

# Best Investments Housing Market U.S.A

Michael Noel

# What defines a good investment?

- Low Risk
- High Return
- The lower the risk and the higher the return the better the investment will be for a house flipper.

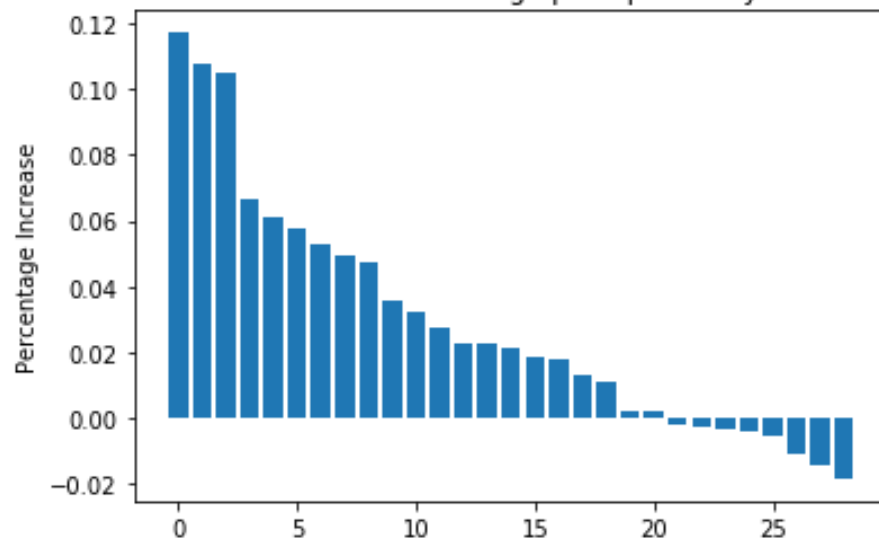
# Business Model

- I would use my predictions for house flippers, short term arbitrage deals, and any 1 year lease buildings.
- My predictions work best for these cases because the housing market is risky and my model had a higher error rate than the predicted return. Meaning an investor has to buy for less than fair market value and create value to make money without risking too much.

# Investing and Risk

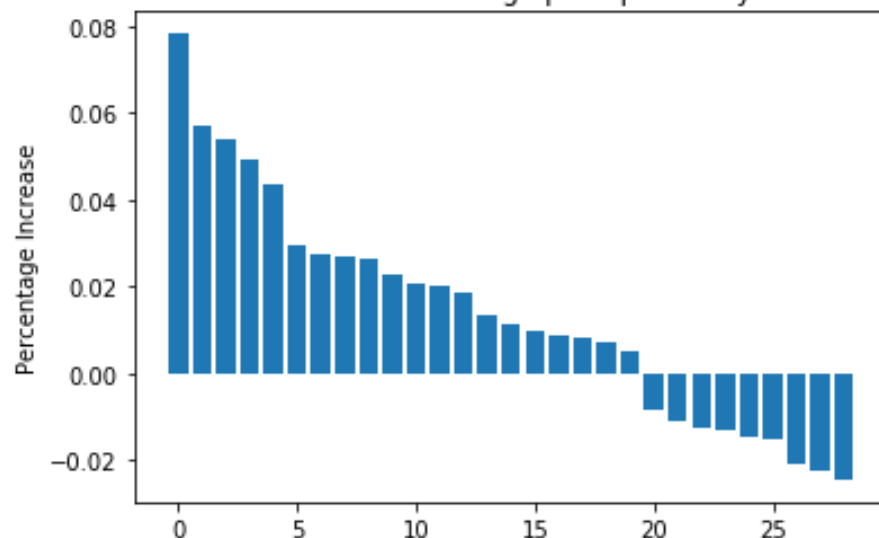
- I lowered the risk of the investments in certain zipcodes in few ways
- Filtered only the top 5 long term returns per state
- Remove zipcodes with negative future predictions
- Only zipcodes with less than a 15% model training error or less
- Filter by top percentage return predictions in 1 year, 2 year, and 4 years

Median Home Value Price Change per zipcode 1 year from now



[94011, 69081, 100265, 88764, 100220, 59894, 100226, 80620, 89862, 95316, 59958, 100235, 88961, 93976, 81097, 59901, 82930, 93856, 69428, 59973, 83143, 83088, 69037, 83894, 89827, 67188, 93858, 83510, 89833]

Median Home Value Price Change per zipcode 2 years from now

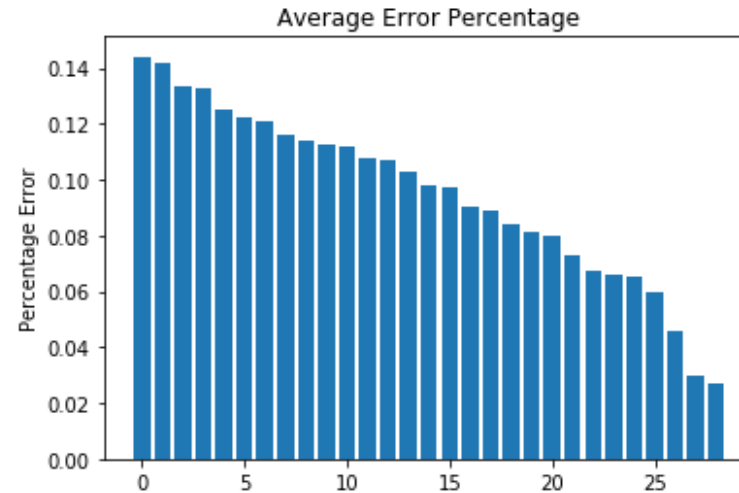


[94011, 69081, 100226, 100265, 100220, 89862, 88764, 100235, 59958, 88961, 80620, 59894, 95316, 59973, 83894, 69428, 93976, 81097, 69037, 82930, 83510, 93856, 67188, 93858, 89827, 83143, 59901, 83088, 89833]

# The 1 Year Investments are the best

- The 1 year investments were a better percentage return
- The 2 and 4 year investments are not worth the same amount or less than  $\frac{1}{2}$  the return as the 1 year

# Error Rate



[93976, 89862, 95316, 83088, 88764, 82930, 88961, 59901, 100220, 59894, 83143, 69081, 83894, 69428, 89827, 67188, 94011, 80620, 100226, 83510, 100235, 93858, 93856, 89833, 59973, 69037, 81097, 59958, 100265]

The Error is the percentage that the predictions were different from the actual price in the training model. 15% or less is a reasonable amount of error and risk.

# Suggestions

- I would suggest buying homes that are undervalued and fix them so that the house is worth more than what is spent on fixing and buying it.
- The market is not good enough to simply buy at market price and then wait for the market to go up. The risk would not be worth it.
- I would make sure to buy and sell within 1 year because it is the most accurate prediction time period and the best return possible.



# Future Work

- Some future work would be running models on all the zipcodes and tuning the model parameters to make better models.
- Also adding in economic factors like jobs, schools, business projects, taxes in that area, and how many people leave versus how many people move there.
- Figure out which houses per zipcode go up in value the most, the nicest houses, the middling houses, or the poor people houses.

# Thanks

- Thanks for looking at my presentation!