Renters, Homeowners & Investors: The Changing Profile of Communities
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Renters, Homeowners & Investors: Allan Mallach

ALLAN MALLACH: In Vegas again, you know, you want the investment. I mean it may be a bit of an over statement, but I would say between 2007, when foreclosures started to rise, and 2010, during which period there was just an enormous amount of product just dumped on the market, investors saved Las Vegas from going the way of a Detroit, in terms of abandonment, by coming in and absorbing an inventory which home buyers at that -- particularly during those years could not have absorbed. In a Detroit environment, where prices are much lower, and where people don't have that expectation of appreciation, if anything the contrary, and where property taxes can easily eat up 30, 40% of gross rents, the behavior pattern tends to be essentially to milk the property. At the end of say three years, you might have gotten your return -- your costs back with a 50% return, you don't pay property taxes, you maintain minimally, you rent to all comers, no questions asked. And at the end, if the property is a total loss, you walk away, because you've made your profit from the cash flow alone.