



EDEGON & COMPANY

HELPING REAL ESTATE EQUITY FIRMS TO MAXIMIZE THE VALUE OF THEIR INVESTMENTS

INVESTMENT STRATEGY
PRESENTED TO:





AGENDA

INVESTING IN REAL ESTATE, KING COUNTY, WA

1

DATA SOURCE

Details on the data

2

TRENDS

Visualization of important
patterns in the data

3

OUR MODEL

Multi-regression model predicts
house prices in order to
discover housing features with
the greatest impact

4

INVESTMENT SOLUTIONS

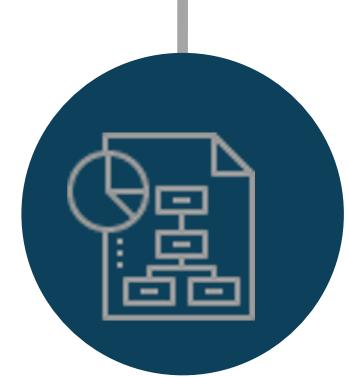
Our model helps us make
recommendations that lead to
profitable investments

OUR PROCESS

OSEMN

Step 01

OBTAIN



Gather data on house prices and various housing features

Step 02

SCRUB



Clean the data and select housing features that best optimize house price

Step 03

EXPLORE



Discover relevant trends and correlations among the data

Step 04

MODEL & INTERPRET



Build a model to forecast profitable investments

OUR DATA

KING COUNTY, WA HOUSING (2014- 2015)

21,597 HOUSE'S SALES TRANSACTIONS, 21 HOUSE PRICES AND ITS FEATURES

VIEW

Quality of view seen from the house

SIZE

Square footage (lot vs. indoor living space)

WATERFRONT

Proximity of house to waterfront

GRADE/CONDITION

Condition related to maintenance of house/ Grade related to the construction and design of house

DATE

Date house was sold

YEAR BUILT & RENOVATED

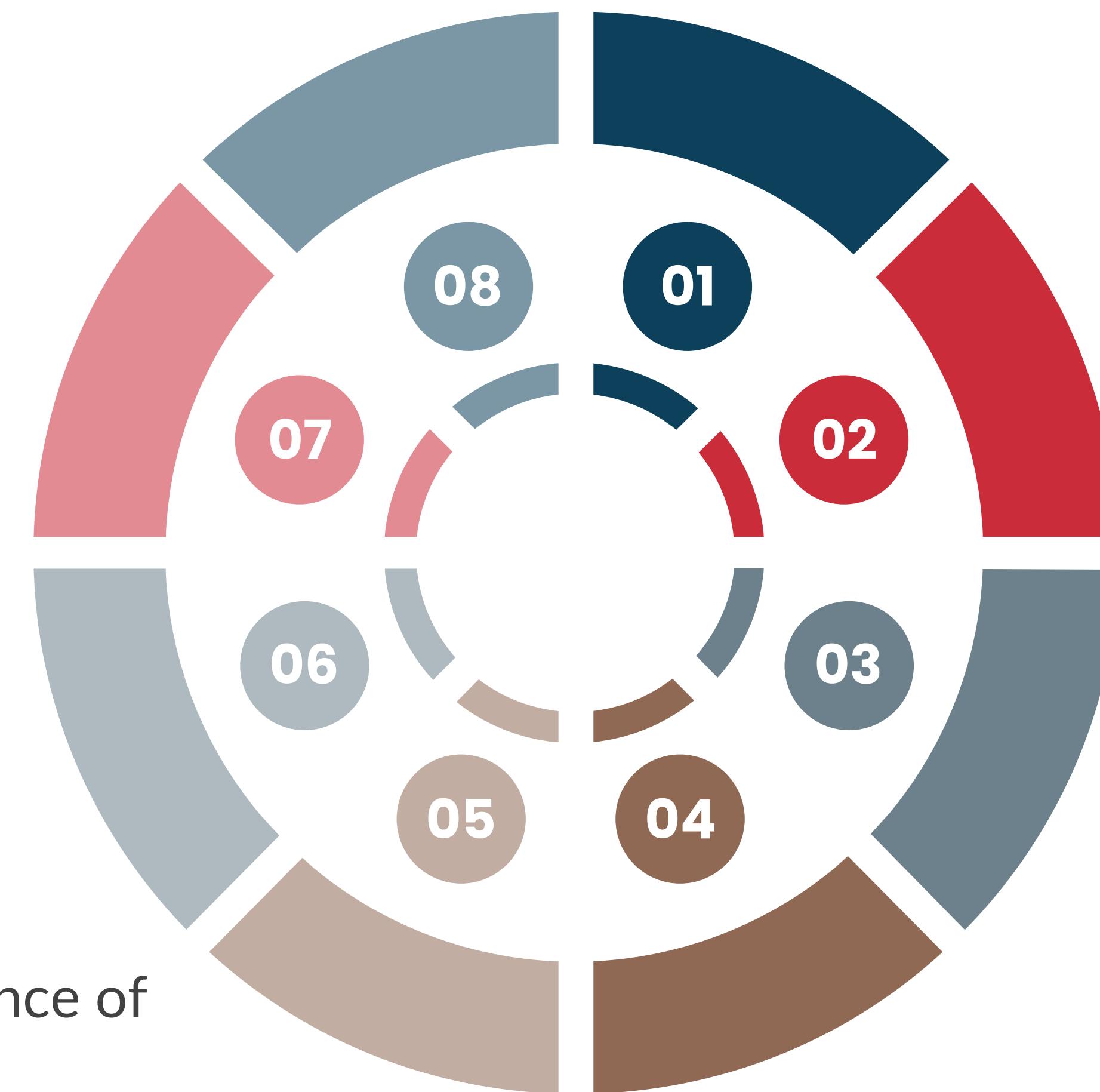
Year when house was built and renovated.

ZIPCODE

ZIP Code used by the United States Postal Service

GEOGRAPHY

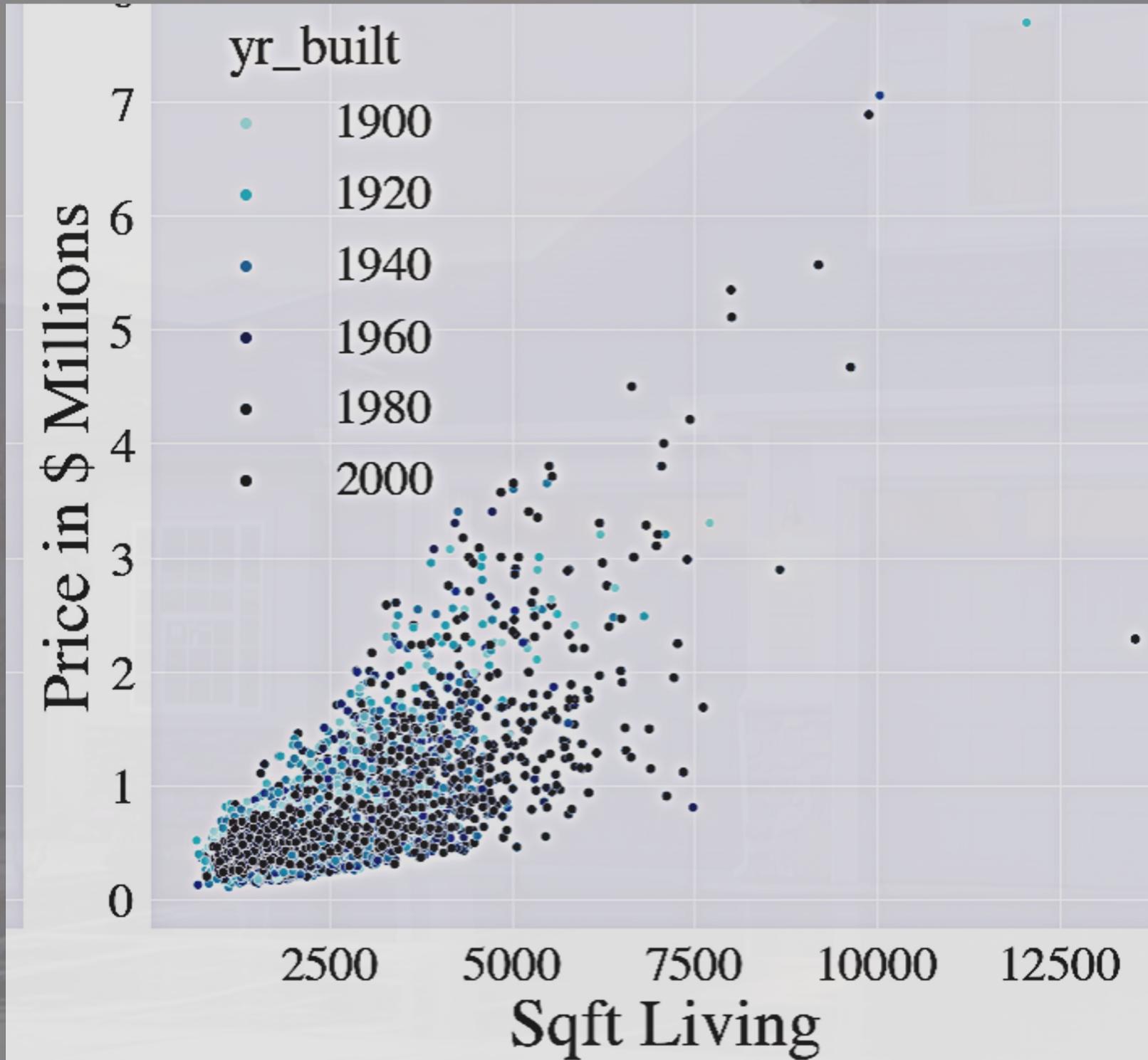
Latitude/Longitude coordinates



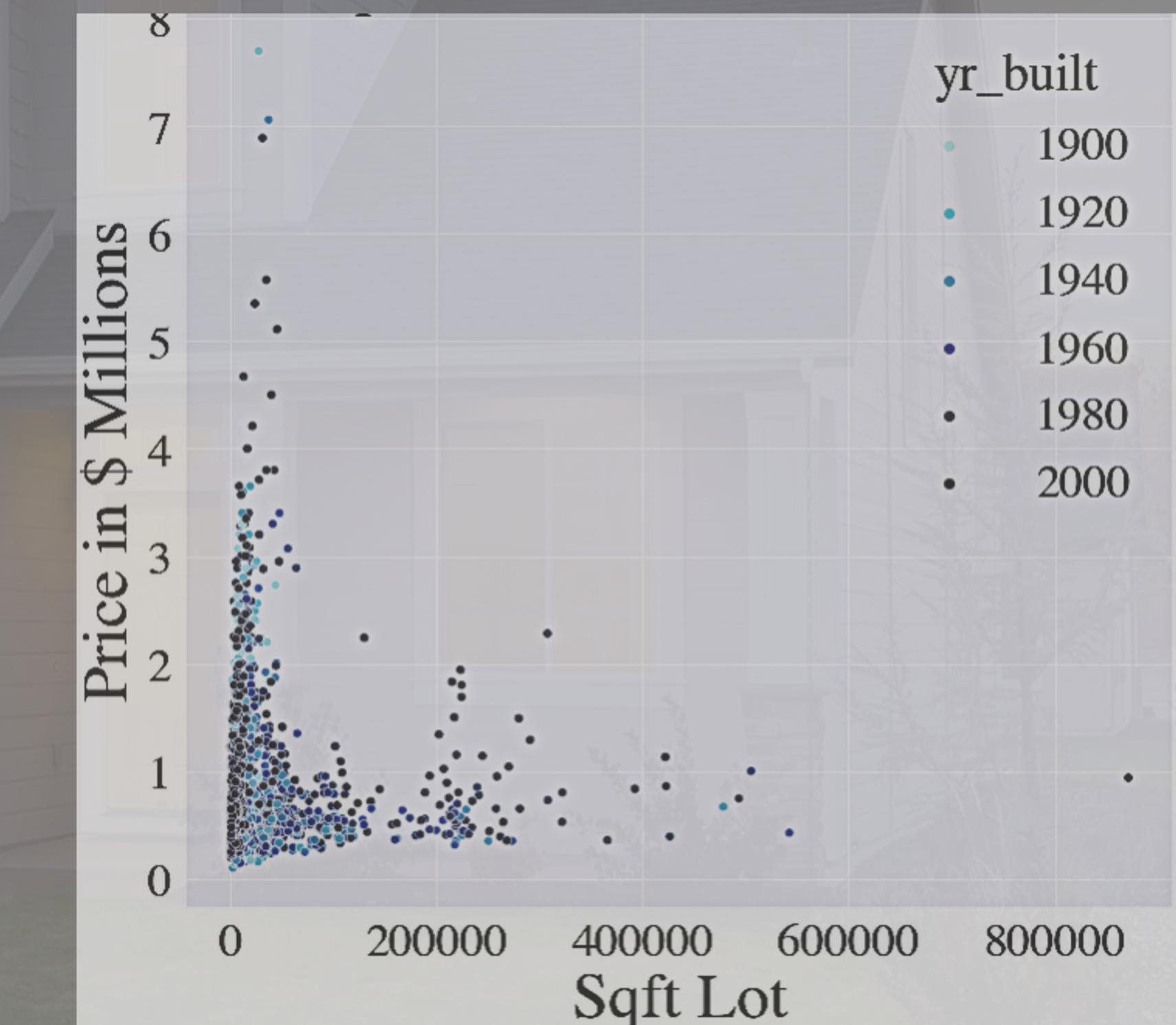
COMPARING LIVING SPACE WITH LOT SIZE

CORRELATIONS

LIVING SPACE



LOT SIZE



VS

0.72

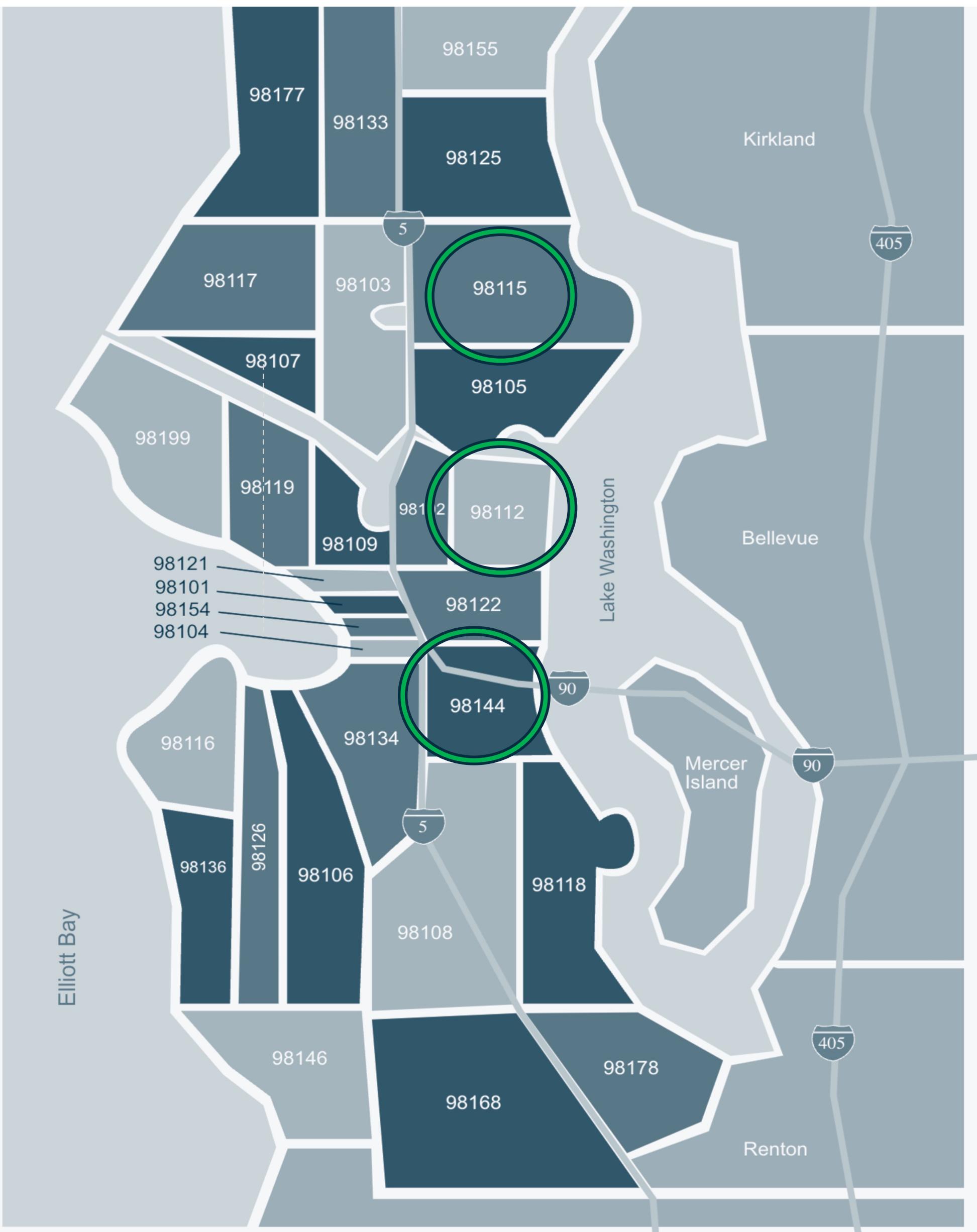
Correlation

0.07

Correlation

LOCATION WHERE HOUSES HOLD VALUE

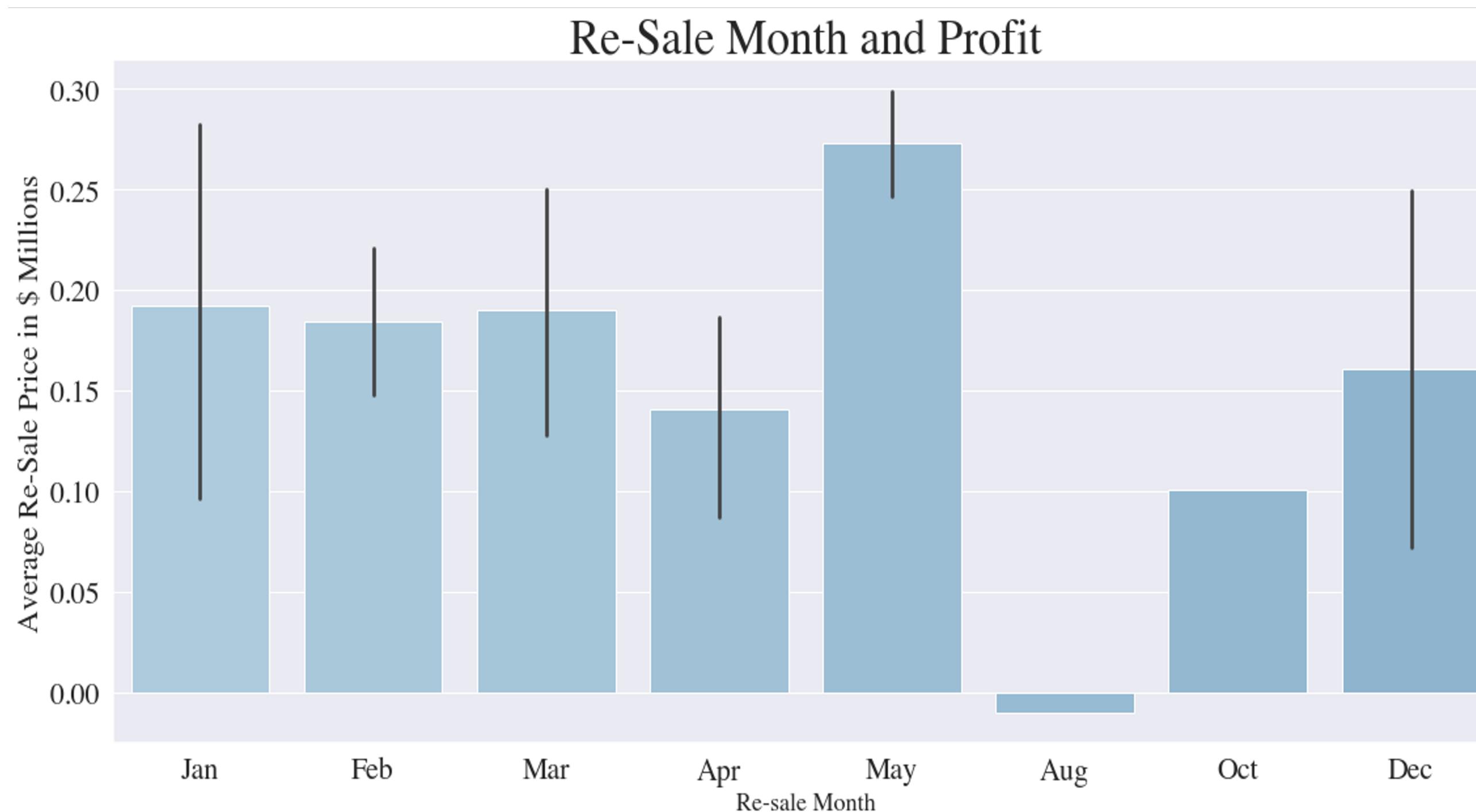
ZIPCODES



- The average price of the top 5% most expensive houses ranges from \$1.5 to nearly \$3 million.
- Green Circles indicate the most expensive zip codes.
- These zip codes are moderately incorporated and have waterfronts.

PROFITABLE MONTHS

SEASONALITY RESALE



MAY

Profit ranged from \$250K
to \$300K

JANUARY - MARCH

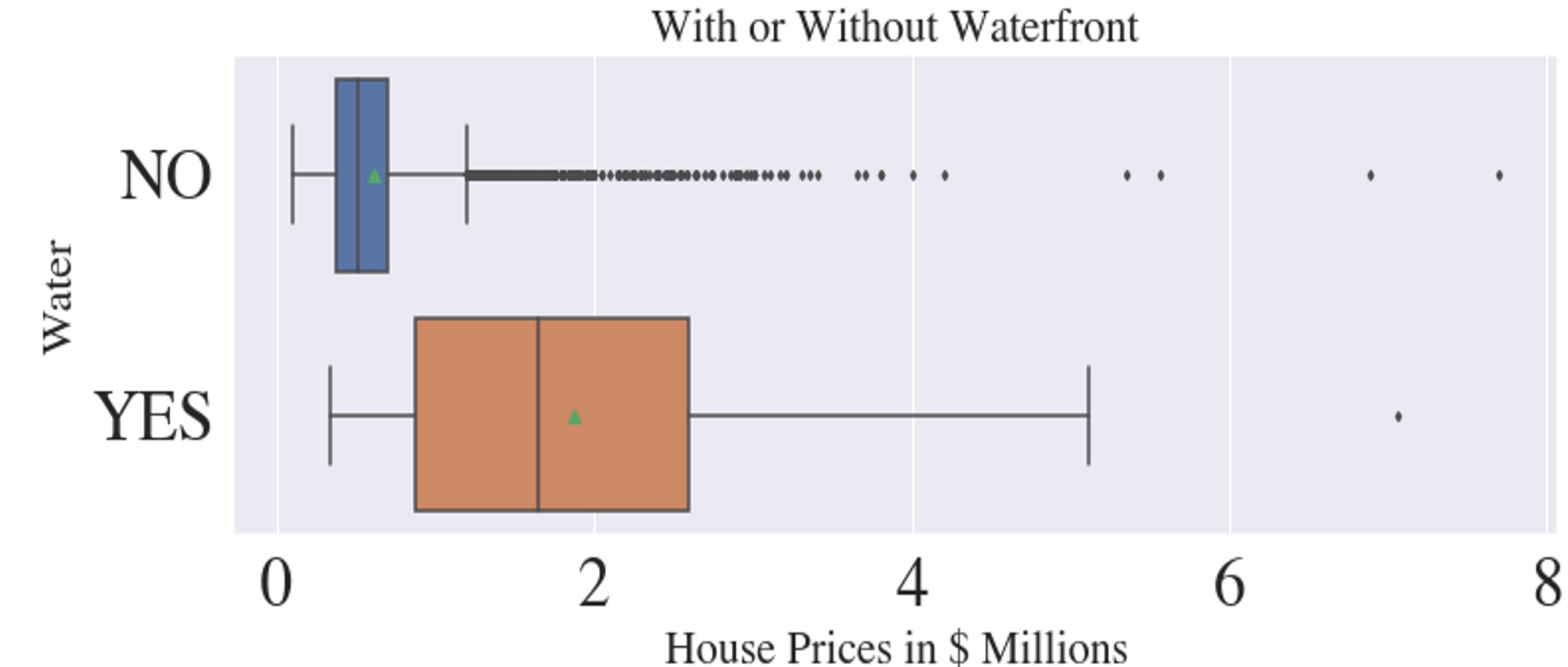
Profit ranged from \$250K
to \$300K



INVESTING IN A VIEW

QUALITY OF VIEW

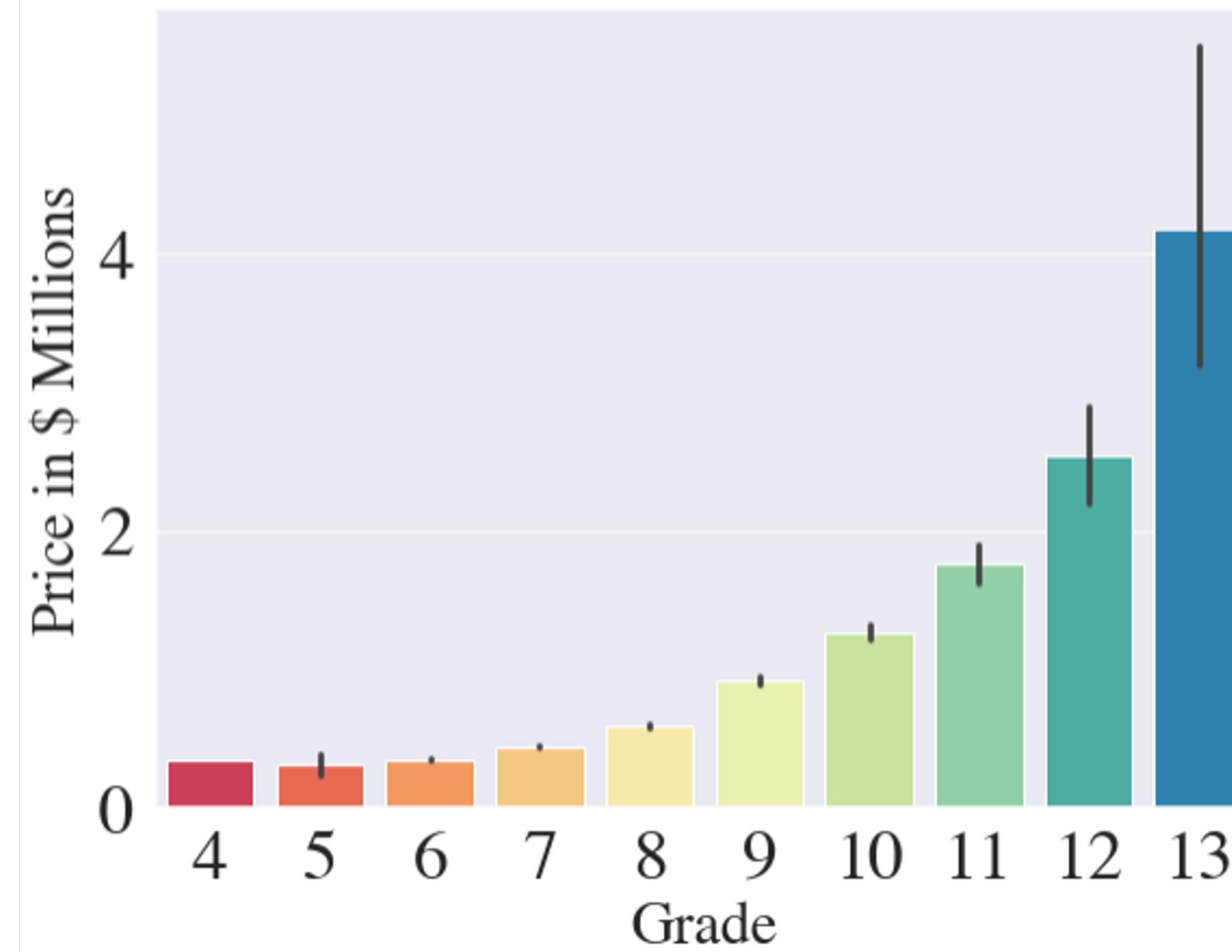
- Only 7% of houses have what is considered a “good” or “excellent” view, and these range from \$800K to \$2 million in value. By comparison, 83% of houses do not have a view, and these range from \$350K-\$500K in value.
- In particular, waterfront homes are significantly more valuable than those without. Homes without a waterfront typically range from \$300K-\$600K, while waterfront homes typically cost more than three times that amount, from \$900K-\$2.6M.



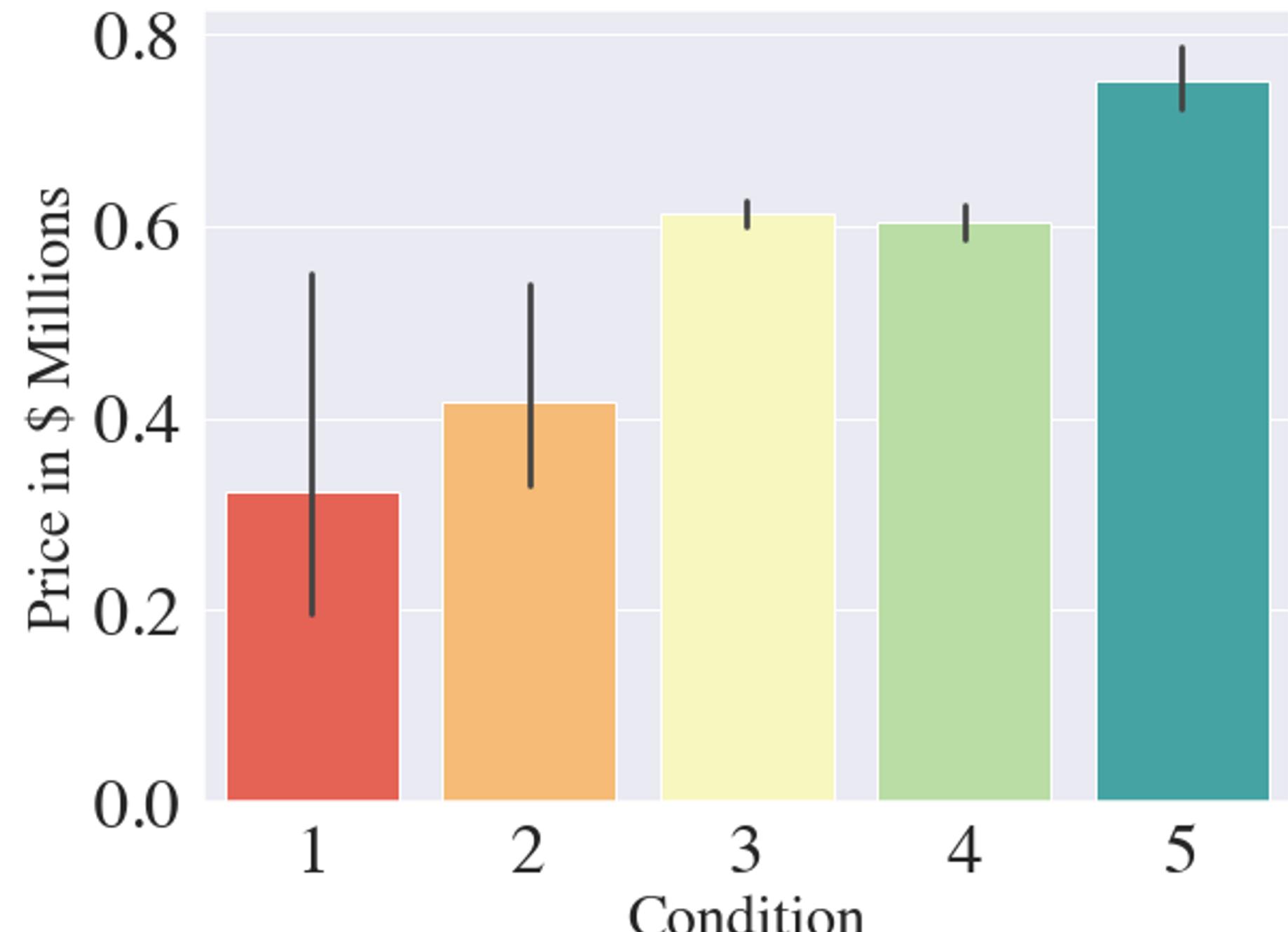
GRADE

CONDITION

Grade and House Prices



Condition and House Prices



Grade: the quality of materials and appliances used throughout the structure

Condition: how well the structure is maintained, which helps determine the extent of renovations needed



OUR MODEL

OUR MULTI-REGRESSION MODEL PREDICTS
HOUSE PRICES IN ORDER TO IDENTIFY
INVESTMENT OPPORTUNITIES IN KING
COUNTY.

MODEL RESULTS

MULTI-REGRESSION MODEL

Split Data: Training 75%/Testing 25%

	TRAINING	TESTING	EXPLANATION
R-SQUARED	64%	65%	64% of the variability observed in house prices is explained by the independent variables in a regression model.
MEAN SQUARED ERROR	0.07%	0.08%	The average discrepancy of house prices in this model will be roughly \$68K per house.

PRICE PREDICTION BASED ON HOUSING FEATURES

SELECTED MODEL FEATURES



CONDITION

The average price of a house in very good condition increases by \$130K.



VIEW

The average price of a house with an excellent view of a small lake or river increases by \$385K.



MONTH

During the months of March and April, the average price of a house increases by \$34K-\$38K.

BUSINESS SUGGESTIONS

INVESTMENT RECOMMENDATIONS FOR EDEGON & COMPANY

01

LOCATION: Invest in the zip codes where the value of the house is higher than average in order to increase the chances of maintaining house value. Consider investing in zip codes 98118, 98116, 98109, 98122, whose market value is currently mid-range but also include some of the most profitable housing features.

02

VIEW: Prioritize a house with a great view, particularly if it has a waterfront.

03

SIZE: Look for large living area rather than a large lot size. Houses ranging from 2,500 sqft to 5,000 sqft have a high correlation to house prices.

NEXT STEPS

YOUR SUBTITLE HERE

HISTORICAL DATA

Gather more data from previous years

BUY & SELL DATA

Focus on profitable transactions (buy/ sell) with the new data

INTERPRET

Rank features based on how they affect house prices



CONTACT US

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