



STATE OF THE FLIPPING MARKET:

California

Introduction

Earlier in 2018, Attom Data Solutions* reported that more than 200,000 single family homes and condos were flipped in 2017, marking an 11-year high. The same report also showed a 27% increase in fix and flip financing, or money lent to house flippers: from \$12.7 billion in 2016 to \$16.1 billion in 2017. At LendingHome, we saw a 70% increase in dollar volume for flipped houses during the same time period. House flipping rates, or the percentage of home sales that were flips, were also up in many of the metro areas where LendingHome operates. As far as return on investment, Attom reported that completed flips returned an average gross profit (not including rehab and other expenses) of \$68,143 in 2017, up 5% from an average gross flipping profit of \$64,900 in 2016. Overall, the national overview of the house flipping market provided an encouraging outlook. But what about individual states?

In order to better understand how individual states compare in performance and to identify unique trends and opportunities ahead, we decided to zoom in on fix and flip markets at a state level. In our first report of the kind, we take a closer look at California, which, by the end of 2017, had the highest number of new house flippers entering the market than any other state. California was also LendingHome's top state for bridge loan originations in 2017.

For this report, we analyzed both LendingHome proprietary loan origination data and more comprehensive, publicly available real estate data from 2014 through 2017 to gain insights and identify recent trends in California's house flipping market. For more details on our data and methodology, please see Methodology + Key Definitions.

**2017 Home Flipping Report, Attom Data Solutions, March 2018.*

Highlights

- The number of new flippers entering the market in California has been steadily growing since 2014. In 2017, 13,053 new flippers entered the fix and flip market — almost four times as many as in 2014.
- Between 2015 and 2016, the number of flippers grew 67% and the number of properties purchased for a flip increased 28%. The market sustained this new level between 2016 and 2017.
- Property investors in California flipped fewer houses, but earned more revenue per flip in 2017 than they did in any of the prior three years.
- Over 25% of all properties purchased for a flip between 2015 and 2017 were located in Los Angeles County.

ALSO IN THE REPORT

CALIFORNIA FLIPPER STATS

Number of properties purchased for a flip; median revenue; the time it takes to close a deal; and geographic reach.

HOT SPOTS OF FLIPPING ACTIVITY

A heat map and ranking of counties based on number of homes purchased for a flip.

CHANGES IN FINANCING

LendingHome's loan origination data in the state.

Methodology

For this report, we analyzed both LendingHome proprietary loan origination data and more comprehensive, publicly available real estate data from 2014 through 2017 to gain insights and identify recent trends in California's house flipping market.

Key Definitions

FLIPPER / PROPERTY INVESTOR

We define a flipper, or property investor, as someone who has completed at least one home purchase and resale in a year or less, with at least 10% profit, OR someone who has purchased and resold at least two homes in 1,000 days or less.

NEW FLIPPER

A new flipper in any given year is someone who made his/her first flip during that year and, for purpose of this report, someone who hadn't flipped a house in five years prior to 2017.

TOTAL FLIPPERS

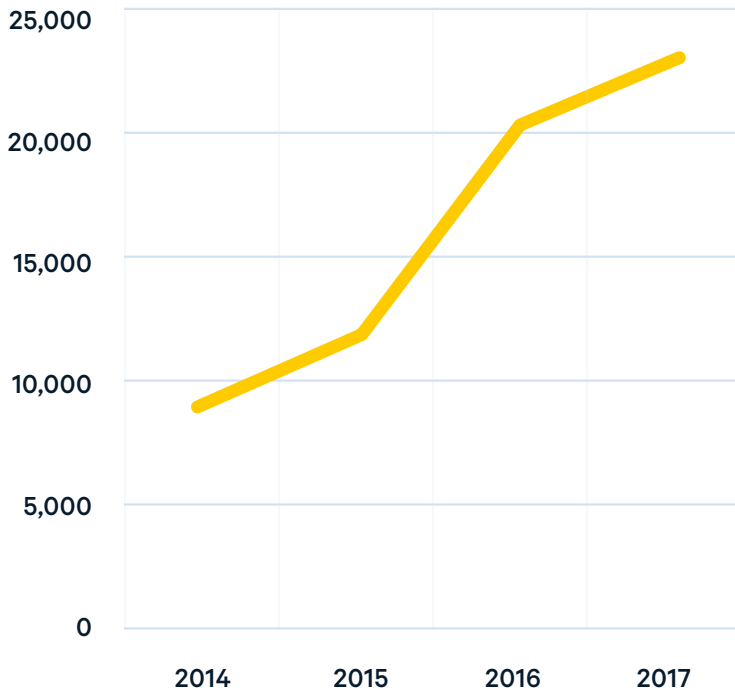
The total number of flippers in the market. This is the net of existing flippers, plus new flippers, minus flippers who became inactive and left the market.

GROSS FLIPPING REVENUE

Gross flipping revenue was calculated by subtracting the price of the first sale (purchase) from the price of the second sale (flip).

Figure 1

Growth in Total Numbers Of Flippers in California



California House Flippers

The total number of house flippers in California has been growing since 2011, or after property investors slowly began to regain their confidence in real estate market post-2008 crisis. We saw the biggest growth spurt between 2015 and 2016: from 11,885 to 20,164 flippers. See Figure 1. The growth was driven predominantly by new flippers entering the market. You'll see a more moderate increase from 2016 to 2017 -- while over 13,000 new flippers entered the market, about 9,000 flippers became inactive and left the market.

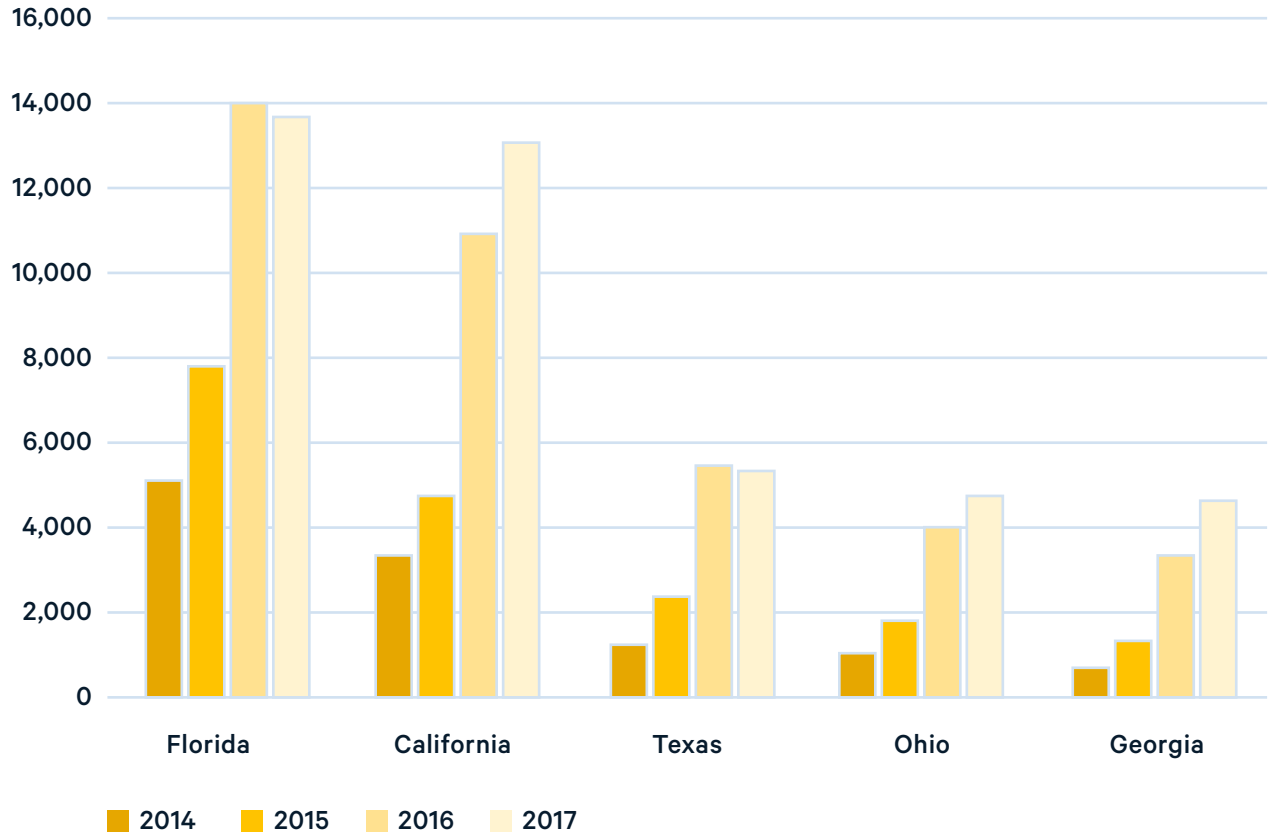
Meet a California House Flipper

Cathy Gould-Harrison, a former elementary school teacher and a grandmother, has flipped more than 10 houses since launching her property investment business in mid-2016 in Stockton, Calif. A year and a half into the business, Cathy switched from cash to financing, so that she could move faster on deals, grow the business, and reach her financial goals. Since Cathy started working with LendingHome, she's been able to pursue more properties simultaneously, grow her revenue, while creating a lifestyle that meets her family's needs and her personal and financial goals.



Figure 2

Top 5 States Number of New Flippers Entering the Market 2014-2017

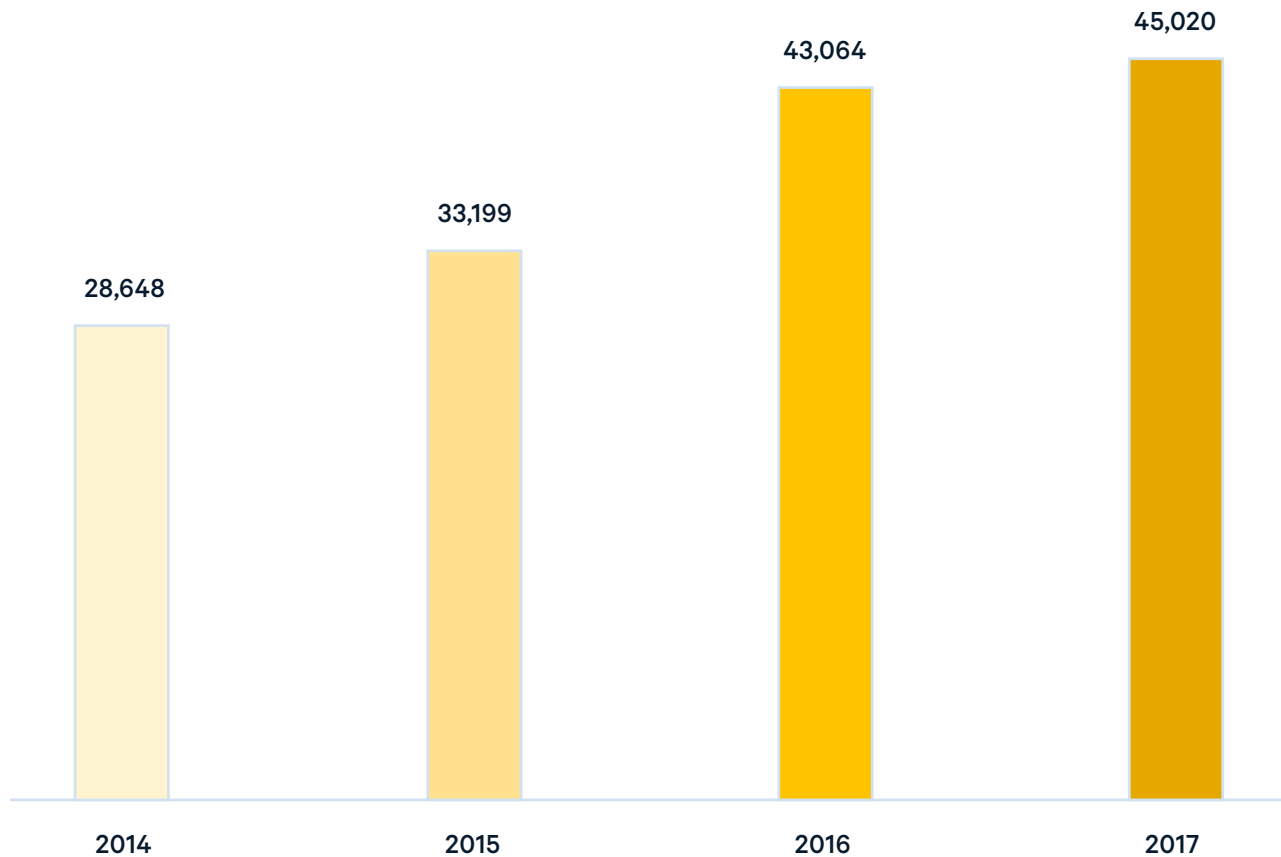


New house flippers

When looking at the number of new house flippers entering the market nationwide, we found steady growth across all states from 2014 through 2017, with Florida and California in the lead. See the Top 5 states based on the number of new house flippers in Figure 2. Out of all states, California had the biggest increase in the number of new flippers in 2017 versus 2016. In 2017, 13,053 new flippers entered the fix and flip market in California — almost four times as many as in 2014. California's new flippers represented 12.45% of all new flippers entering the market across the country. Looking at the growth spurt between 2015 and 2016, we found that new flippers were more likely to use financing than more experienced flippers in the state: 52.2% of first flips were financed in comparison to 31.4% of subsequent flips.

Figure 3

Growth in Total Number of Homes Purchased for a Flip California



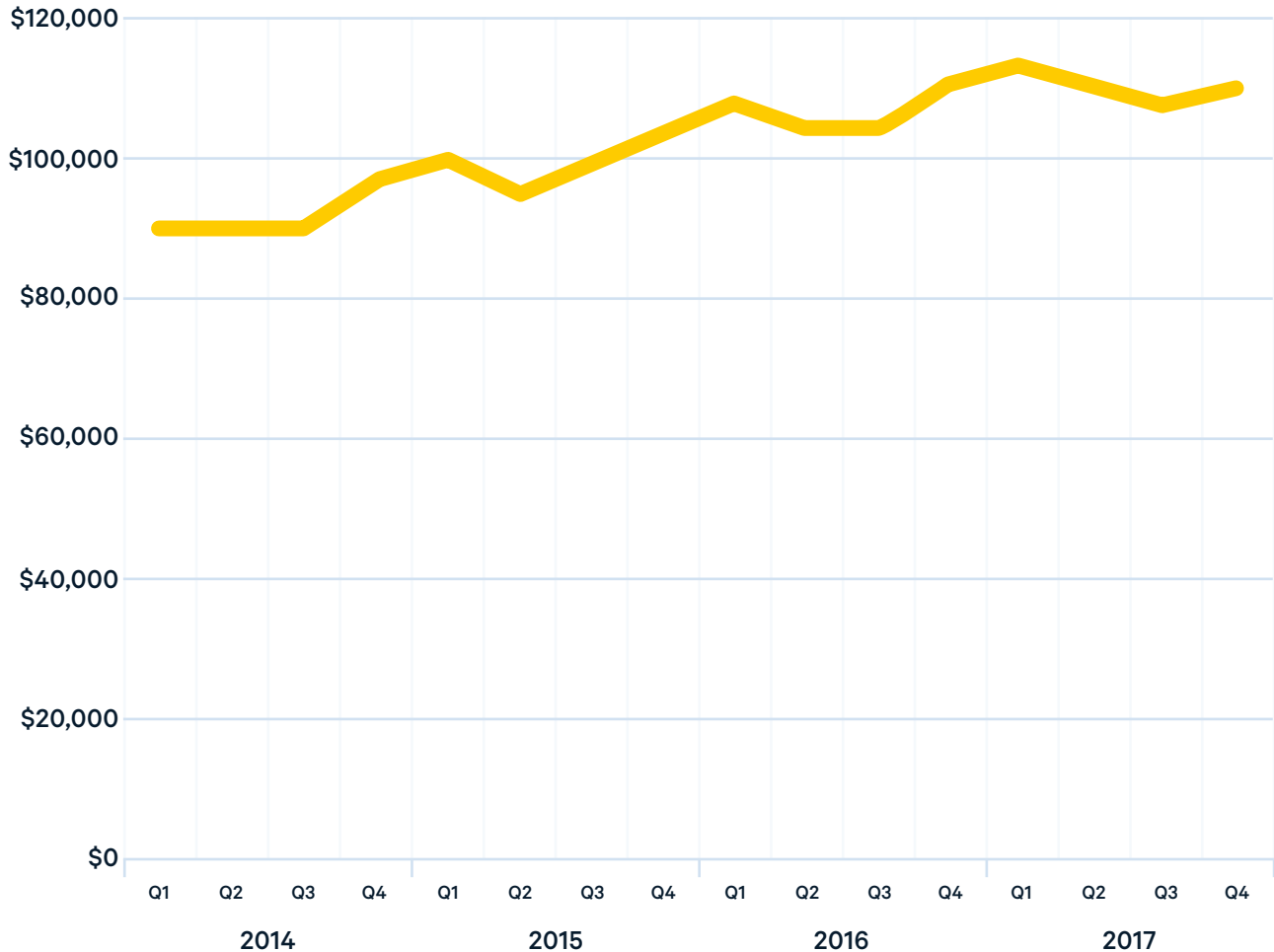
Revenue

The total number of homes purchased for a flip has been steadily growing in the past four years (see Figure 3), but the average (yearly) number of flips per house flipper decreased from 3.17 in 2014 to 1.96 in 2017. This could be due to the influx of new or inexperienced flippers between 2015 and 2017 and/or soaring house prices.

Even though property investors in California flipped fewer houses, they earned more revenue in 2017 than they did in any of the prior three years. Median revenue increased 7% from 2015 to 2016 and increased 1.4% from 2016 to 2017, reflecting a nationwide trend. In Figure 4, we show the changes in median revenue per flip in dollar amount over the 2014 through 2017 time period.

Figure 4

Median Revenue per Flip California 2014 – 2017



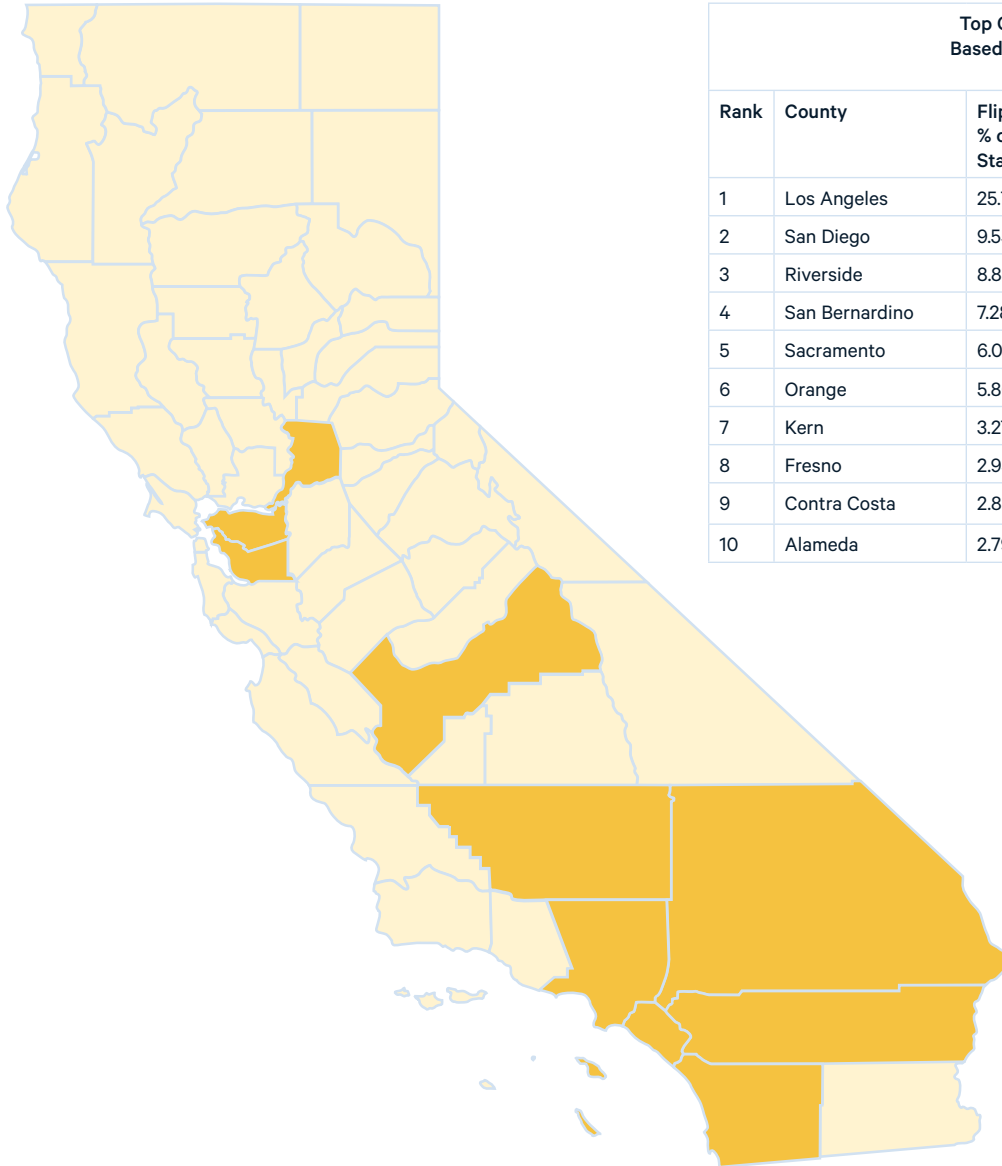
Beyond California

In our analysis, we also looked at other states where California borrowers flipped houses. In 2017, 1,533 California flippers (~7%) also purchased properties in other states. The top states for these purchases were Florida, Arizona, Nevada, and North Carolina.

As far as the length of time it took to complete a flip, we found that, on average, it took about 180 days, or about six months to flip a house in California, which was 20 days faster than the nationwide average.

Figure 5

Figure 6



Top California Counties Based on Number of Flips 2014-2017			
Rank	County	Flips, Listed as a % of Total Flips Statewide	Median Revenue Per Flip
1	Los Angeles	25.71%	\$140,000
2	San Diego	9.55%	\$125,000
3	Riverside	8.88%	\$75,000
4	San Bernardino	7.28%	\$77,000
5	Sacramento	6.08%	\$82,500
6	Orange	5.80%	\$131,000
7	Kern	3.27%	\$46,000
8	Fresno	2.93%	\$64,000
9	Contra Costa	2.89%	\$125,000
10	Alameda	2.79%	\$189,000

Flipping Hot Spots in California

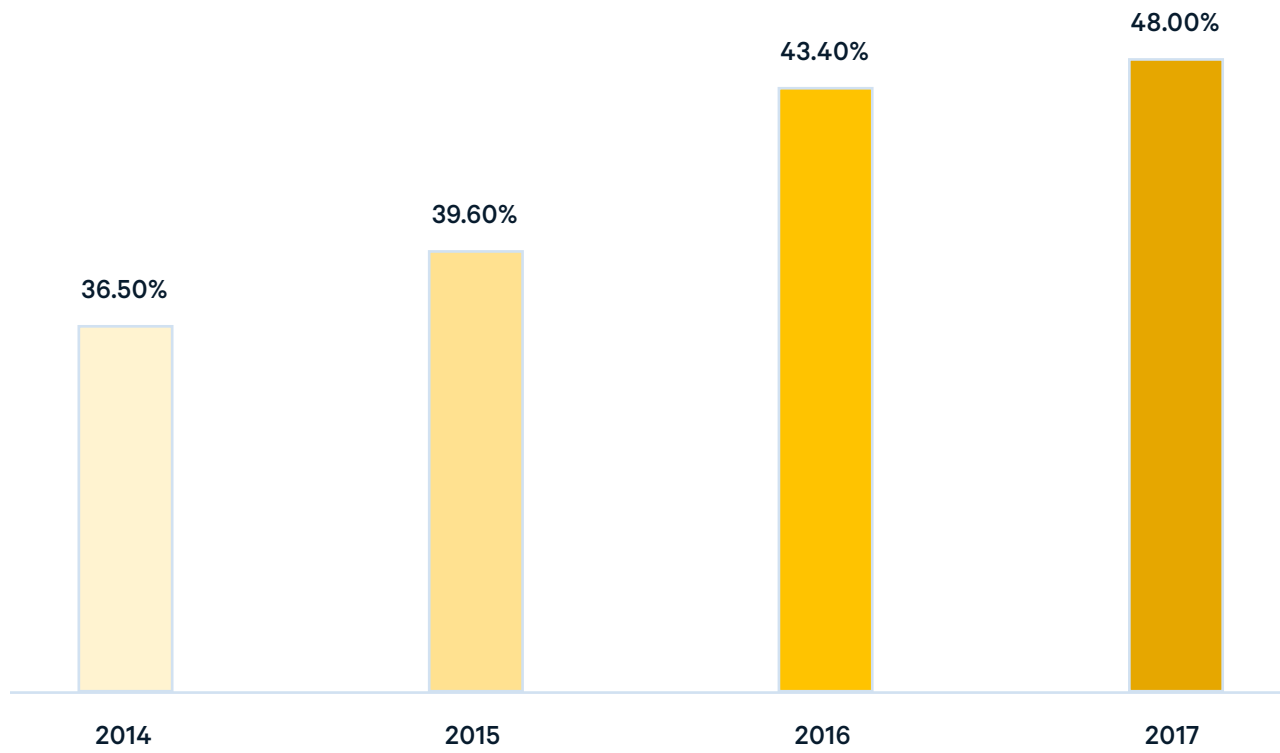
The map above shows the concentration of flipping activity in Southern California. Over 25% of all properties purchased for a flip between 2014 and 2017 were located in Los Angeles County, followed by San Diego County with 9.57% of total flips in the state.

Two San Francisco Bay Area counties were in the Top 10 for flipping activity: Contra Costa with 3,471 and Alameda with 3,384 flips during the 2014 through 2017 time period. This activity may be the result of recent housing price appreciation in the Bay Area. Note that both counties were also in the Top 4 in the state for median revenue. See Figure 6.

FLIPPING DATA BY COUNTY
 To access data on the number of flips in each county statewide – from 2014 through 2017 – click [here](#) for a detailed, interactive map.

Figure 7

Percent of Flips Financed with a Loan California



Flip Financing

According to Attom Data Solutions, the total dollar volume of financed house purchases nationwide was \$16.1 billion for houses flipped in 2017, up 27% from \$12.7 billion in 2016, reaching the highest level since 2007. At LendingHome, we saw a nearly 70% increase in dollar volume of loans on flips completed in 2017 compared to 2016 across all the states where we operate, according to the same Attom Data Solutions report.**

When looking at loan originations in California, in 2016, LendingHome alone originated 448 loans, amounting to \$155,610,402. In 2017, the number of loans more than doubled and so did the total amount lent to California flippers. The total amount didn't include private money, such as cash from family and friends.

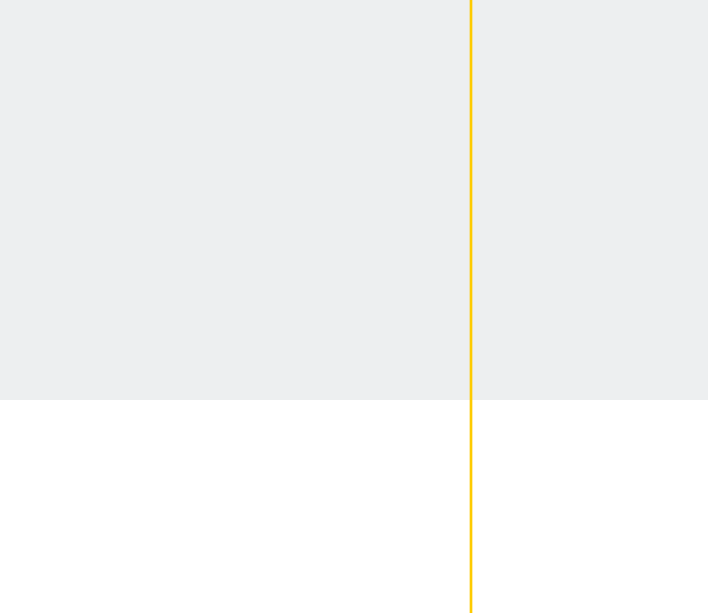
Based on LendingHome data, the percent of flips financed with a loan has been steadily growing between 2014 and 2017 in California.

***2017 Home Flipping Report, Attom Data Solutions, March 2018*

State of the California Flipping Market: Wrap-Up

Based on our data analysis, we at LendingHome are optimistic about California's house flipping market. We attribute the recent growth in the number of new flippers to tech-enabled wider access to networks, listings, and financing — all of which have made it easier and more affordable to break into the industry. It's no surprise that 52% of first flips in California from 2014 to 2017 were financed by hard money lenders instead of cash or private money. We think that the growth in newcomers also reflects a certain level of confidence in market opportunities, despite rising home prices and limited inventory in the state.

The concentration of flipping activity in some of the wealthiest markets in California — Los Angeles, San Diego, and the San Francisco Bay Area — suggests that flippers are not deterred by rising home prices; instead they are able to pursue bigger projects that bring in more revenue. In the San Francisco Bay Area, for example, with the population boom and limited inventory, house flippers found investment opportunities in the nearby up-and-coming counties of Alameda and Contra Costa, both of which are in the Top 4 counties for the median revenue per flip in California.



○ Even though only about 7% of California flippers pursued property investment opportunities beyond the state borders, we believe that with access to lenders who operate nationwide and provide easy and timely access to financing, along with a consistent experience, California flippers have an opportunity to expand geographically and diversify their investments. Also, it's important to note that with limited inventory, some flippers have been taking on more complex rehabilitation projects, which cost more and may result in lower revenue. So, for house flippers to remain profitable in California, they have to becoming increasingly more strategic about their investments.

In general, the trends in house flipping activity and the use of financing data during the 2014-2017 period show a steady, sustainable growth in California's property investment market. With the institutionalization of the fix and flip asset class, led by data-driven fintech companies like LendingHome, flippers across the United States have benefitted from predictable and reliable financing and a tech-enabled, simplified loan experience. This transformation has also contributed to higher standards and accountability in the fix and flip industry, on both lender and borrower sides. At LendingHome, for example, in addition to providing loan products, we offer a project feasibility analysis to prevent borrowers from making costly mistakes and to ensure that both aspiring and experienced house flippers make smarter, more strategic decisions and scale their businesses at a healthy pace.

Have questions?

For data or media inquiries, please email
press@lendinghome.com



[@lendinghome](https://twitter.com/lendinghome)



[/lendinghome](https://www.facebook.com/lendinghome)



[/lendinghome-corporation](https://www.linkedin.com/company/lendinghome-corporation)



© 2018 LendingHome. All rights reserved. LendingHome Funding Corporation. LendingHome Funding Corporation, 315 Montgomery Street, San Francisco, CA 94104 NMLS # 1125207 California Finance Lenders License 6054784.

The content of this report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This report is for the general information of our clients, does not constitute a recommendation to take any particular action, and does not take into account the particular investment objectives, financial conditions, or needs of individual clients. Before taking any action, you should consider whether it is suitable for your particular circumstances. Any historical performance, volume, or other data included in this report is reasonably believed to be accurate at the time it was sent, but LendingHome does not warranty the accuracy or completeness of the data and any recipient of this communication is not entitled to rely on it. The price and value of the investments referred to in this material and the income from them may change, and investors may realize losses on any investments. Past performance is not a guide to future performance. Future returns are not guaranteed. We do not provide tax, accounting, or legal advice to our clients, and all investors are advised to consult with their tax, accounting, or legal advisers regarding any potential investment. Investments in LendingHome Platform Notes are only available to accredited investors, as that term is defined under 17 C.F.R. § 230.501, give rise to substantial risk, and may not be suitable for all accredited investors. Statements herein regarding loan originations and the lending market relate to the activities of LendingHome Funding Corporation, not LendingHome Marketplace.