Case Study in Douglasville, GA: Analyzing the Leverage Effect of Investments in Suburban Areas with High Foreclosure Rates

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Abstract
The purpose of this case study is to illustrate the efficacy of widespread investment in improving home values and speeding community recovery. Fifty (50) homes in twenty-nine (29) neighborhoods within Douglasville county were purchased, improved, and resold over the course of four (4) years. These efforts have been shown to raise mean property values by approximately $1500 and resulting in a community wide return on investment of over 500%.

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Introduction

The economic recession beginning in 2008 caused a collaspe in the US housing markets. Thousands of home owners lost their homes to foreclosure and efforts to faciliate recovery have been slow. Traditional methods for recovery assistance involve heavily concentrated investment in to select depressed neighborhoods with a focus not only on home improvement, but also on community building and infrastructure.[1] However, this approach tends to work best in urban areas where high population density and small distances between community groups all one neighborhood's gains to compound to increased safety and prosperity to the surrounding area.

Aiding recovery in suburban areas presents a unque set of challenges. Neighborhoods are both more populated and less dense as well as locally insoluated by distance. It is simply not economically viable to invest in every home of every neighborhood and focusing efforts in one neighborhood leads to diminishing returns as the investment does far less to improve the surrounding area than the same efforts would do in an urban setting. To address this, the Atlanta Neighborhood Development Partnership (ANDP) has focused efforts in a novel approach. Investment is spread out over single properties in many neighborhoods to stimulate the micro-markets, lifting up all of the home values in a neighborhood. This kind of investment strategy was chosen to provide the greatest ratio between property value differential and improvement costs we term "the leverage effect". Also examined was the ratio between total investement cost and property value differential; this is refered to as the "multiplier effect".

This case study structures a methodology for quantifiying these "leverage" and "multiplier" effects' to evaluate the success of ANDP's work in Douglasville and the wider efficacy of this style of recovery efforts.

[1] add reference here

1. Methods

ANDP purchased, renovated, and resold over 50 houses in 29 neighborhoods in Douglasville County over 4 years (2010-2013). For this analysis, the Doughlasville County Tax Asscessor was consulted to obtain the bulk sales datafor qualifying sales (here qualifying sales are defined as sales not resulting from foreclosure or inheritance) across these neighborhoods over these years. Custom software was developed to scrape these files and cross reference them to the list of known ANDP sales. The average value across these home sales both including and excluding homes rennovated was then calculated as shown in Figure 2 on the next page.

The differential is then applied over all houses in the neighborhood and weighted average over all the neighborhoods is taken to be the overall projected value increase.

1.1 Qualifications and Assumptions

One important note is that for this study solely land sales were omitted. These count as qualified sales by the county however are not used for accessing home value. Also important is the idea that the differential applies evenly over all houses in the neighborhood. This is a simplistic model, however, due to the fact that the ANDP sales were significantly higher than surrounding sales (especially in the most depressed years), we believe that it is a good starting approximation.

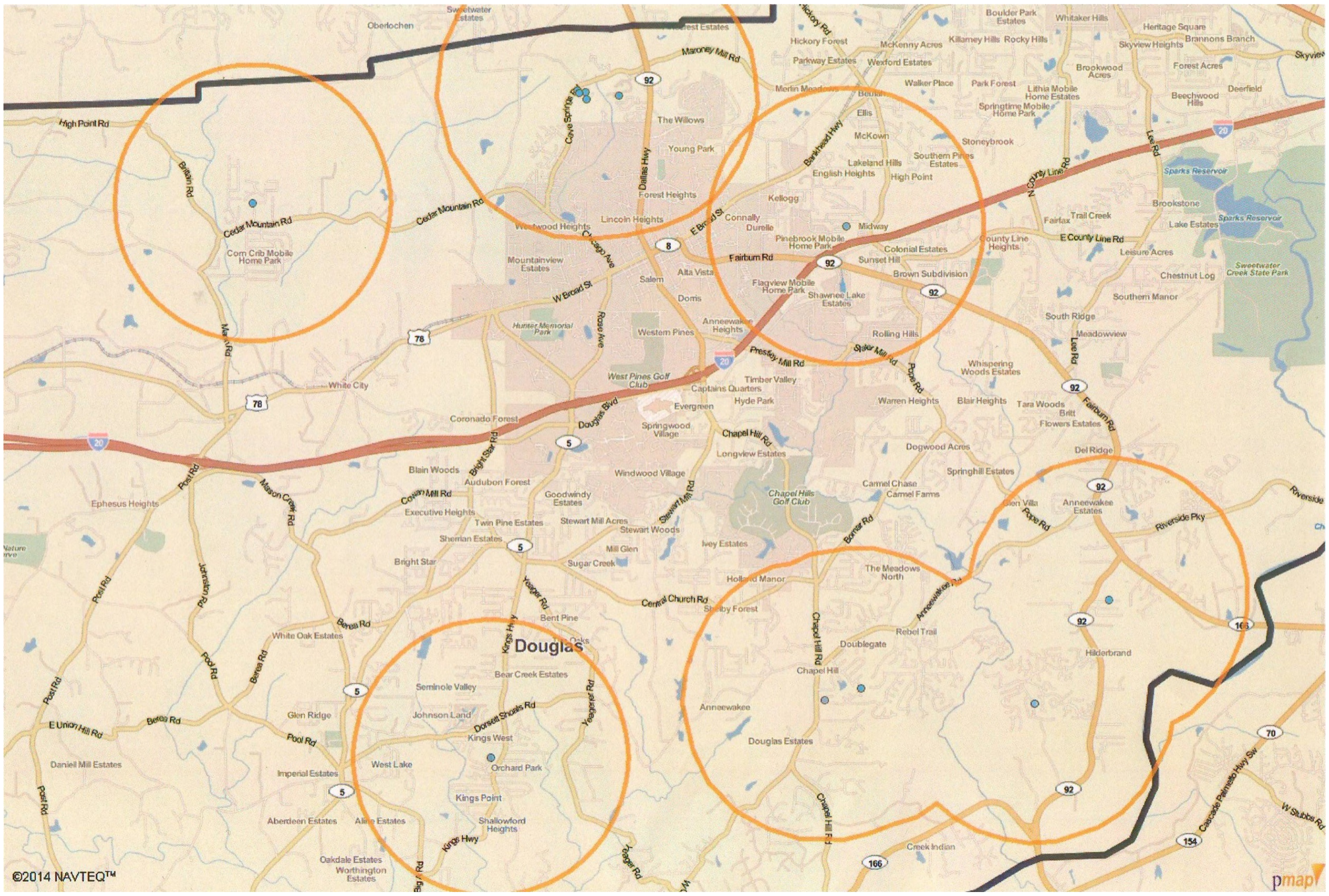

Figure 1. Overview

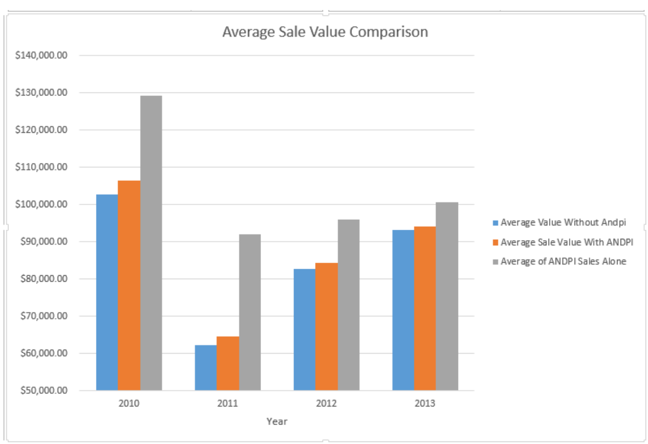

Figure 2. Yearly breakdown

2. Results and Discussion

Peliminary results show a large leverage effect especially in the years with the worst housing market. Great value can be created by tactical investment over large surburban areas and the return on investment is positive interms of that added community value.

The data also suggests there is an optimal density of investment to create the greatest impact. Further study will be required to determine how to optimize rennovation locations and density. In addition, over the long term patterns may emerge in the trajectory these neighborhoods take as they recover with the national housing market. Investing in the health of these communities may compound in ways that may not be immediately evident today.

Table 1. Results

Year	Projected Value Increase	Leveraging Effect
2010	$\$4,474,938$	929%
2011	$\$4,104,395$	953%
2012	$\$2,826,634$	544%
2013	$\$1,469,585$	169%

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