Best Investment Candidates

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A review of 15000 zip codes

Objective

- Given 15,000 options, which ones are the best for investment?
- Defining "Best"
  - Low to moderate risk
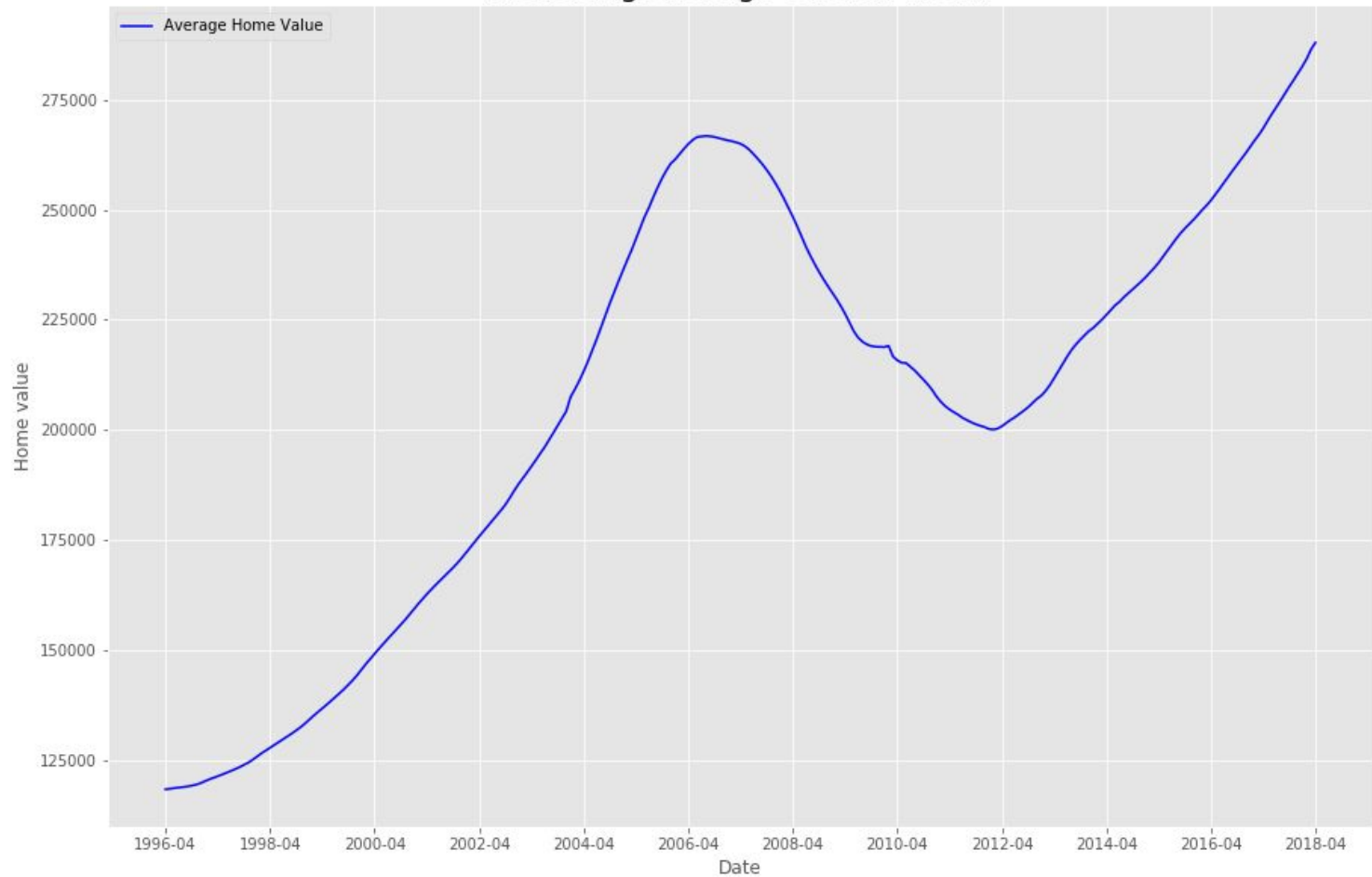 - Moderate to high return

Methods and Data

- 14,723 zip codes
  - Some with full 20+ year histories, others are newer w/ less history
  - Missing values were not backfilled, instead each zip code's history was allowed to stand on its own
  - Zip codes are discrete, man made classifiers - inferring data for a zip code would just be creating data that's already accounted for in another zip code
- Modeled every zip code with a simple 5-yr forecast
- Compared all forecast model results to evaluate best 5-yr forecast ROI; best case high confidence ROI; worst case high confidence ROI (potential loss)
- Selected candidates who were in top 1% of ALL three categories
- Conducted walking 5yr forecast for each, then selected top 5 on forecast ROI
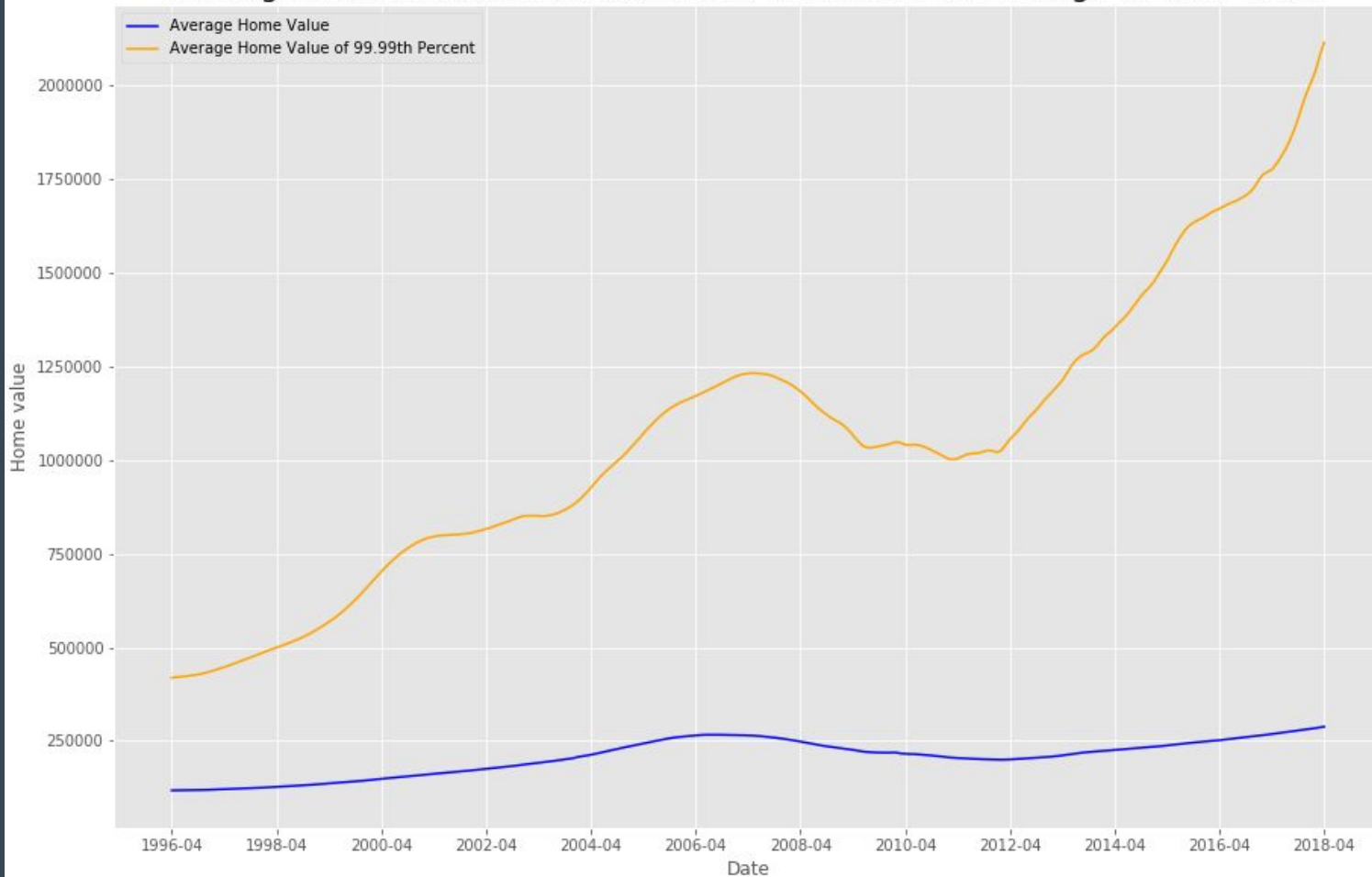
0.001%

Selecting the top performers across all three metrics reduced our scope of evaluation to just 0.001% of the initial population
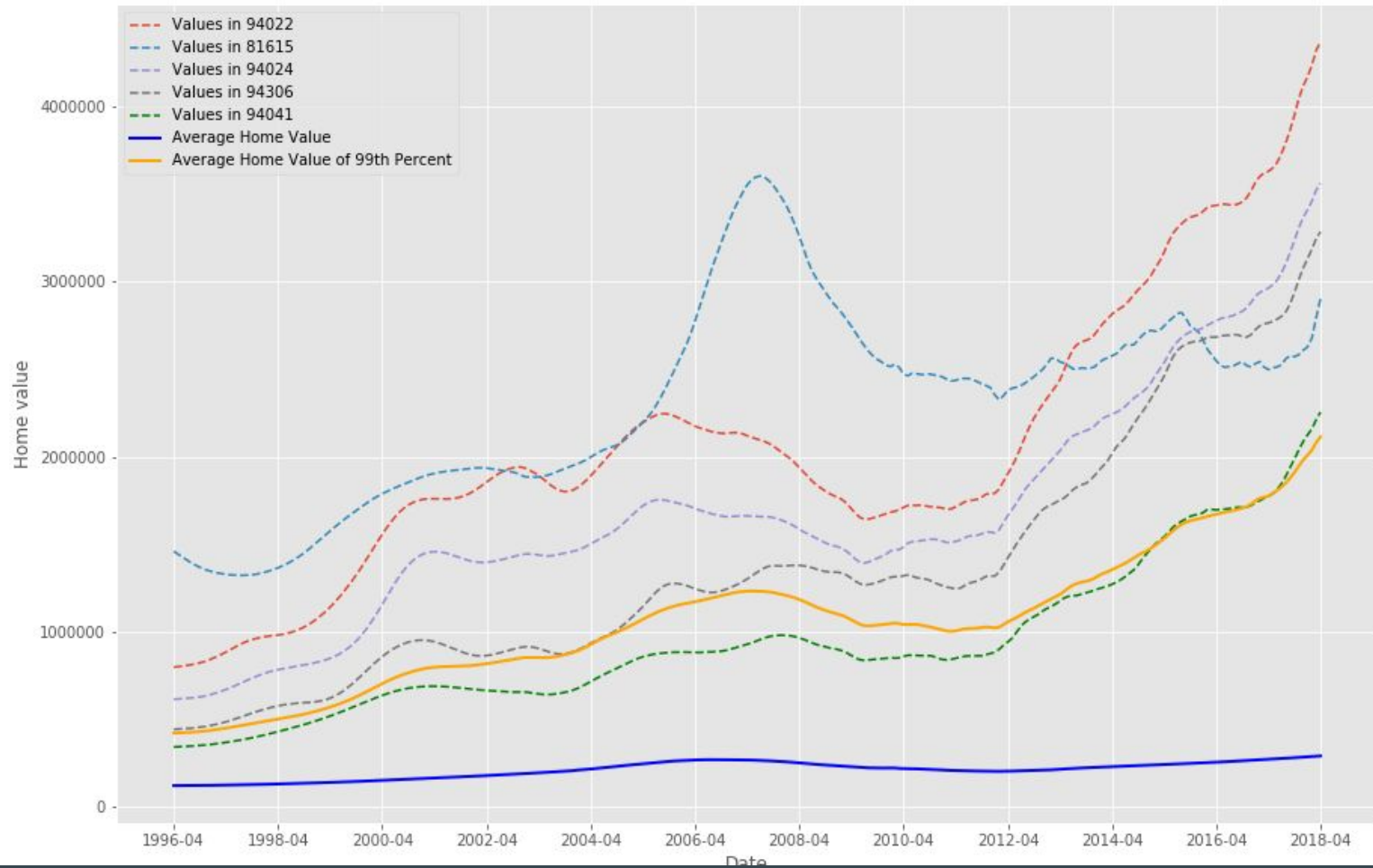
Revisiting Average Overall Trend

Average Home Value Trend of 99.99th Percentile, vs Average Overall Trend

Trends in Value: Top 5 vs Top 0.001% vs Overall Avg

Legend:
- Values in 94022
- Values in 81615
- Values in 94024
- Values in 94306
- Values in 94041
- Average Home Value
- Average Home Value of 99th Percent

Y-axis: Home value

X-axis: Date

Geographic Convergence

- Unexpected but neat!
- 4 of the top 5 zip codes converged on Palo Alto, Los Altos, and Mountain View CA.
- Zip code 81615 belongs to a wealthy vacation community in CO
- If 81615 was excluded, then all top 5 zip codes would converge on this micro-region