

A white paper on

# Home Flipping Trends in San Antonio

by

**Roger Enriquez, J.D.**

**&**

**Lily Casura, MSW**

**University of Texas at San Antonio  
College of Public Policy, Policy Studies Center**

**July 28, 2019**



*The UTSA Policy Studies Center conducts policy-based research that promotes, informs, and influences social change that contributes to improvements in the health and well-being of historically underserved populations.*

In the fall of 2017, Councilwoman Shirley Gonzales began an initiative to increase livability on San Antonio’s Westside by creating additional opportunities for homeownership. While one zip code in her district (78237) enjoys a relatively high owner-occupied rate of 63.7%, many of the occupants have not acquired full *legal* title to the home and share ownership with several persons. This fractionalized ownership, often the result of an informal inheritance process among family members, leaves residents vulnerable to gentrification when they attempt to repair, sell, or borrow against the home.

Gentrification, or the displacement of low-income residents from their homes or businesses, leaves the community vulnerable to outside investors who seek to capitalize on the situation by purchasing the property at below market rates and turning around or “flipping” the home at near to full market value. Because low-income residents are more likely to have a distressed property (defined as needing repair, having fractionalized ownership, being foreclosed on, etc.) than higher income residents, they are often targeted by predatory investors. As such, excessive flipping in a neighborhood can be a “lagging” or delayed indicator of gentrification activity. As you can see in the table below, home flipping has been growing steadily from 2015 - 2018. For the purpose of this study, we looked at homes purchased and resold between 0-6 months (orange); 6-12 months (yellow); and combined 0-12 months (green). In 2018, a total of 1,087 homes were bought and sold.

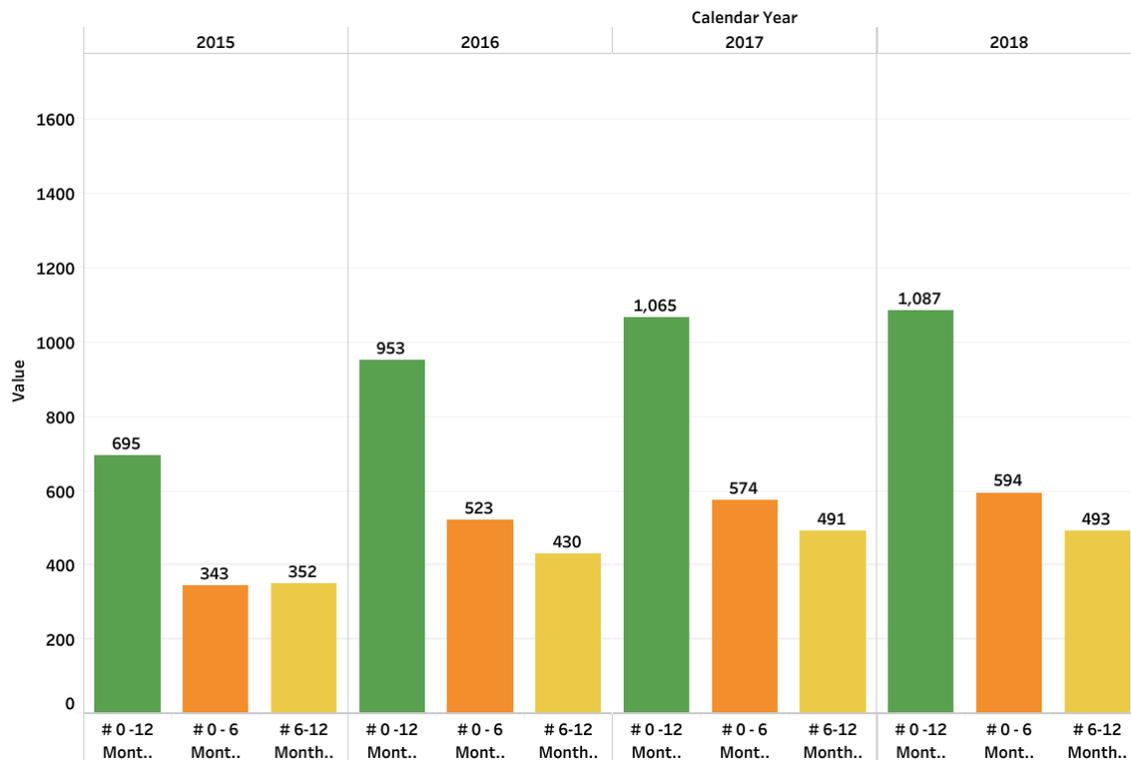
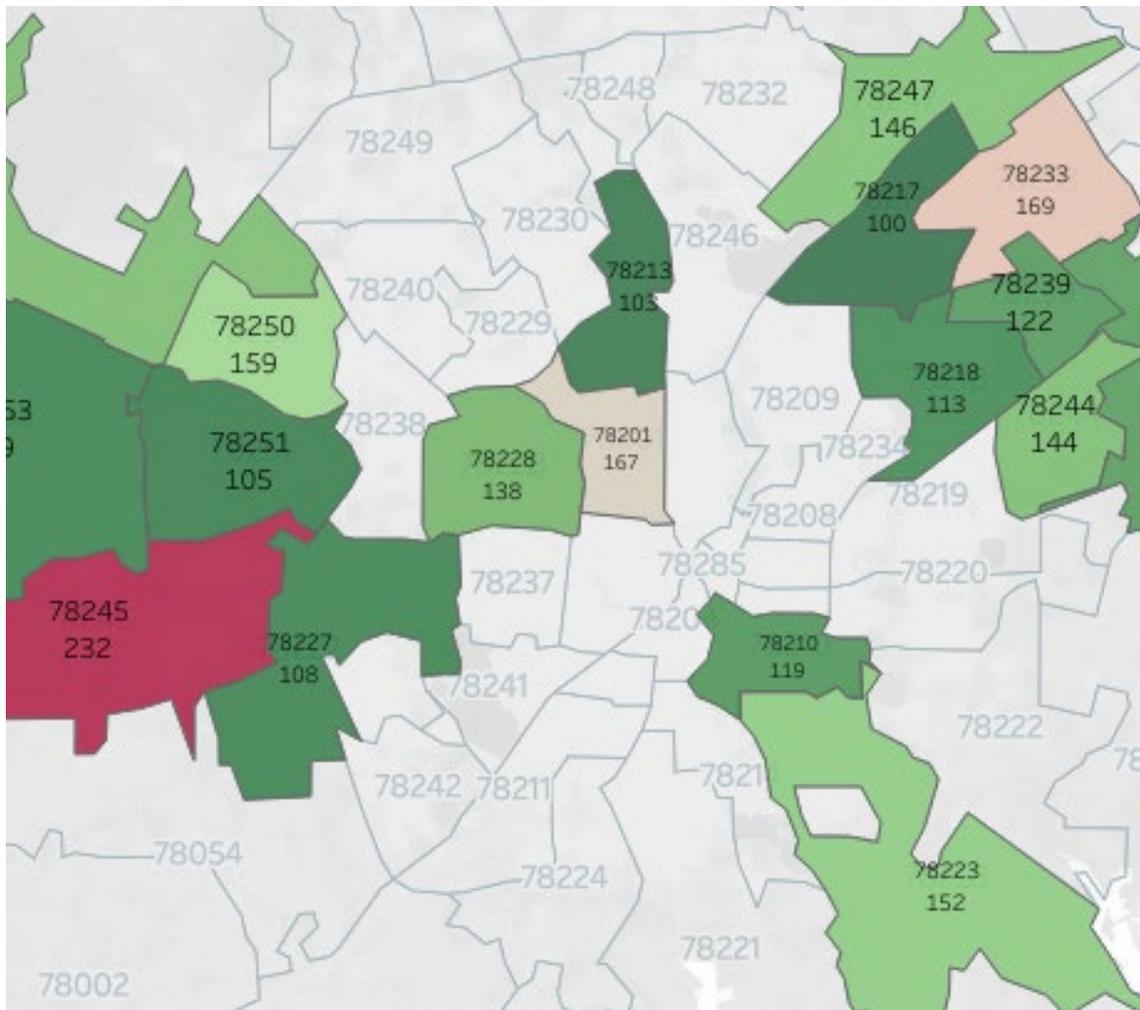


Table 1 - Total flips in San Antonio 2015-2018

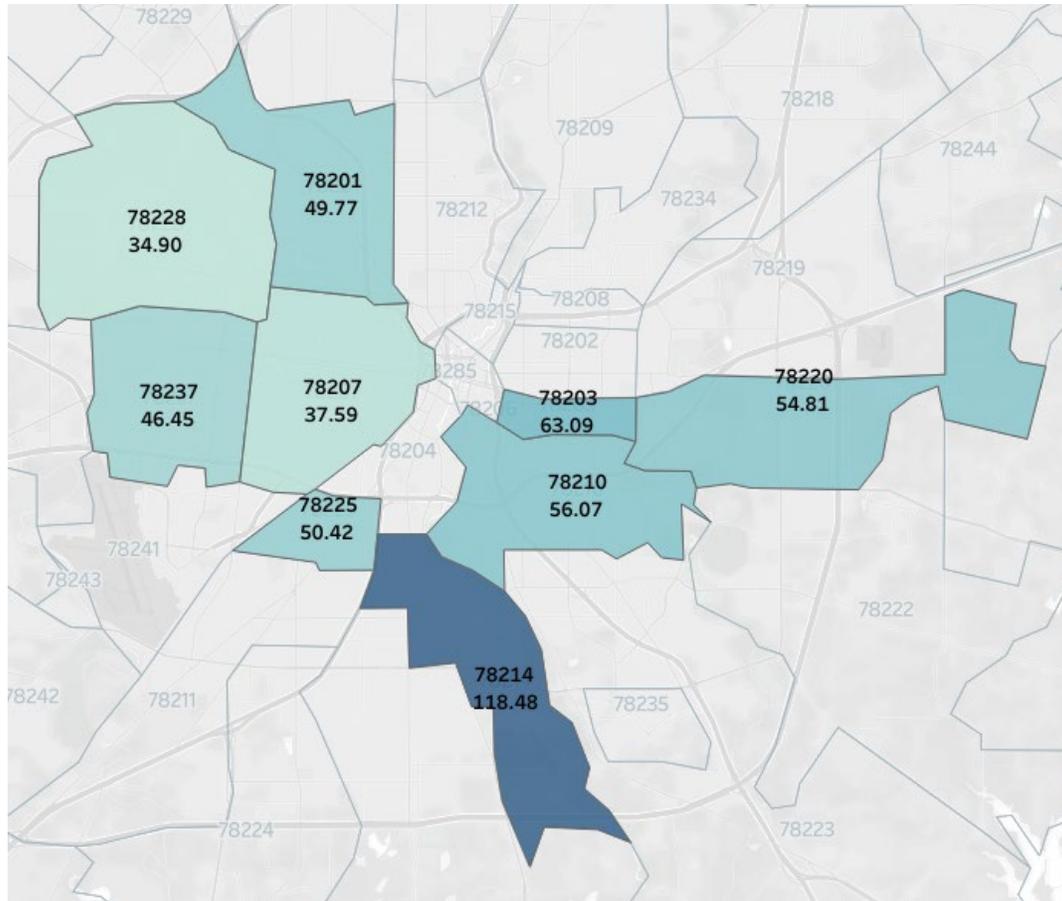
Houses inside Loop 410 (San Antonio's established, inner-city homes) were constructed earlier than houses outside the Loop and are naturally in more need of repair. Seeing as most home flipping occurs within six months of purchase, it is unlikely that the investor completes all necessary repairs and sufficiently rehabilitates the distressed property. The expedited turnaround of these homes suggests that any work undertaken is merely cosmetic in nature as investors are anxiously seeking a financial return.

In San Antonio, most of the home flipping is located outside of Loop 410. In fact, the hardest hit zip code for home flipping is 78245 (having 232 houses flipped) on the city's far Westside, but several zip codes inside Loop 410 were also targeted by home flippers. For example, zip codes 78201 (167), 78223 (152), 78228 (138) and 78210 (119) were prime for flipping activity. To access an interactive map click [here](#).



Map 1 - # of home flips by zip code January 1, 2015 to March 31, 2019

Moreover, there is convincing evidence that some inner-city zip codes are already experiencing outright gentrification and that many other zip codes inside Loop 410 are also at-risk. These zip codes present substantial arbitrage opportunities (the process of exploiting discrepancies in market prices) for investors. The following zip codes all present opportunities for quick returns on investment: 78214 (118.48%), 78203 (63.09%), 78238 (57.43%), 78210 (56.07%), 78220 (54.81%), 78225 (50.42%), 78201 (49.77%) and 78237 (46.65%). To access the interactive map click [here](#).



*Map 2 - Total % gross profit from home flips by zip code January 1, 2015 to March 31, 2019*

Why would residents sell their home for less than fair market value? They are simply operating with imperfect information and do not appropriately evaluate the fair market value of their home. This inexperience benefits outside investors and is likely a factor behind increases in property tax valuations in all local zip codes. Unfortunately, there is very little empirical research documenting the relationship between flipping activity and home price appreciation in a local market. However, it seems plausible to infer that rapid home price appreciation may lead to an increase in flips, which in turn leads to increased demand for housing and even higher home prices.

Traditionally, gentrification and abandonment were seen as opposites and somewhat incompatible. However, scholars have theorized that there is in fact a relationship between the two and some abandonment is necessary for the first wave of gentrification to occur. So, while flipping in the high arbitrage zip codes is not currently happening at alarming rates that does not mean that those areas are not at risk

The goal of this whitepaper is to raise awareness and provide empirical information to communities that are undergoing a change in the fabric of their neighborhoods. Policymakers should assist communities that are at risk of losing their affordable housing stock. As the inner-city housing stock ages, it creates the possibility of producing a unique arbitrage opportunity for outside investors. In turn, this could raise prices and lead to additional demand for housing. In order to mitigate the problem, homeowners need to make sure that they are claiming all of their property tax exemptions, cleaning and/or maintaining title to their home and having a succession plan in place that keeps the home in the family upon death.

San Antonio will need to balance economic development and reinvestment in declining or abandoned areas to protect its long-time residents from the gentrification forces that could ultimately lead to the displacement of families.

*These data were acquired from ATTOM Data Solutions. ATTOM multi-sources property tax, deed, mortgage, foreclosure and neighborhood data for more than 155 million U.S. residential and commercial properties covering 99 percent of the nation's population. ATTOM analyzed Bexar County sales deed data for this report as follows: A single-family home or condo flip was any arms-length transaction that occurred in the quarter where a previous arms-length transaction on the same property had occurred within the last 12 months. The average gross flipping profit is the difference between the purchase price and the flipped price it does not include rehab costs and other expenses incurred. Gross flipping return on investment was calculated by dividing the gross flipping profit by the first sale purchase price.*

*Roger Enriquez is an Associate Professor in the department of Criminal Justice and Director of the Policy Studies Center in the College of Public Policy. Enriquez is the Principal Investigator for Roadrunners Helping with Estate Planning (RHEP), which is a partnership with the City of San Antonio and Westside non-profit Mexican American Unity Council that helps homeowners' preserve the family home for future generations.*

*Lily Casura, MSW is a graduate of UTSA's Masters in Social Work program. In 2017 she was chosen "Most Outstanding Graduate Student" in UTSA's College of Public Policy (COPP), and the previous year won the statewide "Social Work Student of the Year" for the National Association of Social Workers (NASW) Texas. Her mapping of San Antonio population characteristics won an award from Tableau, and she has presented widely on the material, including at the 2018 Mayor's Housing Summit.*