A common way to sort investors from owner-occupants is to compare the address of the property to the address where tax bills are sent. If they are different, you can make a reasonable assumption that they are investor-owned. Exceptions to this include rural areas where no mail delivery exists, or where many people pick up their mail from a PO box.



You will next want to sort by investor owner address. You may find that more than one LLC has the same address, which may mean the properties are owned by the same entity, with different LLCs. Create a chart that shows the number of properties owned by each address. This is a good way to prioritize additional research. Additional research options might include:

- For the top owners of rental property in your neighborhood, you could map the properties to reveal vulnerable blocks.
- You can look at the square footage, price range, year built, and number of beds and baths to reveal themes in the type of properties they prefer.
- Look at the websites of the LLCs to gather information on marketing and other strategies.
- Conduct windshield surveys to collect details on the condition of investor properties. Determine which are contributing positively to the neighborhood and which are not.
- Consult with community members about what they know about property management practices and rents.
- Build connections with local property managers employed or contracted by investors. Ask about their goals for properties and try to engage them as a partner in improving the neighborhood. Find out what their long-term plan is and whether you can be positioned to help them find buyers when they sell the properties. Ask what the challenges are.

Determining the impact that investors are having on both rental and purchase prices can help advocates of middle neighborhoods create an equity policy. Verify the investors’ market share and look at how homeownership rates have changed over the past five or ten years. If homebuyers are competing with investor buyers, tell that part of the story. Brainstorm solutions such as policy reform, programs to help first-time buyers, code regulations, and establishing rules for investor purchases.

Best Practices

Below are some ideas for supporting neighborhoods with high numbers of investor purchases.

Be Clear on Data Needs	Prepare a map with boundaries clearly outlined and send it to data holders when asking for specific data. Create a data collection shell (like a spreadsheet) to make it easy for them to provide the information you need.
Ask for a Data Dictionary or Code Book	The town or local Tax Assessor’s office may have fields for land use with specific numbers so a code book or data dictionary will help identify what the land is used for. Keep the parcel ID and numerical label within the research for easy identification during future analysis or other data collection and mapping.
Explore Patterns	This can help you understand impacts and find solutions. It can also help you strategize and protect neighborhoods that may be targeted next by investors.
Identify Pros and Cons	Knowing the pros and cons will help you develop strategies and predict outcomes.
Use Results to Protect Neighborhoods	Use results to support a strategy that benefits neighborhoods and residents. Acknowledge investors who are making positive improvements - affordable, safe, and accessible rentals are also important in a neighborhood.
Review Public Tax Records	If you have trouble identifying investor-owned properties, check where tax bills are sent versus the address of the property. If two different addresses are used that may be a clue. You can also look for tax exemption data; if a property has an exemption that means it belongs to an owner occupant, not an investor.
Build a Spreadsheet	Build data into a spreadsheet so it can be sorted in different ways depending on the story you want to tell. If you are focused on property conditions, that will require different data than a story on market impact.
Build Relationships	Make a list of the 10 or 20 largest investors and build relationships with them. Meet the property manager and look for funding opportunities for social corporate giving and other potential partnerships. Ask if there would be a managed disposition if they decided to sell their properties.
Ask Around	Reach out to nonprofits and local property managers. Tenants also have experience and might have important information to share, so connect with community or neighborhood associations. Talking to local real estate companies and code enforcers can be informative - they know who the big investors are.
Provide Training and Information Sessions	Provide free training on property management issues. Investors want to be successful and appreciate information on crime prevention, policing, energy improvements, property improves, tenant rights, management strategies, and so on.
Host a Convening	Convene landlords to discuss ways to work together. Identify common problems or challenges and brainstorm solutions. When landlord investors are in the same room, they will come up with creative and collaborative ideas.

Strategies to Slow Excessive Purchase of Homes by Investors

1. **Learn the types of properties targeted and provide resources.** Provide grants or financing for condition improvements or other investments such as adding a half bath and provide architectural plans for small improvements like a half bath or mud room. Look for issues with their property and provide support and information so families can successfully pass their assets to heirs.
2. **Provide training.** Provide training to owner occupied homeowners on how to sell their property without turning to ‘sell for cash’ options.
3. **Consider policy.** Take a look at policies that strengthen community such as rental registries and equitable code enforcement, tenants’ rights improvements, and just cause eviction policies.
4. **Share high quality data.** Others in the community will be interested in this information; it will likely be beneficial to local governments, nonprofits, businesses, community groups and residents.

Resources

NCST Homeownership Alliance	https://ncst.org/homeownership-alliance/
Center for Community Progress	https://communityprogress.org/
Policy Link	https://www.policylink.org/
REGRID – Land Parcel Data	https://regrid.com/
Center for Geospatial Solutions	https://www.lincolnst.edu/center-geospatial-solutions
ARTICLE: Who Owns America: <i>The Geospatial Mapping Technology That Could Help Cities Beat Predatory Lenders at Their Own Game</i> (Article by Jon Gorey for Lincoln Institute)	https://www.lincolnst.edu/publications/article/2023-07-who-owns-america-mapping-technology-property-ownership-center-for-geospatial-solutions
Link to Webinar	Researching the Investor Population in Your Middle Neighborhood
Landlord Analysis Worksheet	See the worksheet below to help with your research.

Landlord Analysis Worksheet: Use the questions and worksheet below to guide your process.

Questions About the Property	
Parcel ID #	
Address	
Land Use / Code	
Year Built	
Square Footage	
Owner Name	
Owner Address	
Assessed Value	
Recent Sale Information (date, price, buyer, seller)	
Rent amount charged	
Is the home attractive?	
Is the home maintained or is there deferred maintenance items?	
Are there code violations?	

Questions About the Community	
What is the average home price for single family homes?	
Who are the typical buyers in the neighborhood?	
How do investor properties look compared to other owner-occupied properties in the neighborhood?	
What are the eviction trends and rules? Are renters protected?	
What is the average rent price?	

Questions About the Investor	
Business name	
State(s) / communities operating in	
Traits those communities have in common	
Types of neighborhoods targeted	
Types of homes targeted	
# of properties owned	
Typical price of homes purchased	
# of code violations of homes purchased	
How many of their homes are vacant or abandoned?	
Quality of tenant screening	
How are properties marketed?	
Are properties purchased before they hit the market?	
Are properties flipped?	
Typical bed / bath configuration	
# or % of homes owned by older adults at purchase	

Questions to explore if you see an area with a large amount of investor buyers	
Why are they buying here?	
What's the history of the neighborhood? Was it part of the foreclosure crisis? Was there excess inventory?	
What were the conditions of the properties at the time of purchase? What is the condition now?	
How do the investor properties compare to other homes in the community? Is there a difference between owner occupied properties and investor-owned properties?	
Are there opportunities to purchase a home in the neighborhood? Can buyers find a house here?	
What year did the investor buy the property?	
Who was the seller? Was it an individual or another investor?	
What was the price of the home?	
How many of the homes were single family and how many were multi-unit?	
How many of the units were vacant?	
What would happen if the investor did not buy this property? What was the condition and was the market strong enough to support the sale? What would happen if the investor sold the property?	

Other Questions to Ask	
Who is invested in the community?	
What does their business model look like?	
What are the impacts of investor properties on the overall community?	
What are the property conditions?	
What is the impact on home sales?	
Where are the owners / investors from?	
Who are the largest investors in your community?	
What percentage of single-family homes are owned by investors?	
Equation: # investor owned / total number of single-family homes	
What percentage of single-family homes are owner occupied?	
Equation: # owner occupied / total number of single-family homes	

Other / Notes	
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