Sundae

Magic in the single family market.

Q4 2021

Market Report for Property Investors

Orlando

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01.

Introduction

The Sundae Research Team compiled this exclusive market report to help property investors like you. It starts with an overview of what's happening at the national level. Factors such as migration patterns, interest rates, and inflation trickle down to the local level. National trends cause local investor and buyer behaviors to shift. Following these trends allows you to ask "how does this impact my business?" and serves as a way to make informed decisions.

From the big picture, the report then delves into a local market. No two places are the same, so if you're looking to expand to new markets, this will show you the lay of the land. As a seasoned investor in a certain market, there's also value to be had. You'll be able to see how buyer preferences change, emerging trends to take advantage of, and even what your competitors are doing.

Collectively, these insights are intended to give you the ammunition needed to take action. This might mean adjusting the property types you're targeting, finding creative ways to add space, or placing offers on condos. Use this powerful tool to determine how you can better your business.

Meet the Team

Polina Ryshakov

Senior Director of Research & Lead Economist, Sundae

Polina has more than 15 years of valuation experience across commercial and residential real estate. Her background includes stints with Cushman & Wakefield, Hanley Wood, and Standard & Poor's. Polina graduated with a double major in Economics and International Relations from the University of California at Davis and has been a CAIA Charter Holder since 2010.

Kyle Spearin

Real Estate Editor, Sundae

As both an investor and content marketing professional, Kyle combines his passion for real estate investing and educational background with his love of helping others. His experience with real estate tech companies, including contributing to BiggerPockets Pro, gives him insight into markets across the United States.

Monty Jarecke

Real Estate Research, Sundae

Monty has served as a development advisor in the higher-education industry, asset manager to institutional investors, and underwriter for real estate technology companies. His experience in all phases of single-family and commercial real estate planning allow him to provide insights that leverage a comprehensive understanding of the development process.

02.

National Real Estate Market Overview

Housing prices increased by almost 20% in 2021.

It's no secret that real estate markets across the United States are scalding hot. During the pandemic, people flocked to areas where they could work remotely and have more space. At the same time, suspended student loan payments, stock market performance, and an increasing share of crypto in down payments contributed to an increased demand for housing. Combined with historically low interest rates persisting in Q4 of 2021, many potential buyers decided it was time to lock in low monthly payments.

As such, the demand for housing remained high while inventory continues to lag. This resulted in unprecedented growth as housing prices increased by almost 20% in 2021.

There are two demographics that make up the majority of house sales and purchases respectively: Baby Boomers and Millennials. Baby Boomers are downsizing while cashing in on

Generational wealth transfer has trickled down from Boomers to Millenials in the form of down payments.

major equity gains from the state of the real estate market. With that, a great generational wealth transfer has trickled down from Boomers to Millennials in the form of down payments. Younger Millennials have hit their prime home buying age and, not surprisingly, are the largest group of first home buyers. This trend is set to continue as Millennials fuel the demand for housing in the near future.

Many have voiced concerns surrounding recent developments. There's ongoing supply chain disruption that results in expanding construction timelines. Meanwhile, the Russian invasion of Ukraine continues to drive up energy prices and escalating construction prices in the process.
Rest assured, the lack of housing inventory will continue to

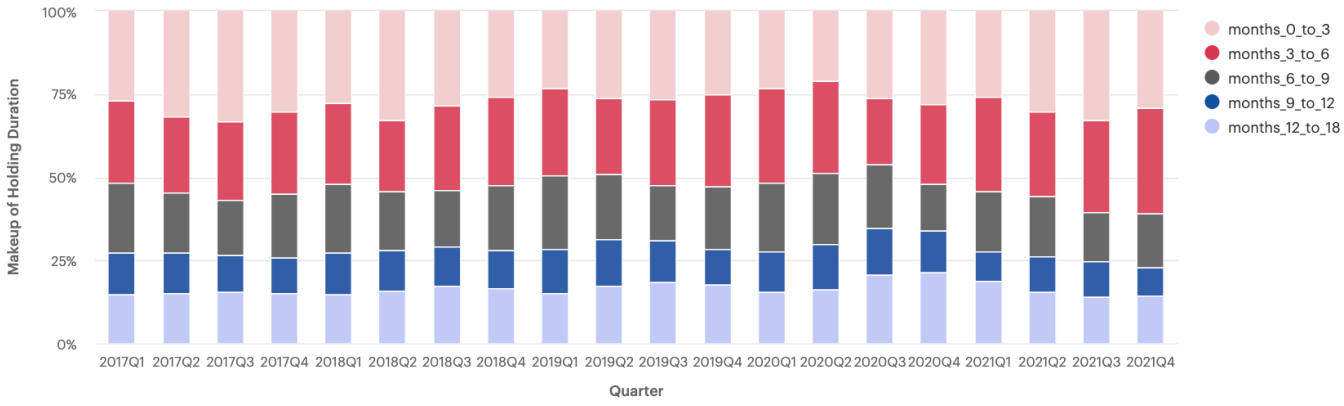
Lack of housing inventory will continue to drive real estate prices up.

drive real estate prices up. So far the U.S. economy continues to add jobs and is seeing strong wage growth. The continued rise in interest rates to combat inflation can dampen home buyer interest, as mortgage rates rise, but the demographic tailwinds coupled with the lack of inventory will continue to drive appreciation throughout 2022.

So, what does the residential real estate market look like?

Duration Trends by Quarter

Flipping Rates



Investors are hesitant to incur holding costs with persisting supply chain disruptions.

Share of flips churned in 6 months or less held steady at 60% for the second quarter in the row, indicating hesitancy to incur holding costs as supply chain disruptions remain.

Flipping Rates by Metro

Metros with the lowest median flipping rates have no iBuyer share.

Metros with the Lowest Median Flipping Rates in Q4

Market	With iBuyers	Without iBuyers
Pittsburgh, PA MSA	2.70%	2.70%
San Jose-Sunnyvale-Santa Clara, CA MSA	2.88%	2.88%
Salt Lake City, UT MSA	2.98%	2.98%
Chicago-Naperville-Joliet, IL-IN-WI MSA	3.07%	3.07%
Indianapolis-Carmel, IN MSA	3.16%	3.16%

These charts measure the percentage of houses flipped against the total of all houses sold in a given market.

Atlanta MSA had the highest median flip rate in Q4 2021 with and without iBuyers.

Metros with the Highest Median Flipping Rates in Q4

Market	With iBuyers	Without iBuyers	iBuyer Share
Atlanta-Sandy Springs-Marietta, GA MSA	14.04%	10.10%	3.94%
Phoenix-Mesa-Scottsdale, AZ MSA	13.02%	8.92%	4.10%
Charlotte-Gastonia-Concord, NC-SC MSA	12.60%	8.34%	4.26%
Tuscon, AZ MSA	12.54%	8.71%	3.82%
Tampa-St. Petersburg-Clearwater, FL	12.19%	10.50%	1.69%

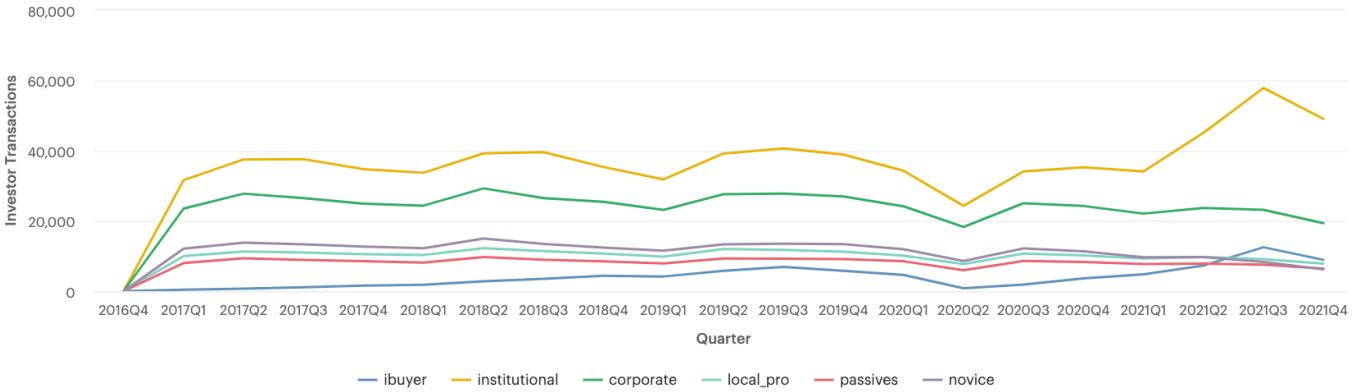
Charlotte and Phoenix MSAs had the highest flipping rates from iBuyers in Q4 2021.

Metros with Highest Average Flipping Rates in Q4 from iBuyers

Market	iBuyer Share
Charlotte-Gastonia-Concord, NC-SC MSA	4.26%
Phoenix-Mesa-Scottsdale, AZ MSA	4.10%
Atlanta-Sandy Springs-Marietta, GA MSA	3.94%
Tuscon, AZ MSA	3.82%
Raleigh-Cary, NC MSA	3.14%

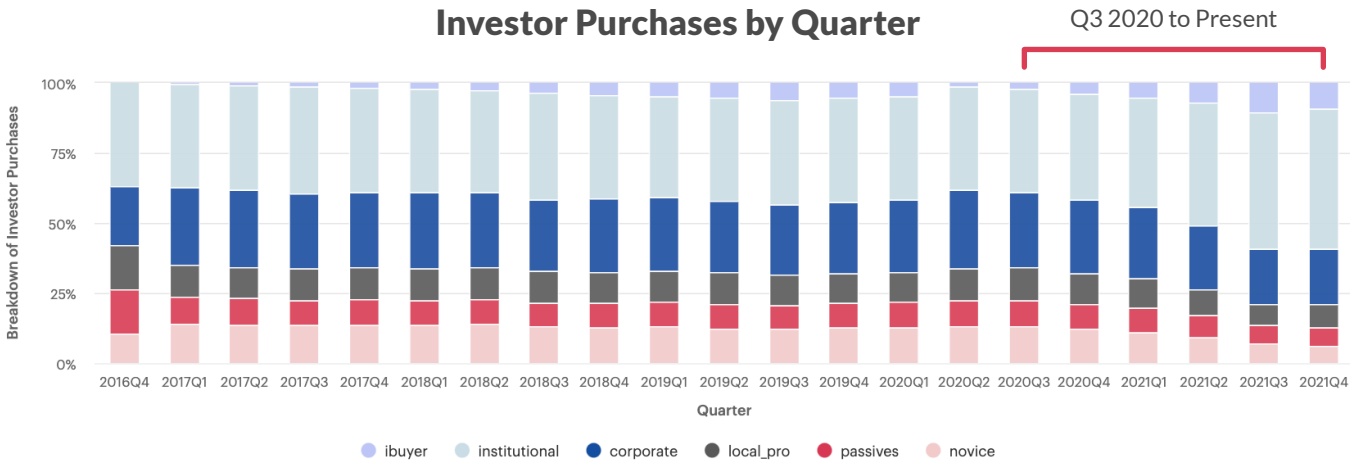
COVID-19 drastically changed investor purchase patterns.

Flipper Saturation Transaction by Volume



This chart shows flipper activity by quarter. They also compare different sub groups of flippers who are active in the market during certain periods of time.

Low inventory dried up investor purchases in Q4.



Investor purchases by quarter shed light on available inventory and investor sentiment broken down by subcategories.

The Southeast and Southwestern U.S. have the highest median flip rates. A sign that these are coveted markets for investing as people relocate for affordability.

Flipping Returns by Metro

Investors' margins are squeezed in highly competitive attractive markets and declined throughout the year.

Some investors appear to offset returns with larger volumes, while others explore nearby markets.

Metros with Lowest Median Flipping Return in Q4 2021	
Market	**Return**
Raleigh-Cary, NC MSA	112.06%
Tucson, AZ MSA	113.13%
Denver-Aurora, CO MSA	114.49%
Sacramento-Arden-Arcade-Roseville, CA MSA	115.33%
Portland-Vancouver-Beaverton, OR-WA MSA	115.55%

Metros with Highest Median Flipping Return in Q4 2021	
Market	**Return**
Memphis, TN-AR-MS MSA	169.58%
Detroit-Warren-Livonia, MI MSA	169.33%
Cleveland-Elyria-Mentor, OH MSA	166.51%
Richmond, VA MSA	166.33%
Baltimore-Towson, MD MSA	159.82%

These charts show returns as a percentage. They factor in how much an investor paid for the property, costs to renovate, and the eventual sale price.

Even metros with the largest profit margins have seen a drop in gross returns compared to a year ago.

More investors are buying with cash and exiting quicker, which likely keeps the costs down and net returns up.

Key Takeaways

1

COVID-caused real estate hype carried over into the fix and flip space. Over 300,000 properties were flipped in 2021, a level not seen since 2006.

2

Uncertainty around price increases and supply chain disruptions caused investors to turn the property around quicker and buy with cash to reduce costs.

3

Profit margins on flipped homes have declined. Competition over properties and investors leaving money on the table to pursue quick turnarounds are the main factors.

4

With a 15-year record in 2021, the flips represented 5.5% of all transactions, a share lower than 5.8% in 2020. This indicates that real estate continues to be an attractive asset.

5

The Southeast and Southwestern U.S. have the highest median flip rates. A sign that these are coveted markets for investing as people relocate for affordability.

03.

Orlando

Orlando house prices range from $35,000 to $785,000.

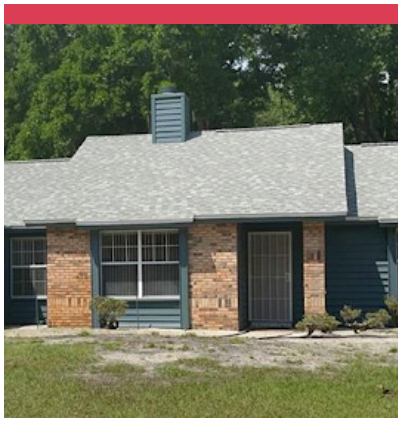
Noteworthy Market Flips

Least Expensive

$35,000

2 beds | 1 baths | 896 SF

Nearest to Median



$275,000

3 beds | 2 baths | 1,431 SF

Most Expensive

$785,000

5 beds | 3.5 baths | 2,954 SF

Number of Flips by Bedroom Count

Number of Bedrooms	Q4 2020	Q4 2021	%
1	5.29%	1.74%	-3.55%
2	21.46%	11.94%	-9.52%
3	48.73%	59.70%	10.97% ←
4	20.08%	23.58%	3.49% ←
5+	4.44%	3.04%	-1.40%

People want more space and more room for remote work life.

Bedroom counts show what flippers are selling to buyers in your area. It surfaces any changing trends over time, especially post-COVID as more people work from home, downsize, and retire early. Consider finding opportunities where you can renovate or transform houses to get to this sweet spot.

Single family popularity jumps as buyers show preference to spread out.

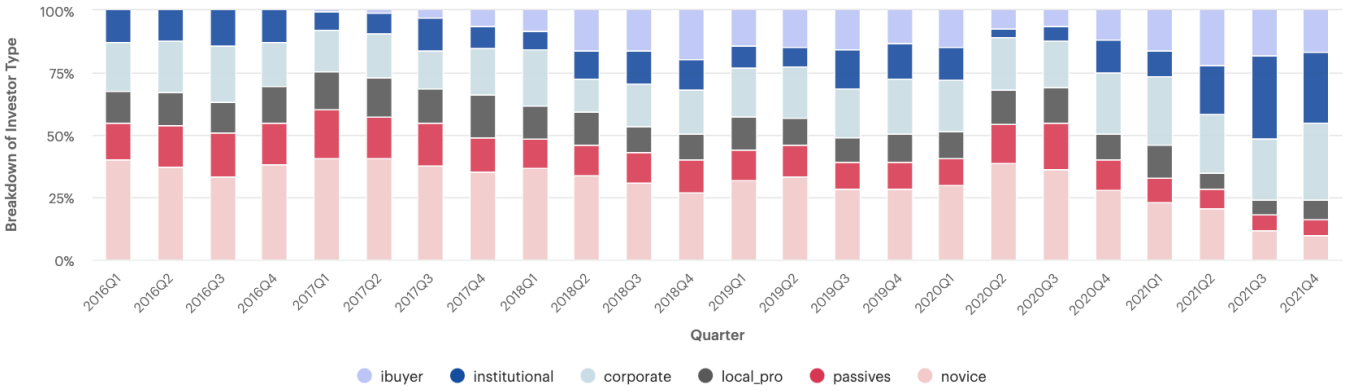
Flipped Properties by Type Y-O-Y Change			
Type	**Q4 2020**	**Q4 2021**	**%**
Condo/TH	17.79%	11.52%	-6.27%
SFR	80.05%	87.44%	7.39%
Duplex	1.36%	0.80%	-0.56%
Triplex	0.08%	0.00%	-0.08%
Quadruplex/5+	0.72%	0.24%	-0.49%

Even as prices climb, investors bought 6% more properties.

Transaction Type Distribution			
Type	**Q4 2020**	**Q4 2021**	**Change Y-O-Y**
Median $/sq. ft. SFR	$135	$185	37.04%
Median $/sq. ft. Condo/TH	$113	$159	40.71%
% homes sold for cash	83.33%	93.49%	10.16%
Median cash purchase	$182,754	$204,196	11.73%
% homes sold to investors	7.23%	13.34%	6.11%
Median investor purchase	$198,796	$297,051	49.43%
% homes flipped	4.57%	8.90%	4.33%

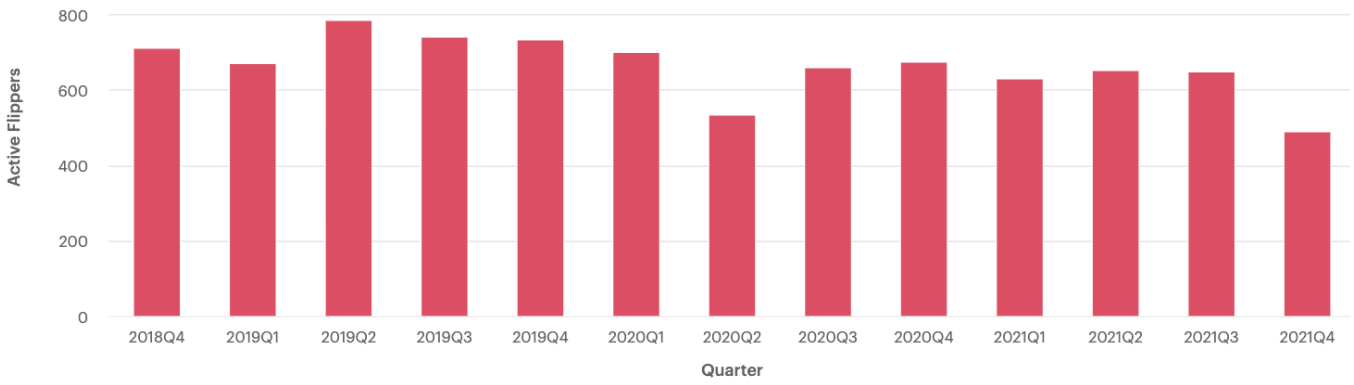
Corporate investors are flooding to the Orlando market.

Purchases by Investor Type



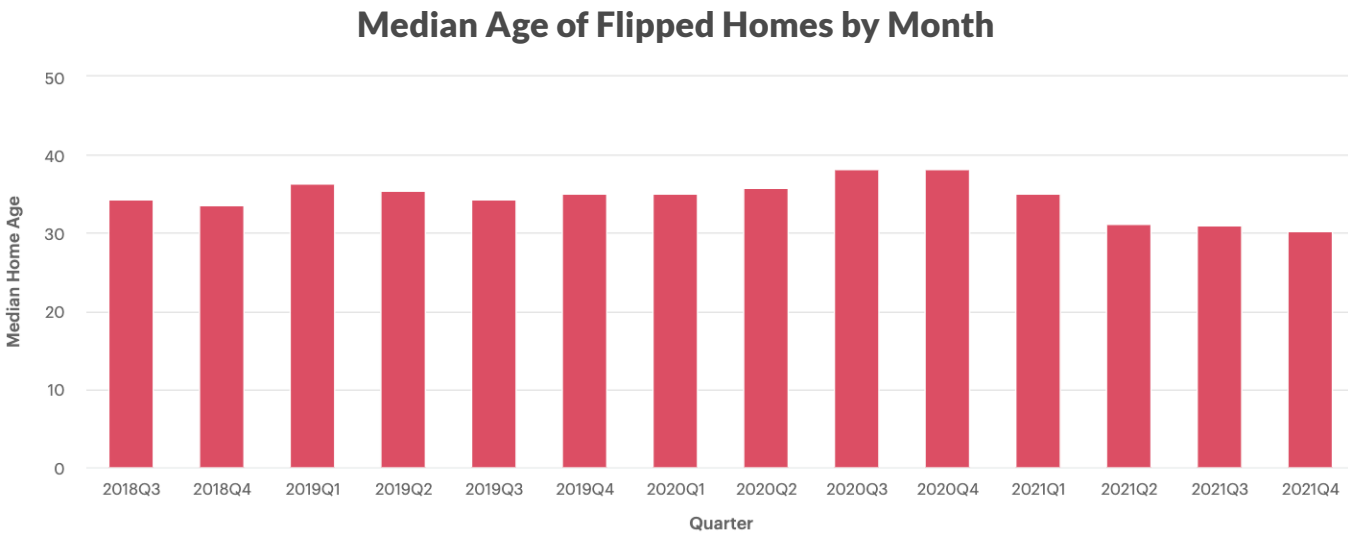
By knowing the competition in your market, you can identify strategies that work and adjust your business to stay ahead.

Average Size vs. Median Size of Finished Flip



Overall flipper activity decreased in Q4 2021.

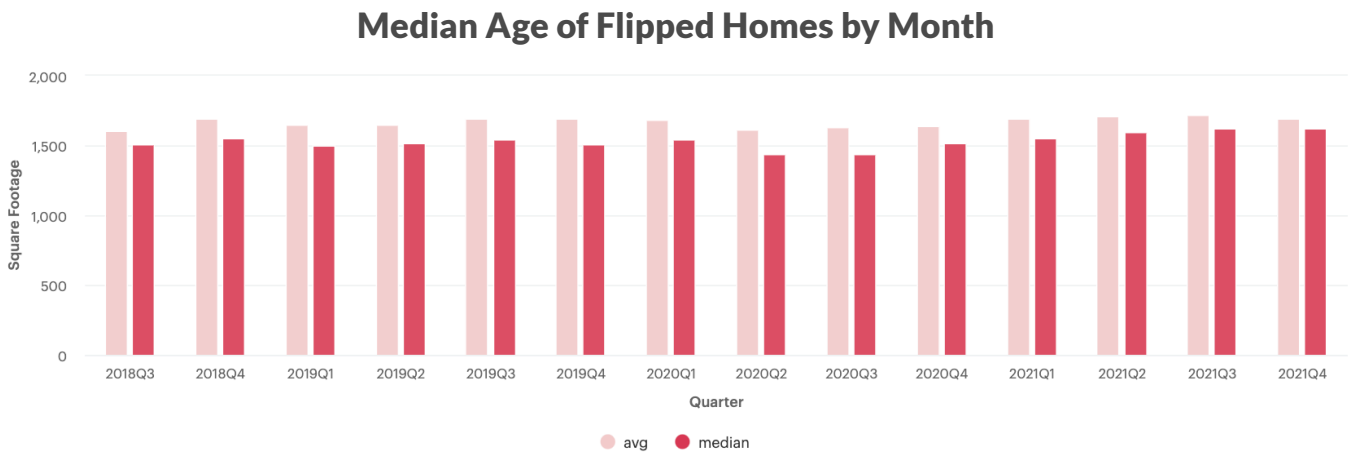
The median age of flips slightly increased in Q4.



Judging by the age of houses available, you can tell whether or not there are opportunities in transitioning neighborhoods in your area.

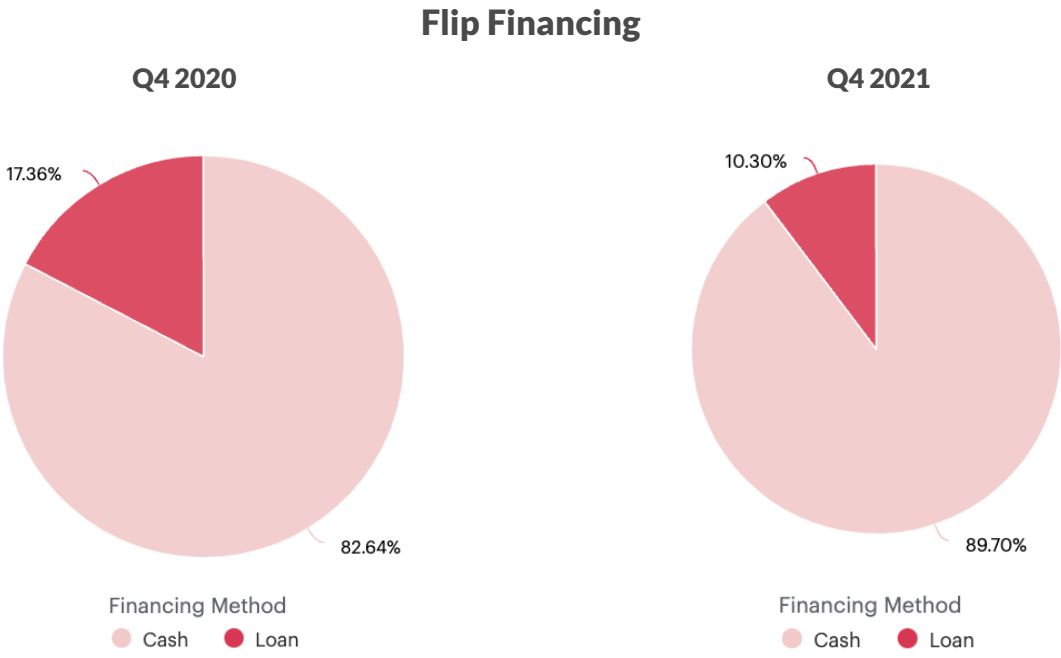
If average is higher, it means more flippers are considering rehabbing larger, move-up, and luxury homes.

Q4 flips had less square footage than the past 3 quarters.



Square footage shows the desirability of certain sized homes. Consider houses where you can add space by framing in a bedroom, incorporating an ADU, or otherwise.

Cash is popular in Orlando as investors attempt to minimize holding costs and maximize profits.



Key Takeaways

1

3 and 4 bedroom flips grew, showing that there is value in creating more rooms and that people want more space.

2

Single family flips increased by over 7%, following the narrative about demand for more space.

3

Median investor purchase prices grew by 49%. Investors are paying more to invest in Orlando.

4

Properties sold for cash increased by over 10%, highlighting increased competition for houses here.

5

Corporate investors are flooding to enter the Orlando market.

04.

Terms and Methodology

Projections as of January 2022

Purpose

Sundae quarterly reports are a go-to authority for tips and data-driven insights, aimed at helping property investors stay informed.

Methodology

Sundae uses public sales data to analyze transactions and defines flippers as investors who bought and resold a property within 1 year. Due to increased activity and in-person office closures, clerk-recorder's experienced delays. Therefore; some data is experiencing a lag.

Warranty Disclaimers

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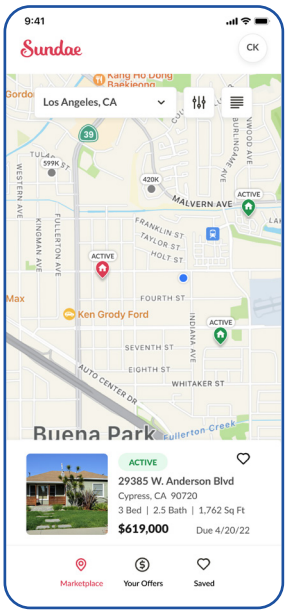

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