Noah Woodward
PMAP 8561
11/26/20

An Investigation of Cash-For-Homes Sales in Atlanta, GA

I. Introduction:

In a recent series of investigative articles for NPR affiliate WABE, journalists Stephanie Stokes and Geoff Hing expose a trend in homeowner “equity theft” (Stokes and Hing, Part I) in Atlanta through predatory sales tactics targeted at vulnerable residents in quickly gentrifying areas of the city. These authors leverage home sales data and firsthand interviews to develop a compelling narrative about what is occurring in these historically black neighborhoods.

First, homeowners, faced with oppressive code citations and rising property taxes, are approached by “investors” offering all-cash offers for their homes. After purchasing a home at a sharp discount on the market rate, the same investor will hold and re-sell the same property for fair market value, creating a form of arbitrage profit. Key to each of these transactions is an information advantage held by the real estate investor over the homeowner. Investors are keenly aware of neighborhood market conditions through their work and access to real estate data provided by services like Zillow, while homeowners, without ready access to such data, are “convince[d]…to sell for less than their properties are worth” (Part II).

Stokes and Hing provide strong anecdotal evidence in support of their argument. Part II of the series introduces Wahid Malik Shakur, known as “Mr. Tycoon: The King of Wholesaling.” Shakur’s persistent sales techniques are detailed as the mechanism through which predatory sales happen. Shakur admits to provoking “anger” and “yelling” in homeowners as he identifies targets; in one example, he recounts manipulating a woman with dementia (Part III).

Missing from the Stokes and Hing investigation is a current, granular view of wholesaling activity in Atlanta. The pair leverage 2017 5-year home sales estimate data from Zillow to draw a connection between race, poverty, and predatory sales (defined by the gap between market value, or Zillow's "Zestimate," and final sale price). The dissonance between the timing of the interviews (conducted in the fall of 2020) describing the wholesaling process and the data presented to provide evidence of its use on a larger scale (2012-2017) suggests an opportunity for deeper investigation. In this paper, I seek to begin such an investigation by answering the following questions: Is predatory wholesaling occurring in the fall of 2020, and if so, on what scale? What neighborhoods are currently being targeted by wholesalers?

Given the investigation's findings that wholesaling activity occurs in rapidly gentrifying areas, the ongoing development of the BeltLine in Atlanta highlights the need for more current analysis. Wholesalers may have found opportunities for manipulative arbitrage on the southeastern portion of the BeltLine during the 2012-2017 period, but it is possible that similar activity now targets areas surrounding the BeltLine's western expansion, which is currently under construction (BeltLine.org I).

I also would like to better understand potential policy responses to wholesaling activity. Georgia State University professor Dan Immergluck has suggested arming homeowners with some of the information used by predatory investors (Part IV). One potential intervention would involve alerting those who are approaching a lopsided sale and providing a window through which a homeowner can back out of a sale. Such an approach would require access to "live" estimates of fair value for homes pending sale. The methods used in this paper represent a necessary first step to considering the feasibility of such a policy. The data used represent a snapshot comparison between Zillow's "Zestimate" value and final sale price for individual homes, accessed via a web-scraping service (Apify.com) and additional data processing using spreadsheet software (R).

Noah Woodward
PMAP 8561
11/26/20

II. Analysis:

Creating a current snapshot of undervalued home sale activity requires several pieces of information: current-year home sale price, location, and "Zestimate" value on the date of the sale. Zillow, through its research export page, provides a variety of aggregated datasets, but none that contain individual sale and Zestimate data. However, Zillow does provide access to individual sales through its website, and web scraping tools provide a mechanism for building a comprehensive dataset. To build this dataset, I used a tool provided through Apify.com (see "Zillow API Scraper").

The dataset used in this paper includes all single-family homes sold during the 90-day period from August 24, 2020 to November 22, 2020 in Fulton, Clayton, DeKalb, and Fayette counties, as recorded by Zillow. The script used to scrape and assemble this dataset ran on November 23, 2020, and thus reflects Zestimate snapshots as of that date. While not a perfect "time of sale" fair market estimate, the Zestimate value used here is within three months of being current to the date of sale. Barring any significant and sudden changes to the specific housing markets under consideration, this data should provide an approximation for market value at the time of sale. Future studies could create larger, current datasets by using the same tool to scrape daily sales and Zestimate snapshots as sales occur.

Given the large swath of information collected by Zillow for each individual sale, this dataset required additional cleaning. A review of the steps taken to combine, clean, and appropriately filter this dataset can be found in the paper's accompanying R script. Several data cleaning considerations worth noting here are:

- Significant Renovations and New Developments: Because this paper relies upon the relationship between Zestimate and final sale price, Zestimates that fail to reflect significant development work on a particular lot have the potential to appear as undervalued sales. For example, this particular sale price (see "3963 Village Crossing Lane") appears to reflect the cost of an empty lot ($32,500), and a Zestimate that includes a new home ($244,886). To account for these new developments or remodels, I focus on sales in which the final price is within a range of 40-70% of the Zestimate. The range used for comparison is subject to debate and critique. Removing sales of <40% of Zestimate value remedies the "new development" issue while only excluding 28 records from examination (from a dataset of 7,463 individual sales).

- Mislabeled Rental Listings: Several records appear to misrepresent final sale prices as monthly rental costs. To account for this mislabeling, all sales of less than $10,000 were removed from the dataset. There were only 11 of these records in the dataset, but such records would be incorrectly labeled as undervalued sales in this analysis.

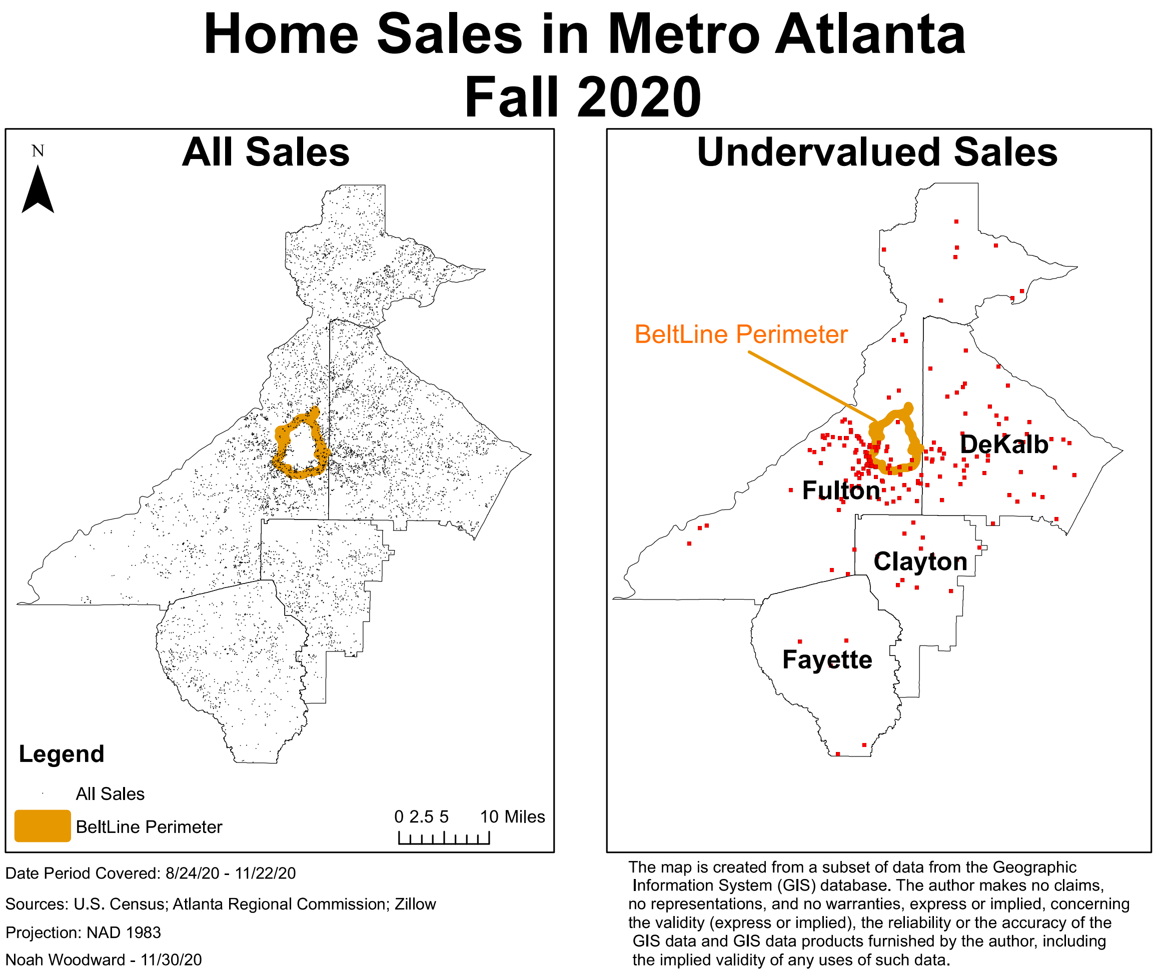
III. Results:

Undervalued Home Sales in the Fall of 2020

Figure 1 depicts the two sets of sales side by side: on the left, the locations of all home sales in the period previously described (all sales occurring between 8/24/20 to 11/22/20 in Fulton, Clayton, DeKalb, and Fayette counties). On the right, only sales in which the final price fell between 40%-70% of the recorded Zestimate are shown. Also depicted on both maps is the planned coverage of a completed BeltLine project (ARC Open Data Hub).

Noah Woodward
PMAP 8561
11/26/20

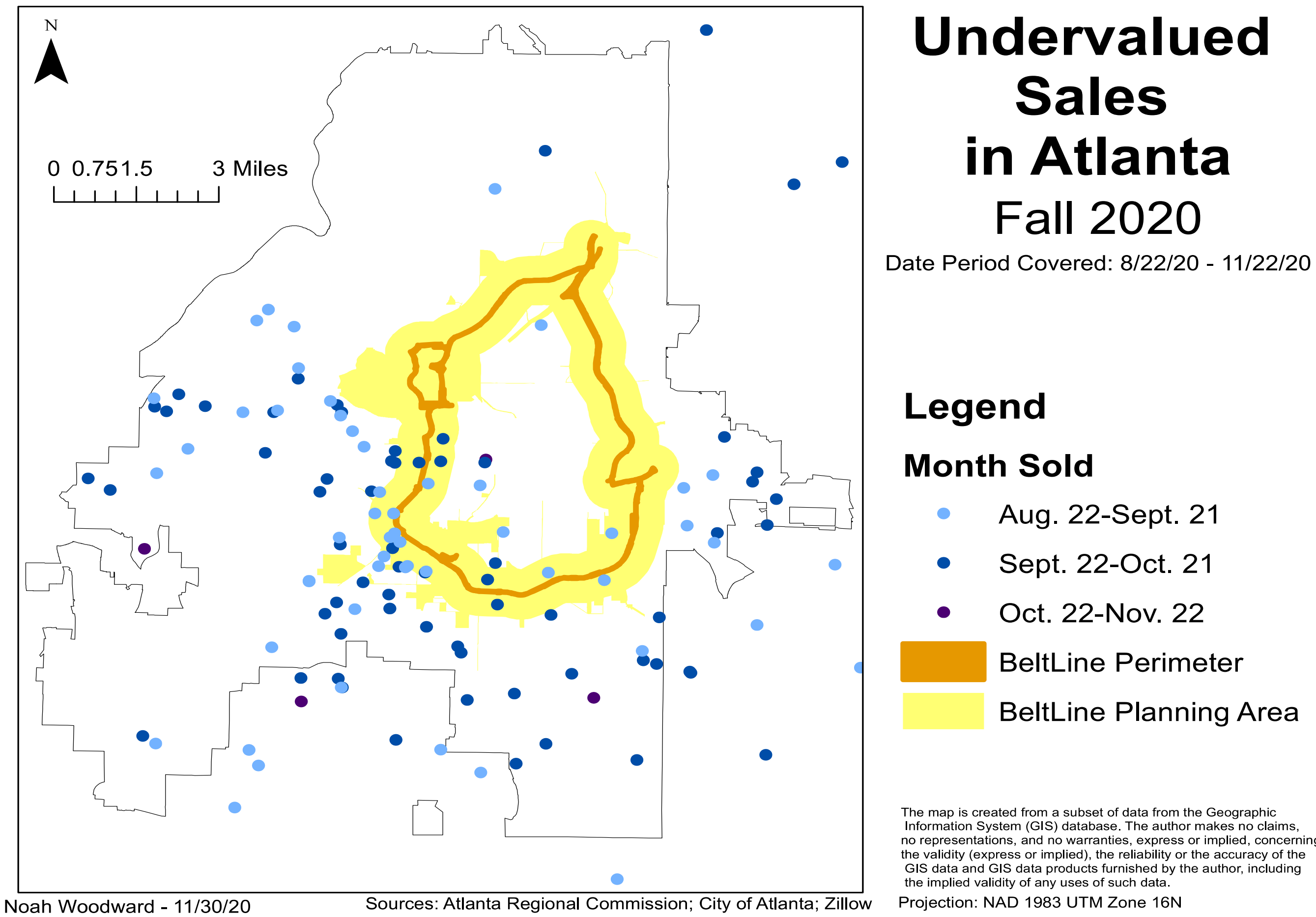
Figure 1:



The map counts 193 undervalued sales fitting the 40%-70% of "Zestimate" threshold. Of the 193 sales, 120 of those occurred in Fulton County. Given Fulton County represents 50% of all sales across this four-county region, the count of 120 undervalued sales suggests that Fulton County is responsible for an outsized share (62% of all undervalued sales).

Furthermore, it appears that most undervalued sales that occurred in Fulton County fell near the BeltLine's expansion to the southwest (Figure 2). Indeed, 71, or 59%, of the 120 undervalued sales within Fulton County in the past three months have occurred within one mile of the BeltLine "planning area" highlighted for private developers (BeltLine.org III). It is also worth noting that undervalued sales occurring closest to the BeltLine's southwest section were more frequent during August and September of 2020, while clusters of undervalued sales more recently have occurred further south and west.

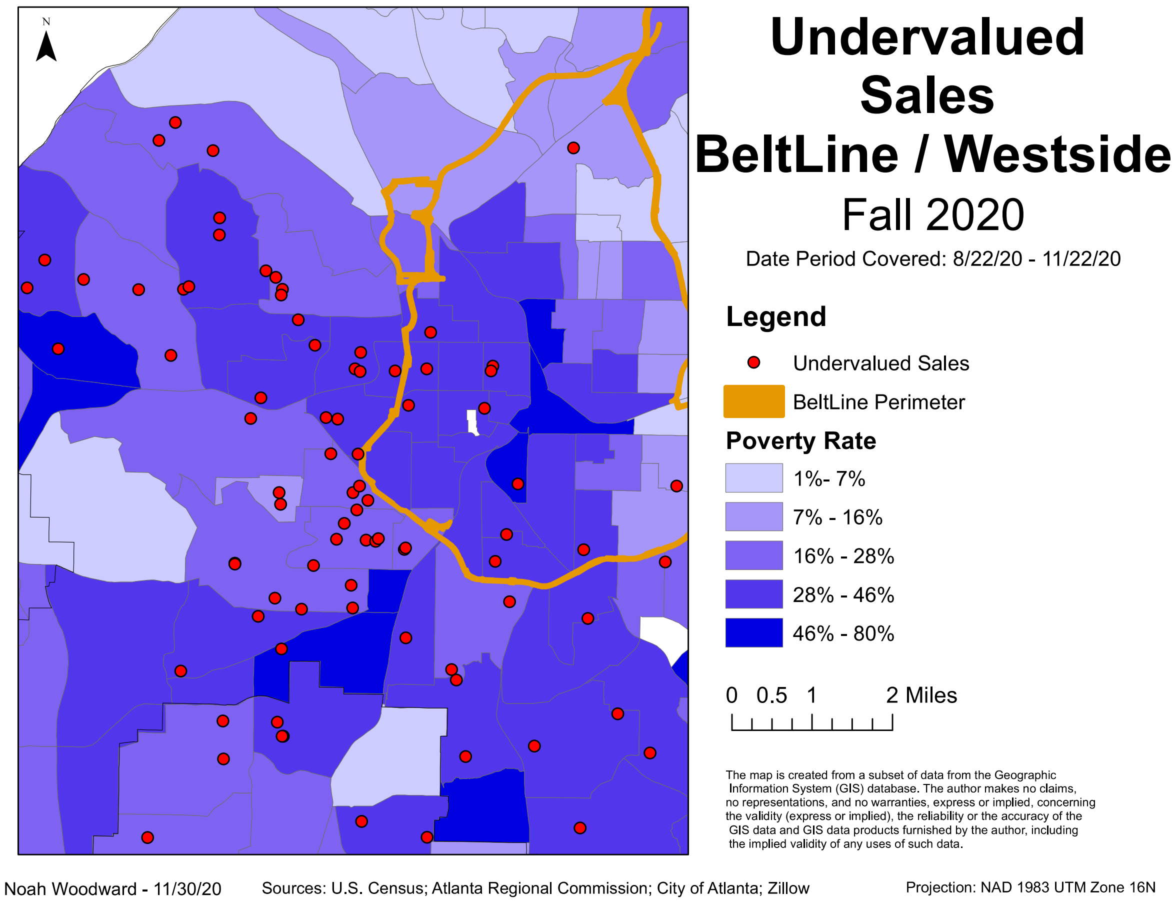
Figure 2:



Neighborhood Characteristics

The predatory nature of the sales process described by Stokes and Hing suggest certain commonalities between neighborhoods targeted by wholesalers. Anecdotal evidence (Part IV) suggests that households in these neighborhoods lack quick access to key information about home values, meriting a deeper investigation into the factors and circumstances causing a homeowner to sell at well-below-market prices. On an initial cursory look, the relationship between poverty rate and undervalued sale activity does not appear to be a strong one in neighborhoods surrounding the BeltLine (Figure 3). Future research could consider neighborhood-level characteristics like race, property taxes, and city code enforcement.

Figure 3:



IV. Conclusion:

A review of Zillow data from the fall of 2020 suggests that undervalued home sales have continued to occur in neighborhoods investigated by Stokes and Hing. These sales appear to have been particularly concentrated near the BeltLine's westside expansion area, though the most recent data suggests a potential outward move away from the BeltLine.

With the assistance of some required data cleaning steps, this work also suggests that Immergluck's proposed "early warning" system to notify at-risk homeowners might be technically feasible. However, such a policy might require exception handling for faulty Zillow Zestimate values for reasons covered in Section II of this paper.

Zillow, in addition to providing locational data for undervalued home sales, also provides contextual information that may be helpful in identifying specific wholesalers. Such information could be used to answer process-oriented questions about wholesaler activity. For example, how quickly do wholesalers close on homes, and how long will they typically hold onto them? This dataset provided no indication of “double closings” (homes bought and flipped on the same date) referenced in the Stokes and Hing investigation, but it is possible that Zillow’s data structure is not set up to handle such occurrences.

Future research could consider leveraging this data to create a larger-scale outreach program or survey to residents in neighborhoods with frequent wholesaling activity. Such a program could be used to better understand the specific circumstances of these individual residents, and to inform appropriate policy action.

Noah Woodward
PMAP 8561
11/26/20

Works Cited

3963 Village Crossing Ln, Ellenwood, GA 30294. Zillow. Retrieved December 3, 2020, from https://www.zillow.com/homedetails/3963-Village-Crossing-Ln-Ellenwood-GA-30294/250292540_zpid/

(ARC Open Data Hub) Beltline Corridor. (n.d.). Opendata.Atlantaregional.com; Atlanta Regional Commission. Retrieved December 3, 2020, from https://opendata.atlantaregional.com/datasets/eastpointgis::beltline-corridor

(BeltLine.org I) Westside Trail Extension. (n.d.). Atlanta Beltline. Retrieved December 3, 2020, from https://beltline.org/places-to-go/westside-trail-extension/#:~:text=Concept%20Phase%3A%20November%202020%20completion

(BeltLine.org II) BeltLine Planning Area. (2005). https://beltline.org/wp-content/uploads/2012/05/For-Developers-Map1.pdf

Housing Data - Zillow Research. (2011). Zillow Research. https://www.zillow.com/research/data/

Scrape Zillow real estate listings · Apify. (n.d.). Apify. Retrieved December 3, 2020, from https://apify.com/petr_cermak/zillow-api-scraper

Stokes, S., & Hing, G. (Part I, 2020, September 14). *As Property Values Rise In Atlanta, So Does The Exploitation Of Black Homeowners*. 90.1 FM WABE. https://www.wabe.org/equity-theft-the-exploitation-of-atlantas-low-income-homeowners/

Stokes, S., & Hing, G. (Part II, 2020, September 14). *How Investors And Homeowners Compete For Wealth In Atlanta's Gentrifying Neighborhoods*. 90.1 FM WABE. https://www.wabe.org/equity-theft-investors-homeowners-compete/

Stokes, S., & Hing, G. (Part III, 2020, September 14). *When City Code Feels Like A Weapon Against Atlanta's Low-Income Homeowners*. 90.1 FM WABE. https://www.wabe.org/when-city-code-feels-like-a-weapon-against-atlantas-low-income-homeowners/

Stokes, S., & Hing, G. (Part IV, 2020, September 14). *What Atlanta Can Do To Protect Vulnerable Homeowners From Aggressive Investors*. 90.1 FM WABE. https://www.wabe.org/what-atlanta-could-do-to-protect-vulnerable-homeowners-from-aggressive-investors/