🎯 Learning Objectives

- Use a scoring framework to evaluate neighborhoods objectively

- Understand the four pillars of neighborhood analysis: Demand, Yield, Stability, Growth

- Identify "deal killer" factors that disqualify a neighborhood

- Build a ranked list of target ZIP codes

- Know when to pursue a neighborhood vs. pass

💡 Why Neighborhood Matters

You can't control the market. But you can control which neighborhoods you invest in.

Two ZIP codes in the same city can produce completely different results. One might be a coliving goldmine with high demand and stable tenants. Another might have cheap houses but high vacancy, crime, and turnover.

A systematic scoring framework removes emotion and helps you compare neighborhoods objectively.

📊 The 4-Pillar Scoring Framework

We evaluate neighborhoods across four pillars, each worth 25 points for a total of 100:

📈 DEMAND (25 pts)

How strong is the need for affordable rooms?

- Renter population percentage
- Proximity to major employers
- Transit access
- Workforce income levels

💰 YIELD (25 pts)

Do the numbers work?

- Purchase price to rent ratio
- Achievable room rents
- Property taxes
- Insurance costs

🛡️ STABILITY (25 pts)

What are the risks?

- Crime rates
- Code enforcement activity
- Eviction friendliness
- Neighbor complaint risk

🚀 GROWTH (25 pts)

Where is the neighborhood heading?

- Population/job growth
- Development activity
- Rent trend direction
- Infrastructure improvements

SCORING THRESHOLDS

74+ = "Hunting Ground" — Actively pursue deals here

55-73 = "Worth Investigating" — May work with the right deal

Below 55 = "Pass" — Focus your energy elsewhere

🚫 Deal Killers (Must-Pass Filters)

Before scoring, check these three factors. If any fails, skip the neighborhood:

FILTER	REQUIREMENT	WHY IT MATTERS
Gross Rent / Price Ratio	≥ 1.0%	If monthly rent is less than 1% of price, cash flow is nearly impossible
Eviction Timeline	≤ 60 days	Long eviction processes (3-6 months) destroy cash flow and increase risk
Coliving Allowed	Yes	If zoning prohibits room rentals, the entire strategy doesn't work

🔍 How to Research Each Pillar

Demand Research

- **Renter %:** Census.gov → Quick Facts → "Renter-occupied housing units"
- **Employers:** Google Maps search for warehouses, hospitals within 15 min drive
- **Transit:** Google Maps transit layer, check bus/rail access
- **Income:** Census.gov median household income for the ZIP

Yield Research

- **Home prices:** Zillow/Redfin average for 4+ BR homes sold last 6 months
- **Room rents:** PadSplit, Facebook Marketplace, Roomies current listings

- **Property taxes:** County tax assessor website (usually 1-2% of value)

- **Insurance:** Call an agent or use online quote tools (~$1,200-2,000/year)

Stability Research

- **Crime:** CrimeGrade.org, SpotCrime, local police department stats

- **Code enforcement:** Search "[city] code enforcement" for complaint history

- **Eviction timeline:** Research state landlord-tenant law (Nolo.com is helpful)

- **Neighbor risk:** Drive the neighborhood, check for pride of ownership

Growth Research

- **Population:** Census.gov population change, city planning documents

- **Development:** Google "[neighborhood] new development" or check city permits

- **Rent trends:** Zillow rent index, compare to 1-2 years ago

- **Infrastructure:** New roads, transit lines, schools being built

📍 Practical Example: Scoring a ZIP

Example: ZIP Code 30311 (Atlanta, GA)

Deal Killer Check:

- Gross Rent/Price: ~1.4% ✓

- Eviction Timeline: ~14 days (GA is landlord-friendly) ✓

- Coliving Allowed: Yes ✓

Scoring:

- Demand: 22/25 (High renter %, near airport/warehouses, MARTA access)

- Yield: 23/25 (Strong rent/price ratio, good room rents $600-700)

- Stability: 17/25 (Some crime concerns, but improving)

- Growth: 20/25 (BeltLine adjacent, gentrification occurring)

Total: 82/100 — "Hunting Ground" ✅

✅ Action Steps

1. **Select 3-5 ZIP codes** from your market research to evaluate

2. **Run the deal killer check** first—eliminate any that fail

3. **Complete the ZIP Code Worksheet** for each remaining neighborhood

4. **Rank your ZIPs** by total score

5. **Focus deal hunting** on your top 1-2 scoring neighborhoods

📌 Key Takeaways

- Use the 4-pillar framework: Demand, Yield, Stability, Growth

- Check deal killers first (1% rule, eviction timeline, zoning)

- Score of 74+ = actively pursue; below 55 = pass

- Research each pillar using free online tools

- Focus your deal hunting on top-scoring neighborhoods

- Re-evaluate neighborhoods periodically as conditions change

📍 Score Your Neighborhoods

Use the ZIP Code Worksheet to score and compare your target neighborhoods.