

From **Zero** to **Hero**
Creating a Low Risk, High Reward
Real Estate Investment Strategy
Joe McHugh and Joe Buzzelli



May 8, 2020



The Joes are poor and plan to make money in real estate

- Joe McHugh and Joe Buzzelli plan to borrow money in order to invest in real estate by starting J&J Real Estate
- The J&J investment strategy is a to identify zip codes in the United States where investments **minimize risk** and **maximize returns**
- After identifying the top three zip codes, we forecast future values of real estate in order to select our first investments in real estate



Assumptions and data sources

Data sources

- Monthly Zillow housing values from 04/01/1996 to 04/01/2018
- Null values were backfilled

Assumptions

- Only focusing on residential real estate
- Assuming that access to credit are generally equal across all zip codes
- Real estate trends changed after the housing crisis (2006-2011) so this analysis focuses on real estate values from 2011 through 2018



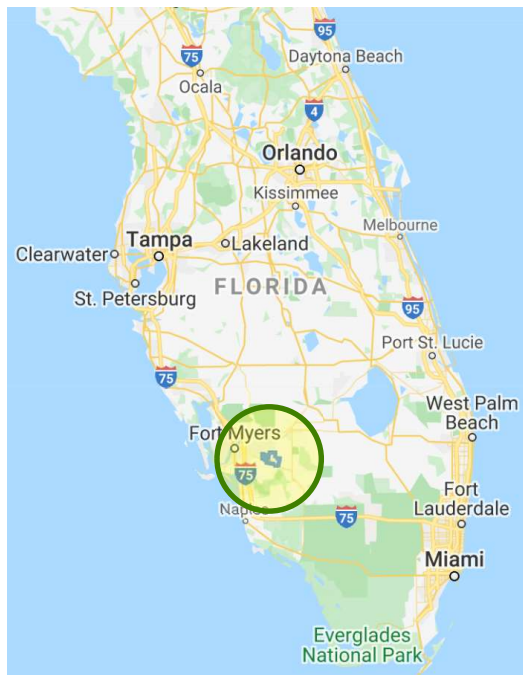
J&J identified the top three zip codes for initial investment

- J&J's analysis concluded that the following zip codes pose the least risk and are initial targets for investment

Zip Code	City, State	Zillow Home Value Index (4/2018)
33974	Lehigh Acres, FL	\$164,700
47353	Liberty, IN	\$88,200
67860	Larkin, KS	\$142,000

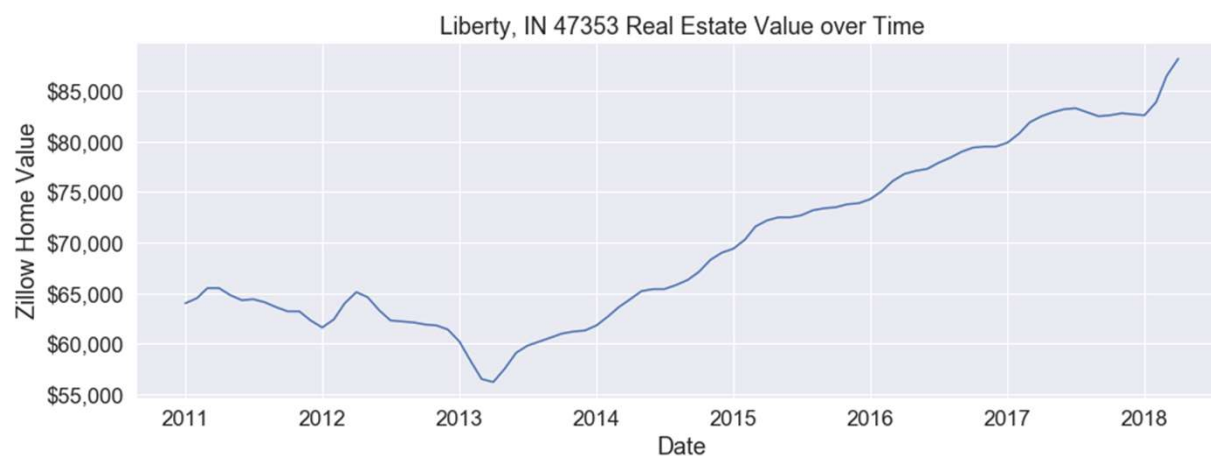


Real estate trends in Lehigh, FL 33974



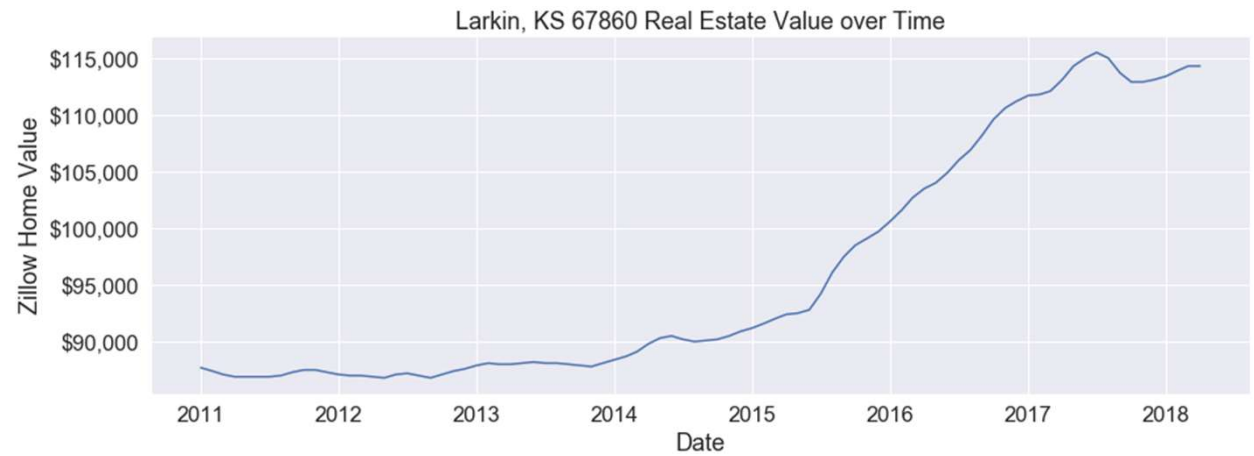
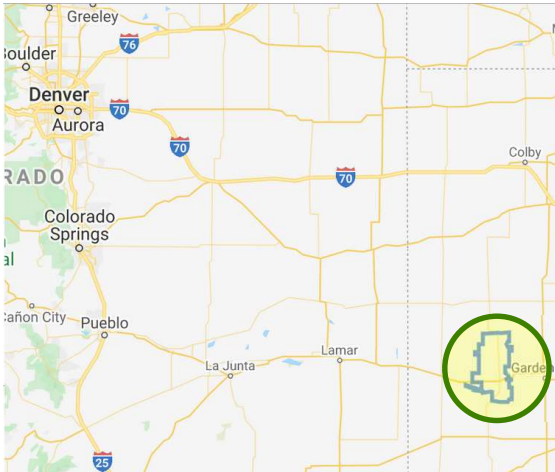


Real estate trends in Liberty, IN 47353



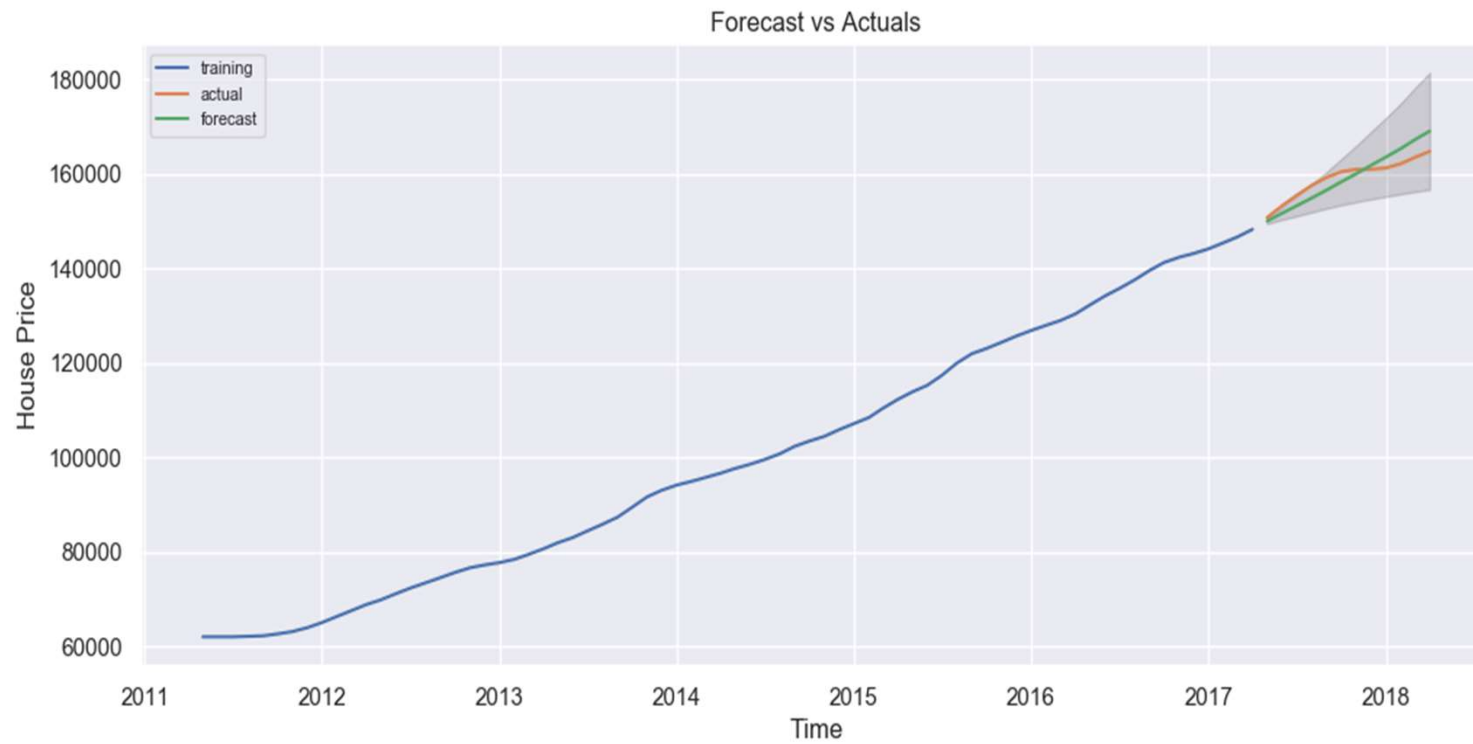


Real estate trends in Larkin, KS 67860



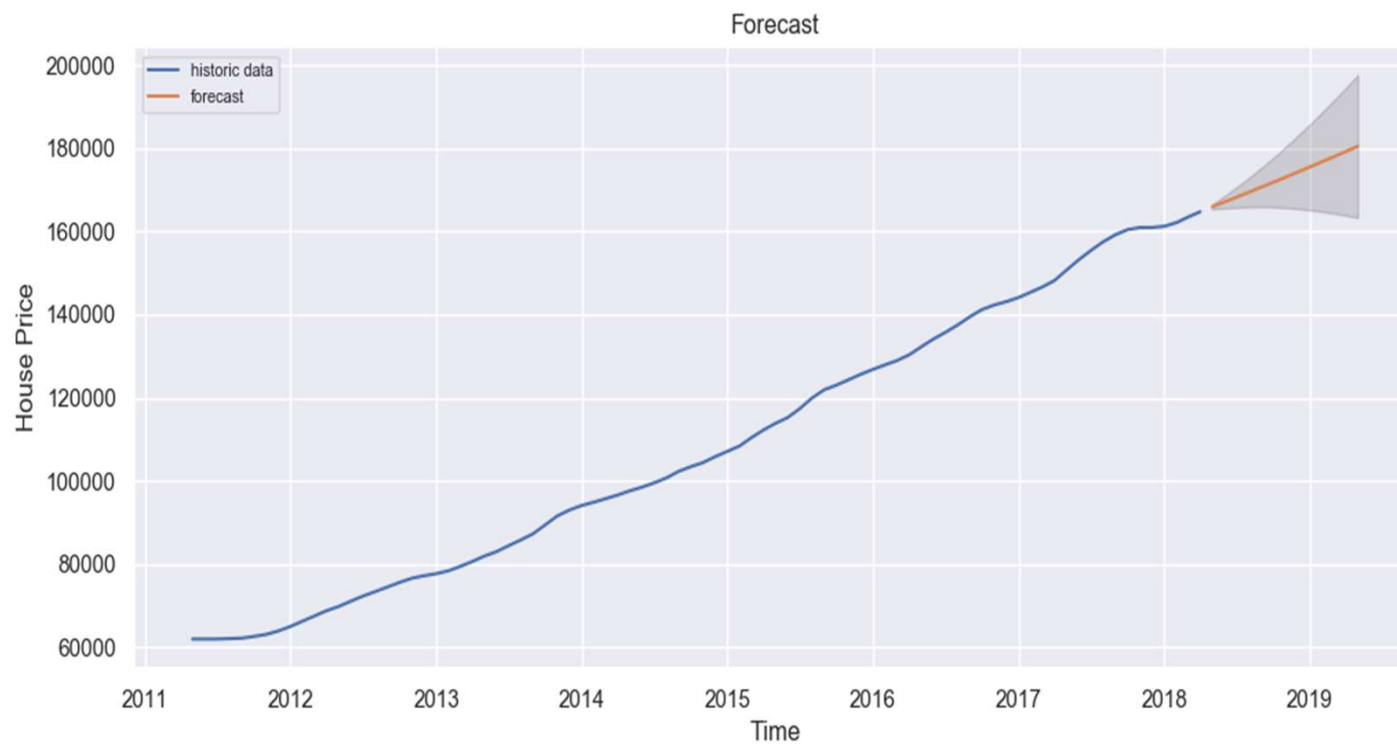


Forecasted real estate values in Lehigh, FL 33974





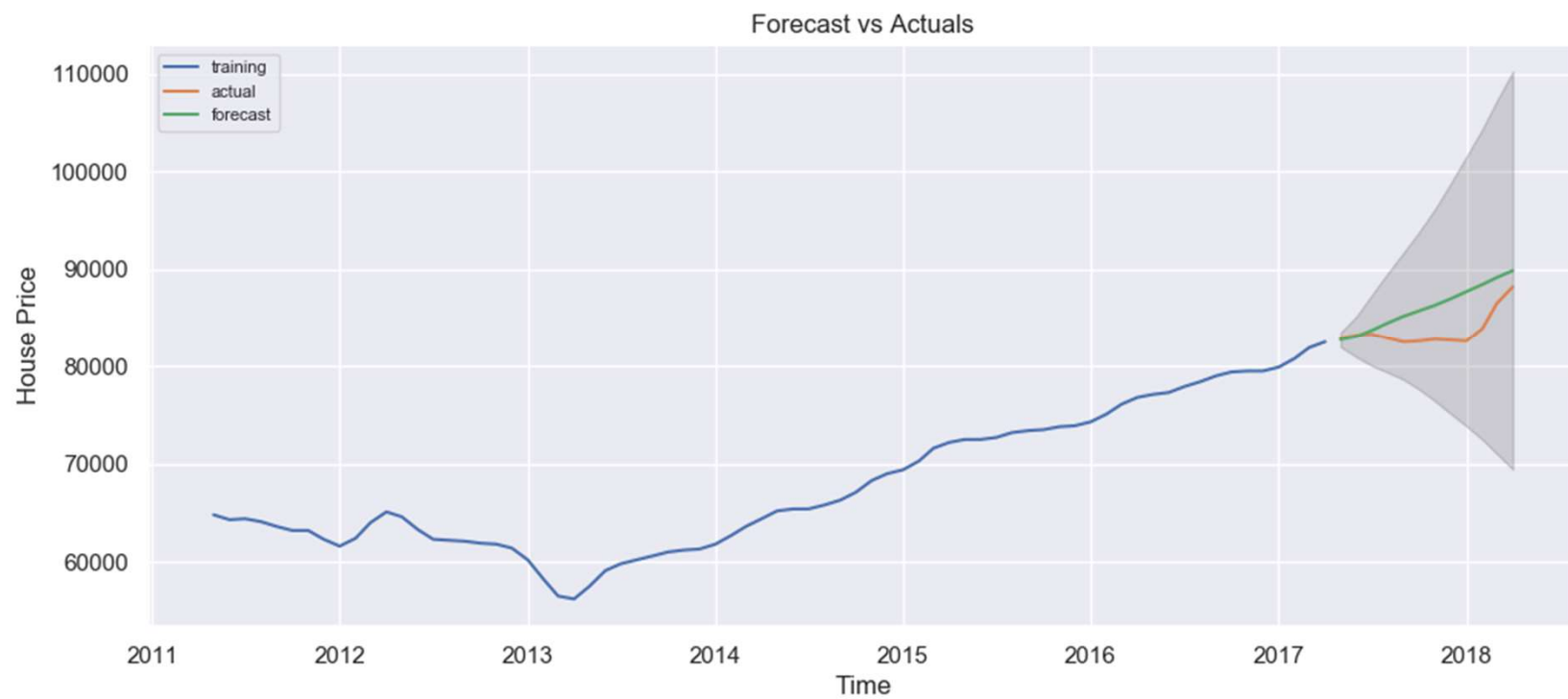
Forecasted real estate values in Lehigh, FL 33974



Forecasted
Annual Growth:
6%
Confidence Level:
66%

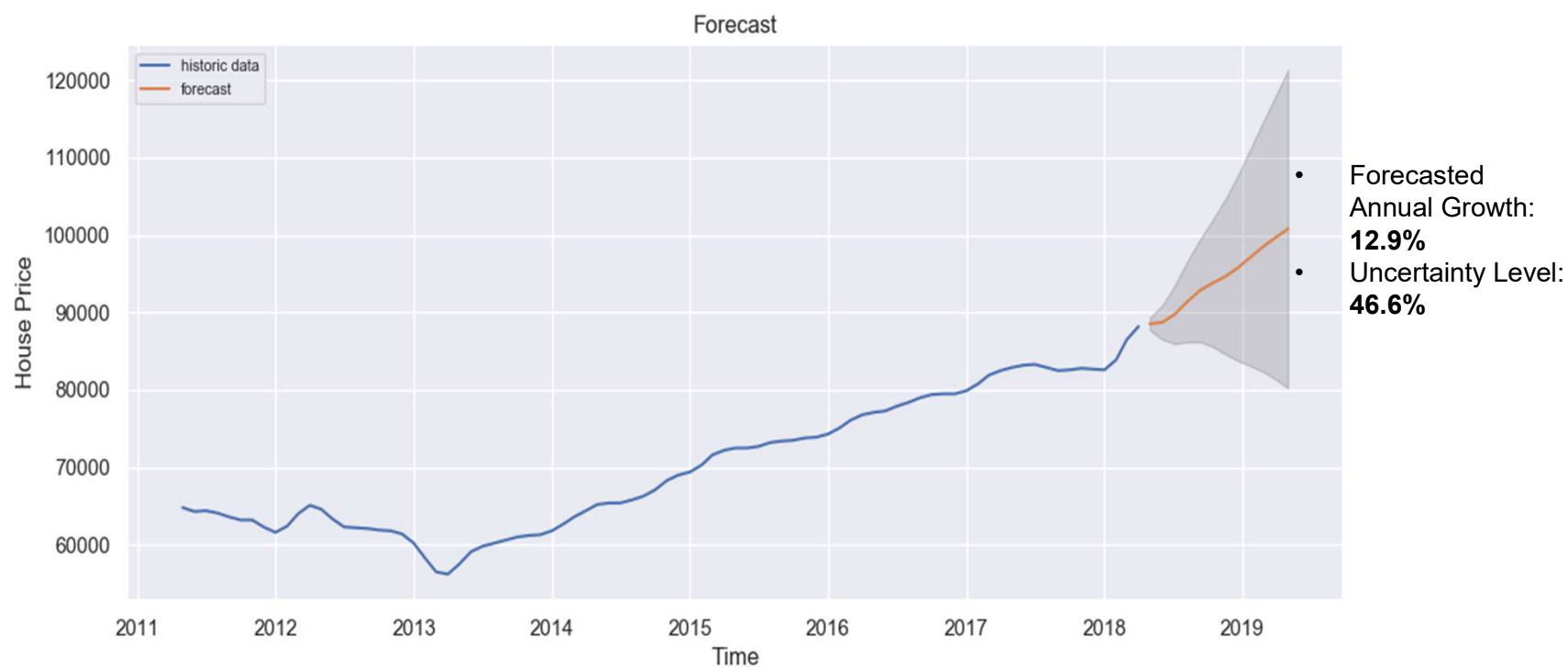


Forecasted real estate values in Liberty, IN 47353



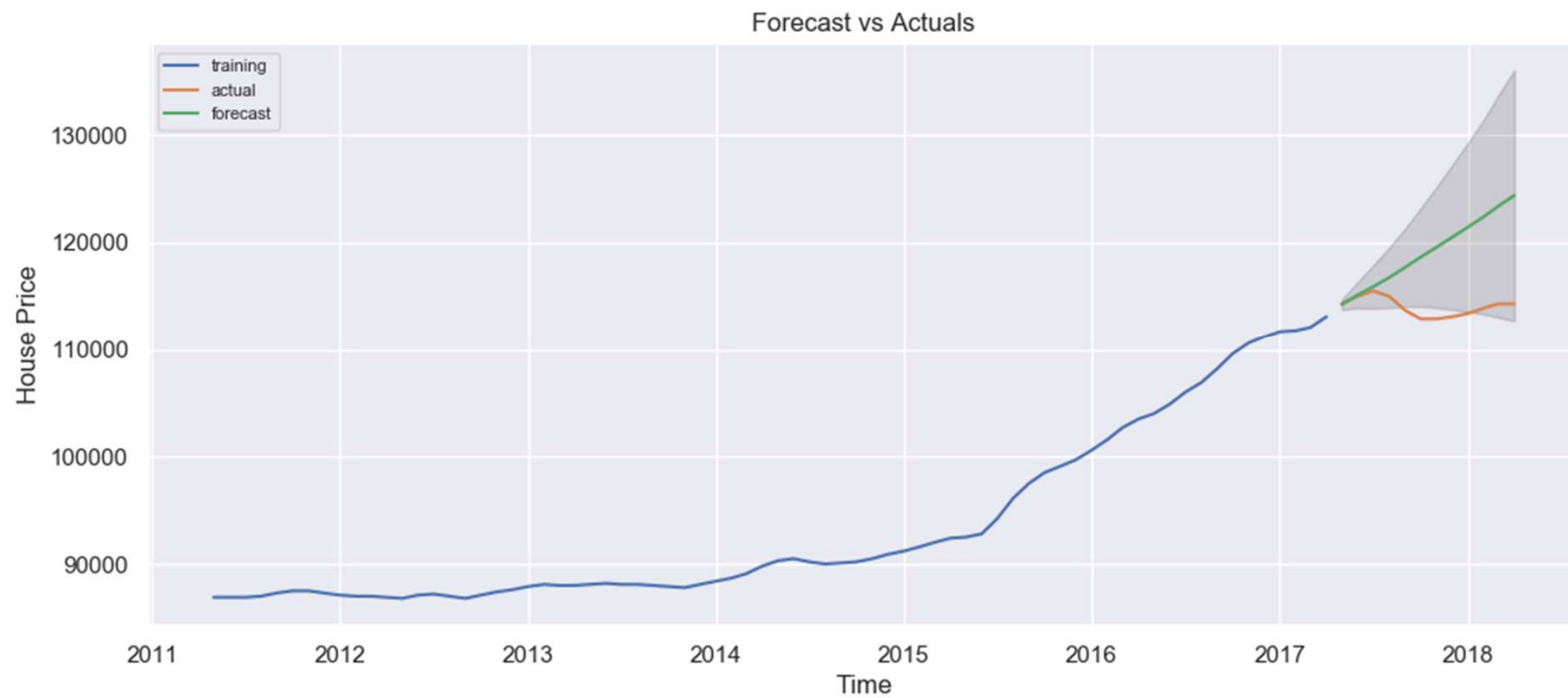


Forecasted real estate values in Liberty, IN 47353



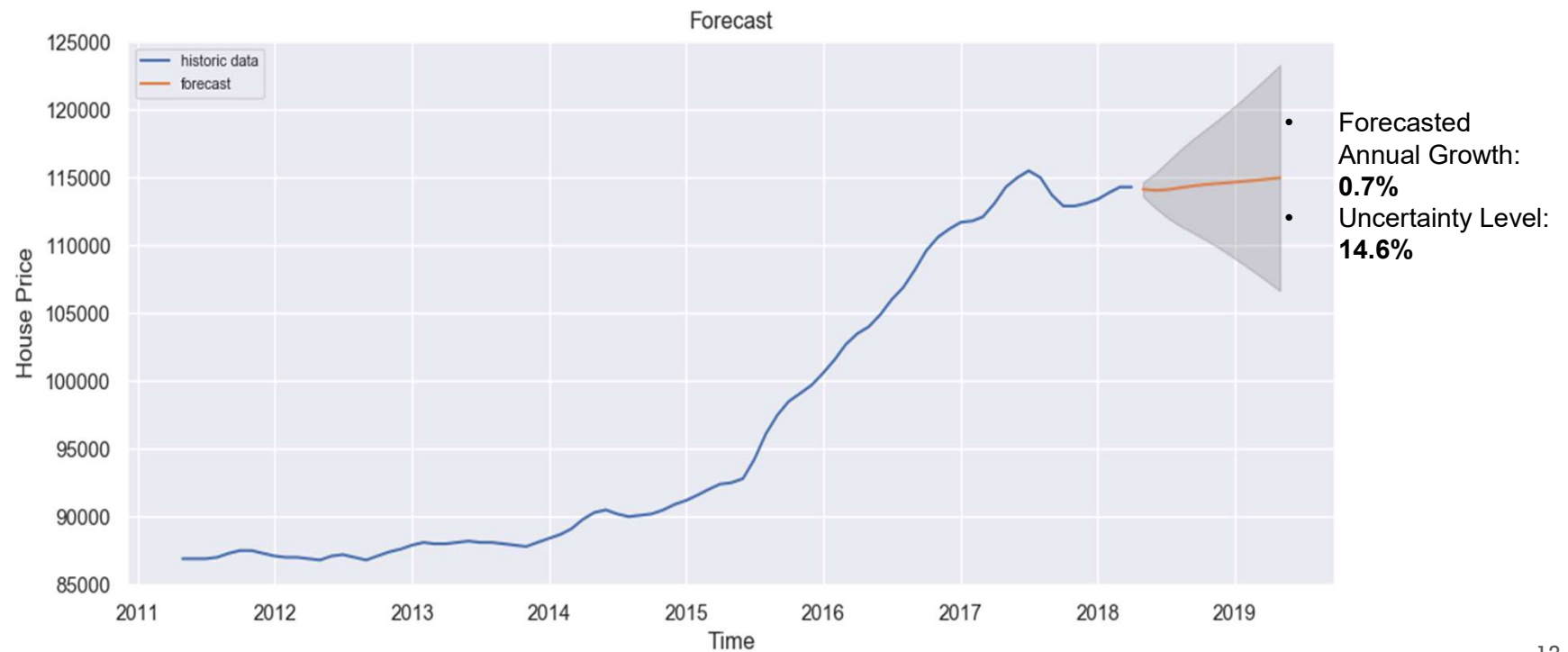


Forecasted real estate values in Larkin, KS 67860





Forecasted real estate values in Larkin, KS 67860





The Numbers:

Zipcode	Lehigh, FL	Liberty, IN	Larkin, KS
Forecasted Return	8.38%	12.90%	0.70%
Positive Uncertainty	20.00%	37.60%	7.89%
Negative Uncertainty	0.80%	8.00%	6.69%
Downside Ratio	23.12	4.18	1.17
Risk Adjusted Return Score	9.31	1.16	0.05
Portfolio Weights	78.89%	20.36%	0.75%

The Numbers:



Number Crunch Time

What's the bottom line?

Implementing a portfolio as specified by J&J, investors can expect a return of

8.49%

over the next 12 months

(Note: The entire real estate market averaged only 6.06% in the past 12 months)

Recommendations

- Augment analysis by integrating data pertaining to access to credit per zip code in the U.S.
- We recommend that you all invest in J&J today!



Next Steps

- Continue to monitor cash flows from portfolio to validate forecast
- Assess effect of Covid-19
- Implement credit default swap strategy for rapid capital extraction in the even of complete financial meltdown



Thank you for
your time.

Are there any
questions?

