

# Optimal returns on property sales in King County

EDA for 05/2014-05/2015

Client specific analysis for Charles Christensen

Johannes Timm

# Questions

- speculative value increases in certain areas?
- Are specific objects more lucrative for speculation?
- Is there a benefit in renovation of properties?
- Can market timing help to optimise the profits?
- —> Optimise the ROI

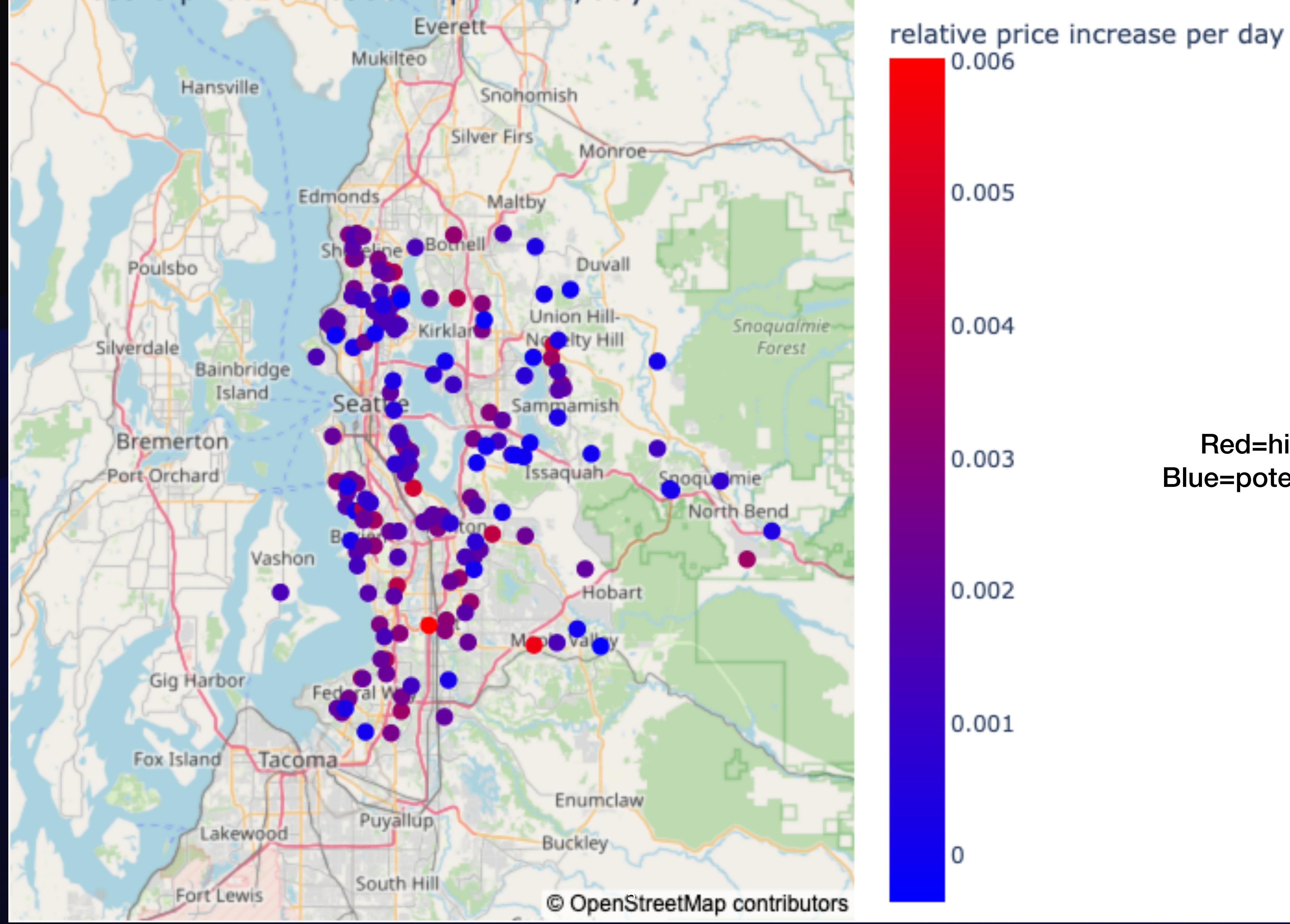
# Regional Value Changes

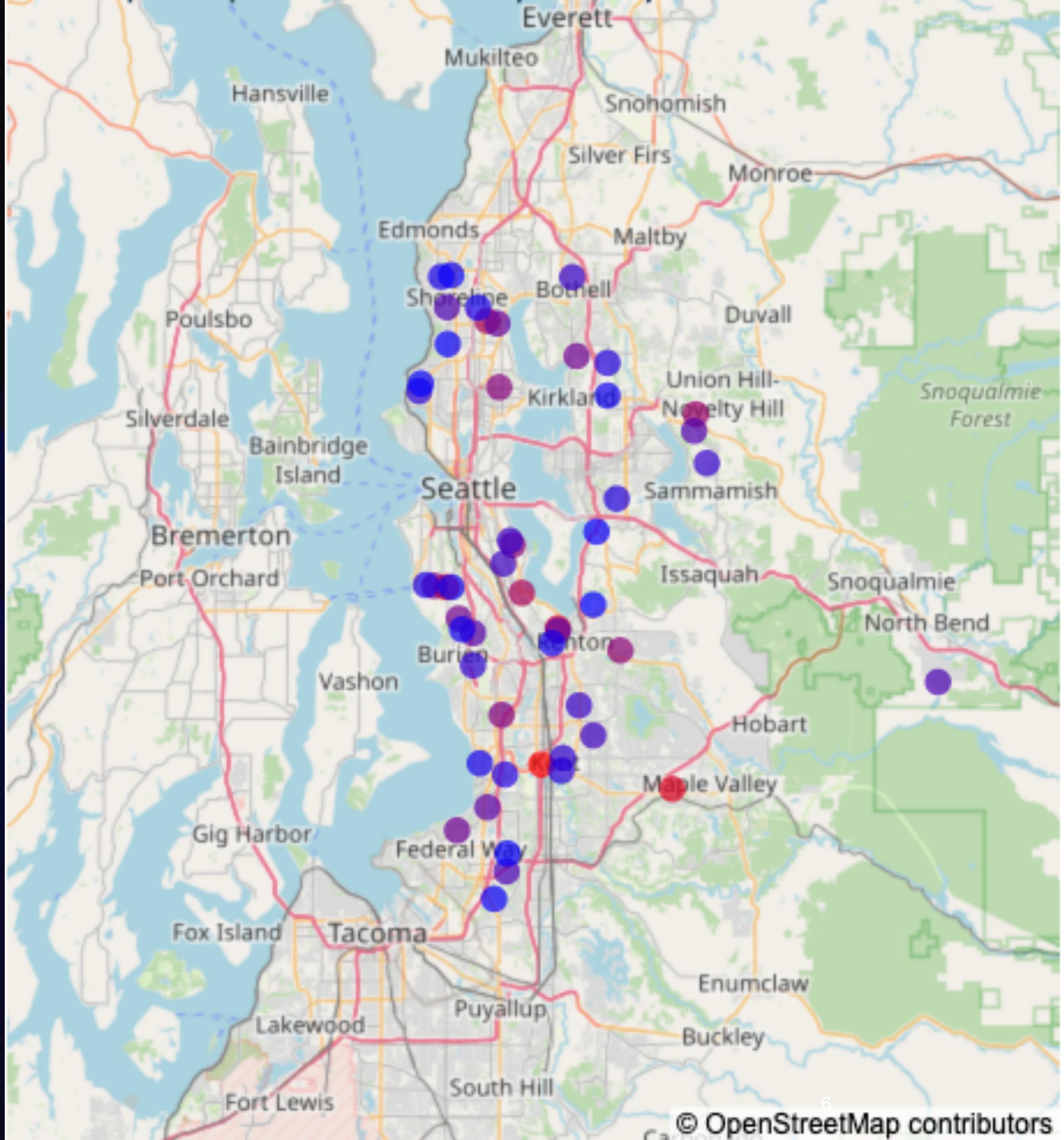
# Method

- Analysis of houses which are resold at least twice within the timeframe of 05-2014 to 05-2015 (117 - houses)
- Calculated the potential margin and normalised by the time-difference between each sale

Definition :

relative price increase per day=  $(\text{price2}-\text{price1})/\text{price1}/(\text{date2}-\text{date1})$





relative price increase per day

0.006

## The Top 50 Profitable Resales

0.0055

0.005

0.0045

0.004

0.0035

0.003

Note: different colorscale

# What makes these resales so profitable?

## What do these houses have in common?

- evaluated as grade 6 or 7 , with a condition of 3, unrenovated
- No waterfront or special view
- Living Space of 1534 sq.ft. (1155-1830)
- Lot Size of 8759 sq.ft. (7164-9654)
- Median Price: \$ 268475 , Mean Price: \$317316
- Median \$/sq.ft.: 194 Mean \$/sq.ft.: 212
- Typically 3 bedrooms and 1-2 bathrooms on 1 Floor

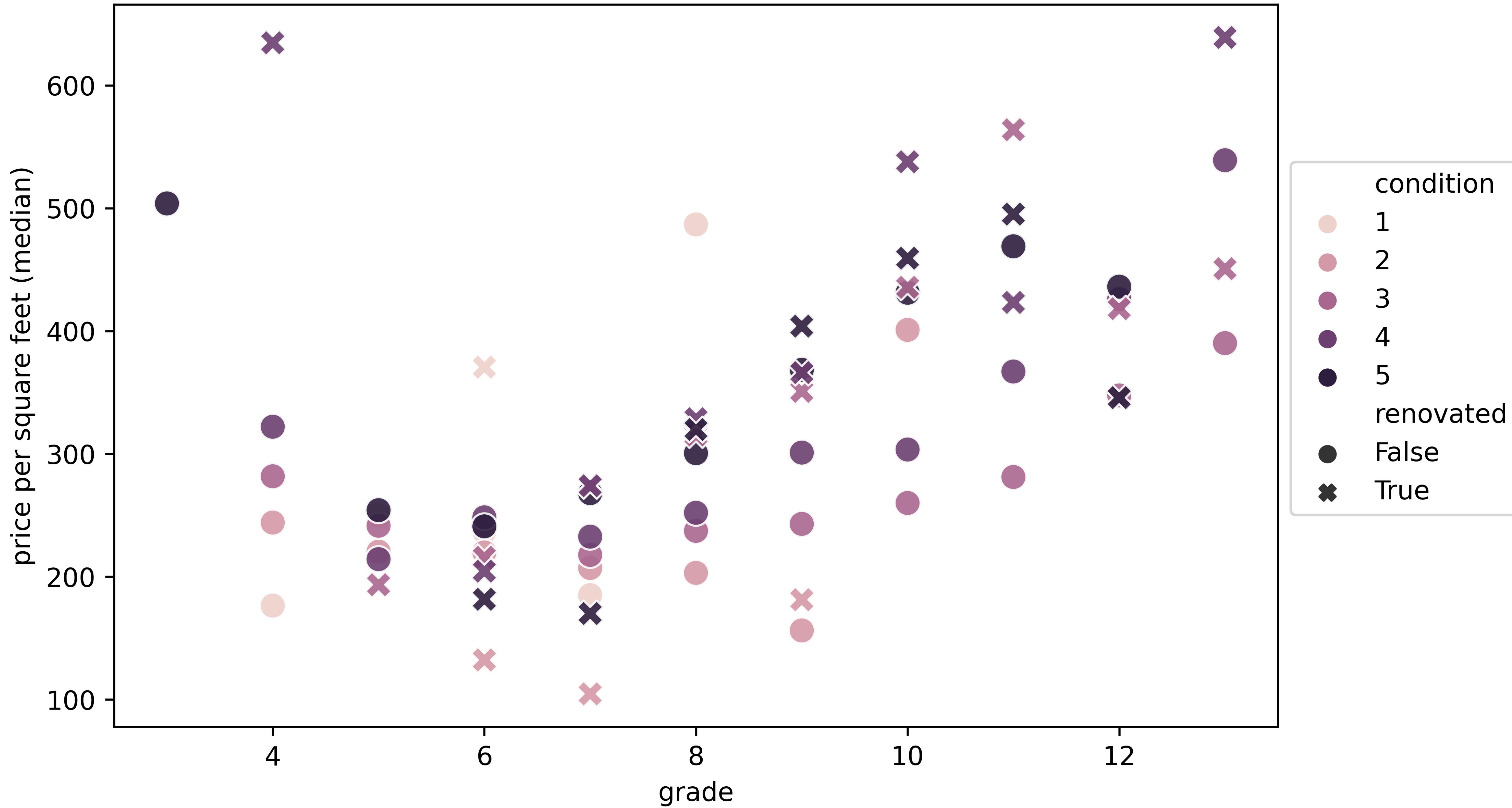


# Does Renovation boosts sale prices?

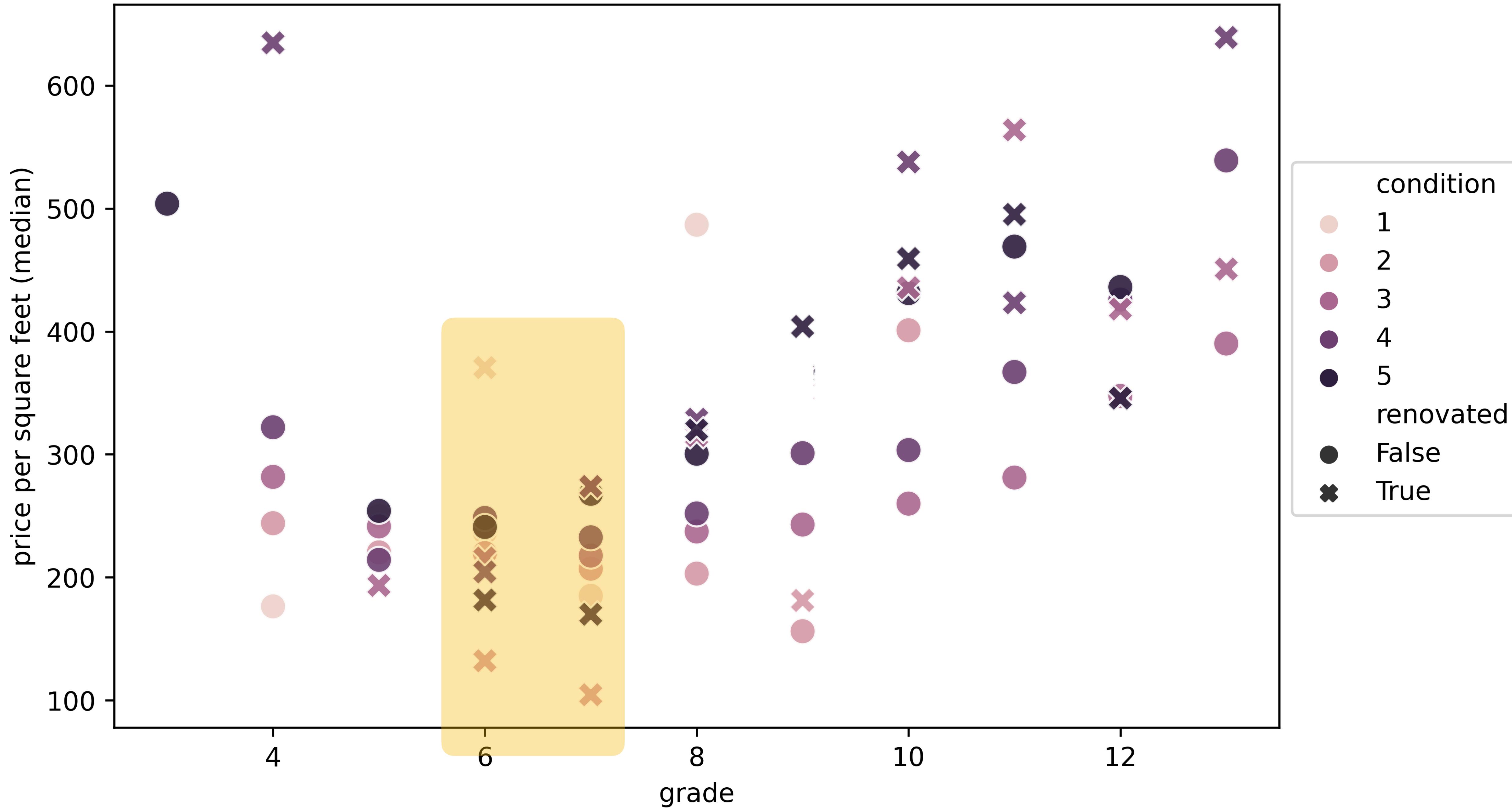
# Method

- Sorted all Housing data by grading and condition and renovation status
- Assumption: for different typical houses (by grade and condition) the price per sq.ft. will change

price per square feet depending on the condition grade and renovation status



price per square feet depending on the condition grade and renovation status



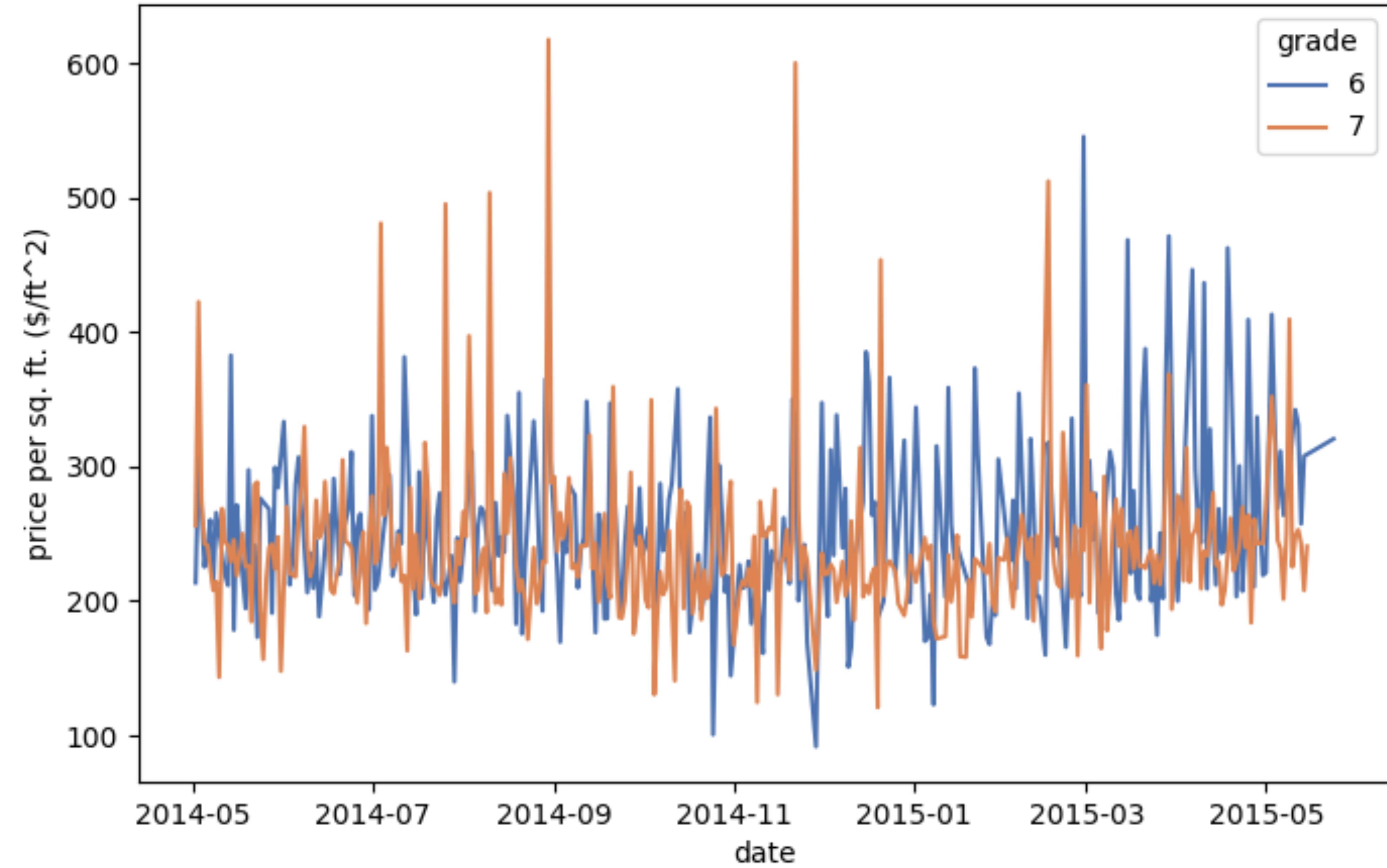
# Renovation matters - for someone else

- For houses of grades 6 and 7 there is no notable difference in price per sq. ft.  
Due to a previous renovation
- Sweet spot to let speculation drive the price
- For higher grades renovation can increase the sales price, however the overall ROI might still be lower.

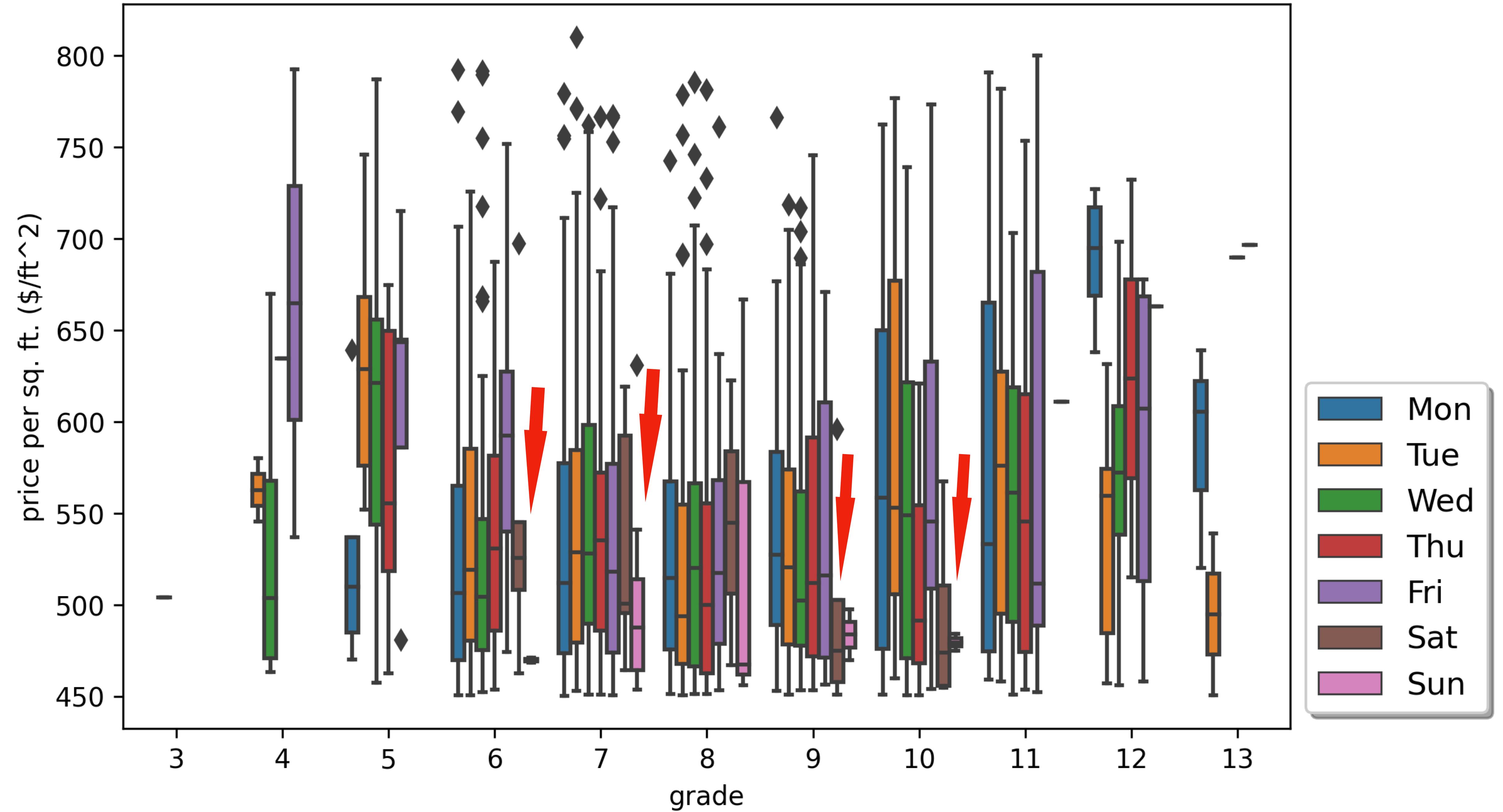
# Market Timing

# Market behaviour

- Only data of one year was covered, thereby multi annual trends and patterns repeating on a annual basis may be missed
- Selective analysis of sales in all categories exceeding 450\$/sq.ft. show a decent pattern



# Prices by sq.ft. >450 by Grade and Day of Week



# Recommendations

# Recommendations

- Resell houses on speculative basis in central Seattle
- Focus on unrenovated homes of grade 6 or 7 with a condition of 3
- Don't renovate them
- Don't sell on weekends, but buy on weekends

# Outlook

- Advanced analysis on market timing
- Identify additional special factors for speculative price increases e.g.:
  - New constructions nearby
  - other objects in the neighbourhood
  - Unusually low previous sale price? - foreclosures?