



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 DATA

KING COUNTY, WA HOUSING (2014- 2015)

21,597 HOUSES'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

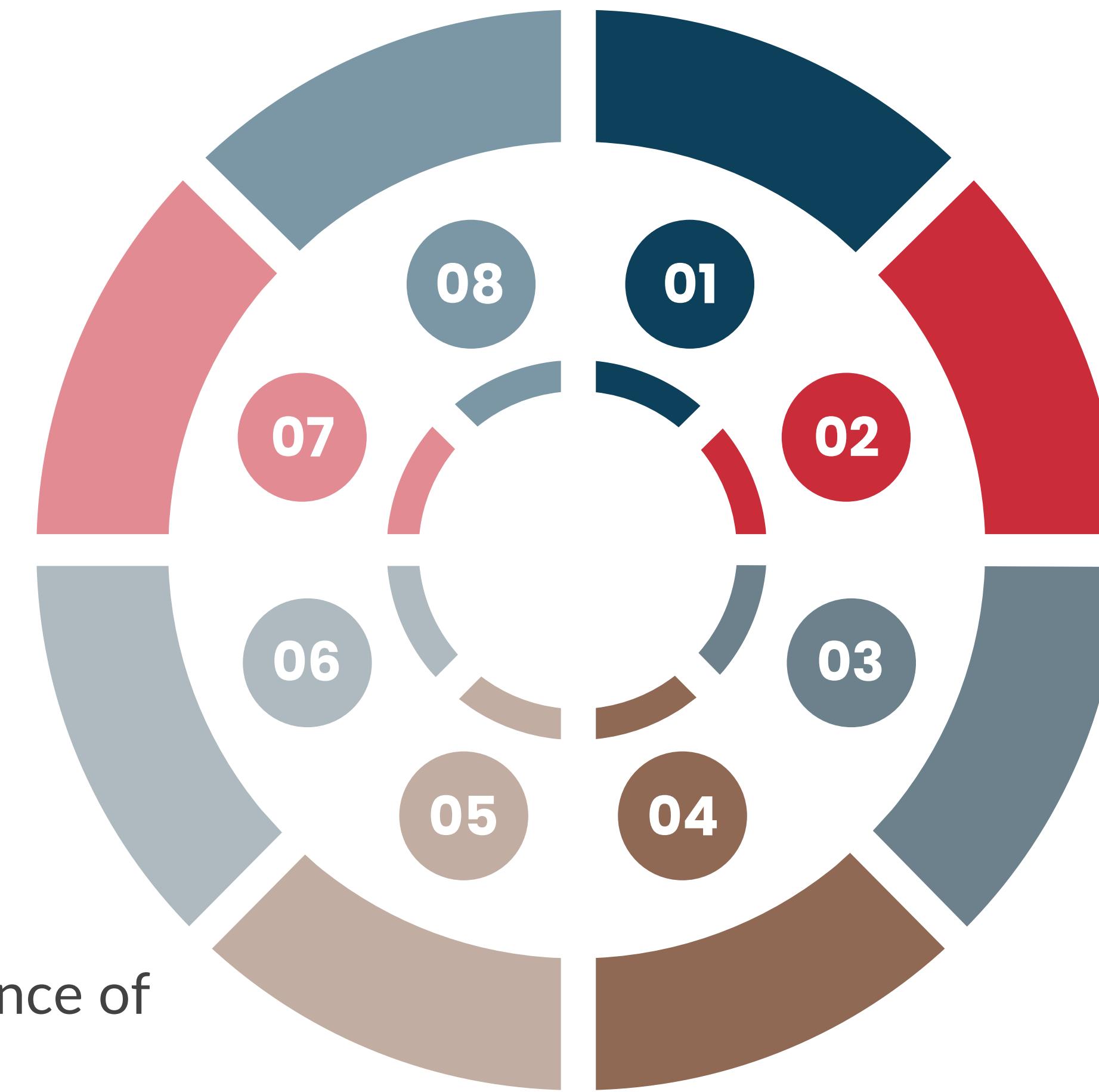
Year when house was built and renovated.

ZIPCODE

ZIP Code used by the United States Postal Service

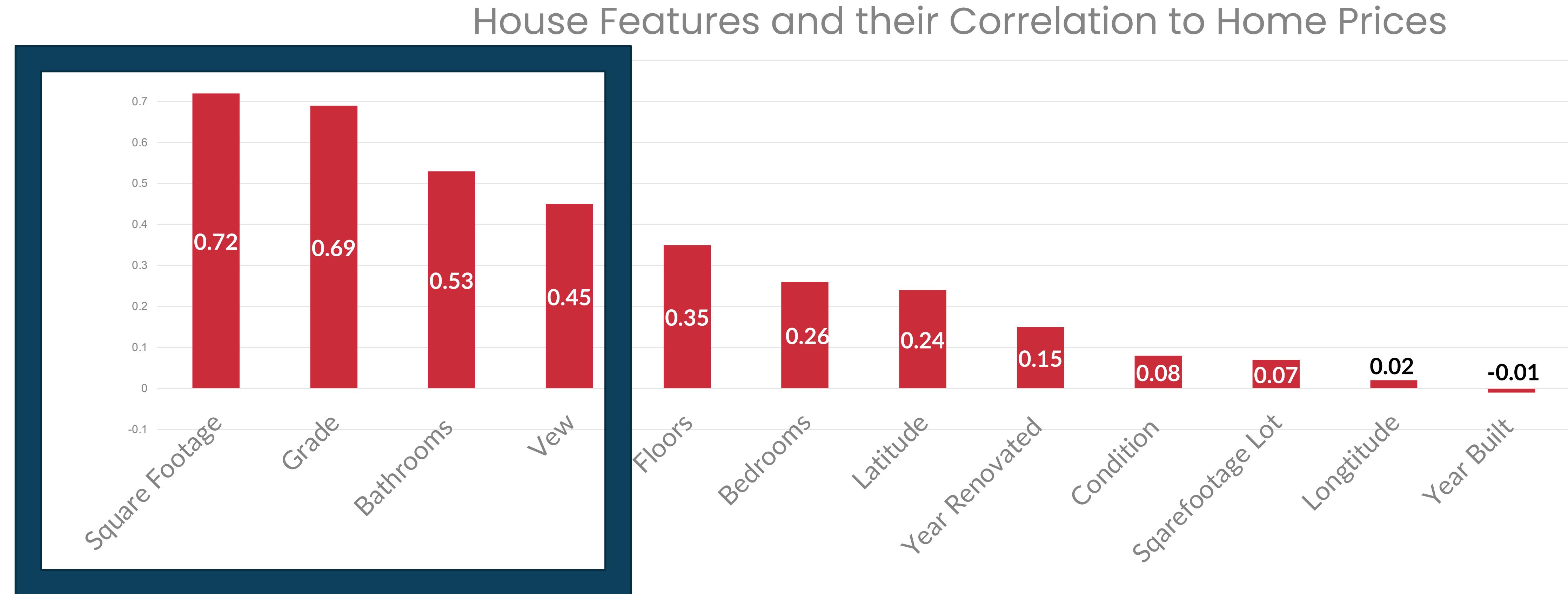
GEOGRAPHY

Latitude/Longitude coordinates



CORRELATIONS

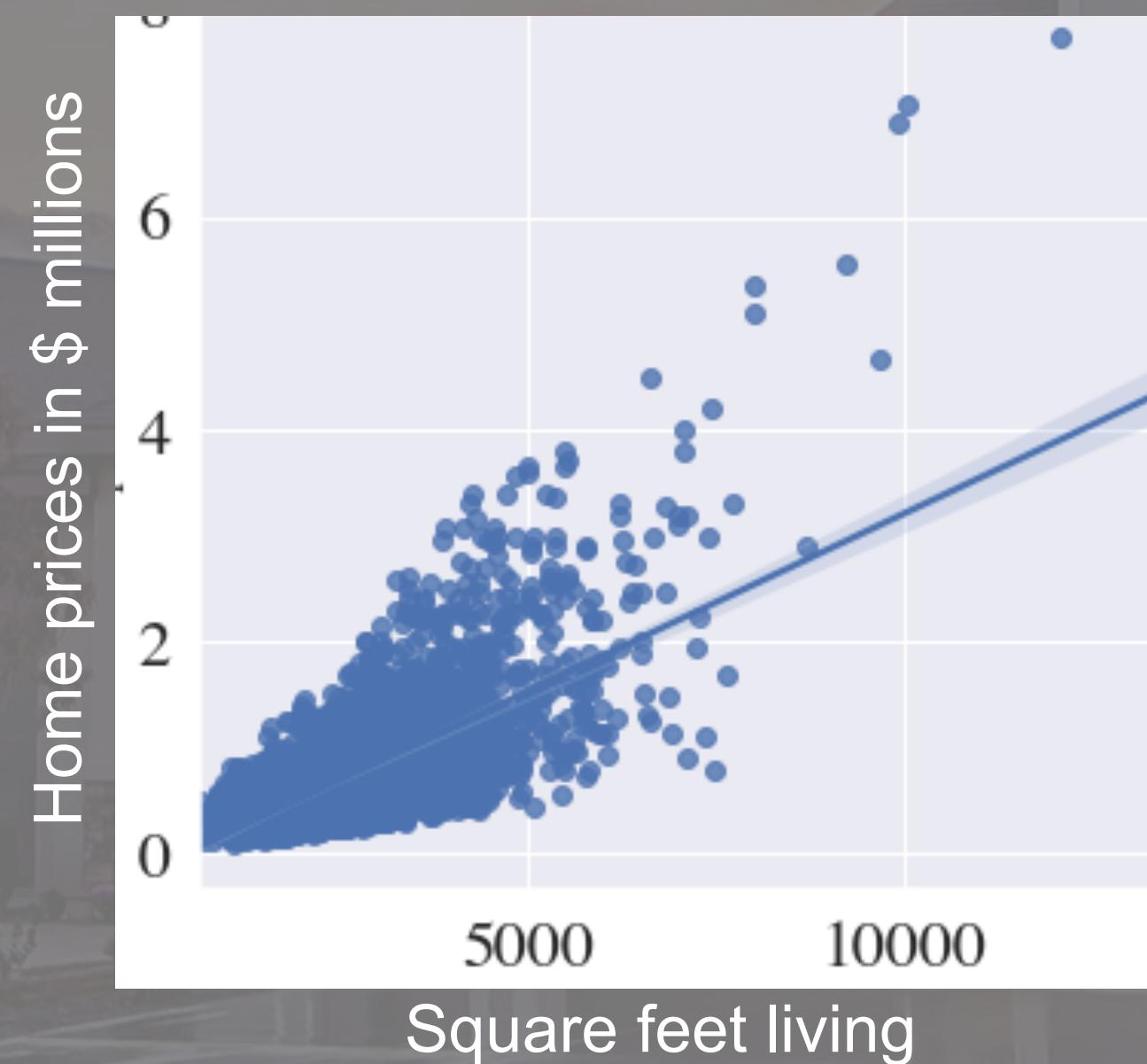
- We removed redundant data (e.g. square footage above & basement.)
- We removed zip codes since it has the number do not follow a meaningful order.



Home Features with High Correlations

Square Feet and Bathrooms

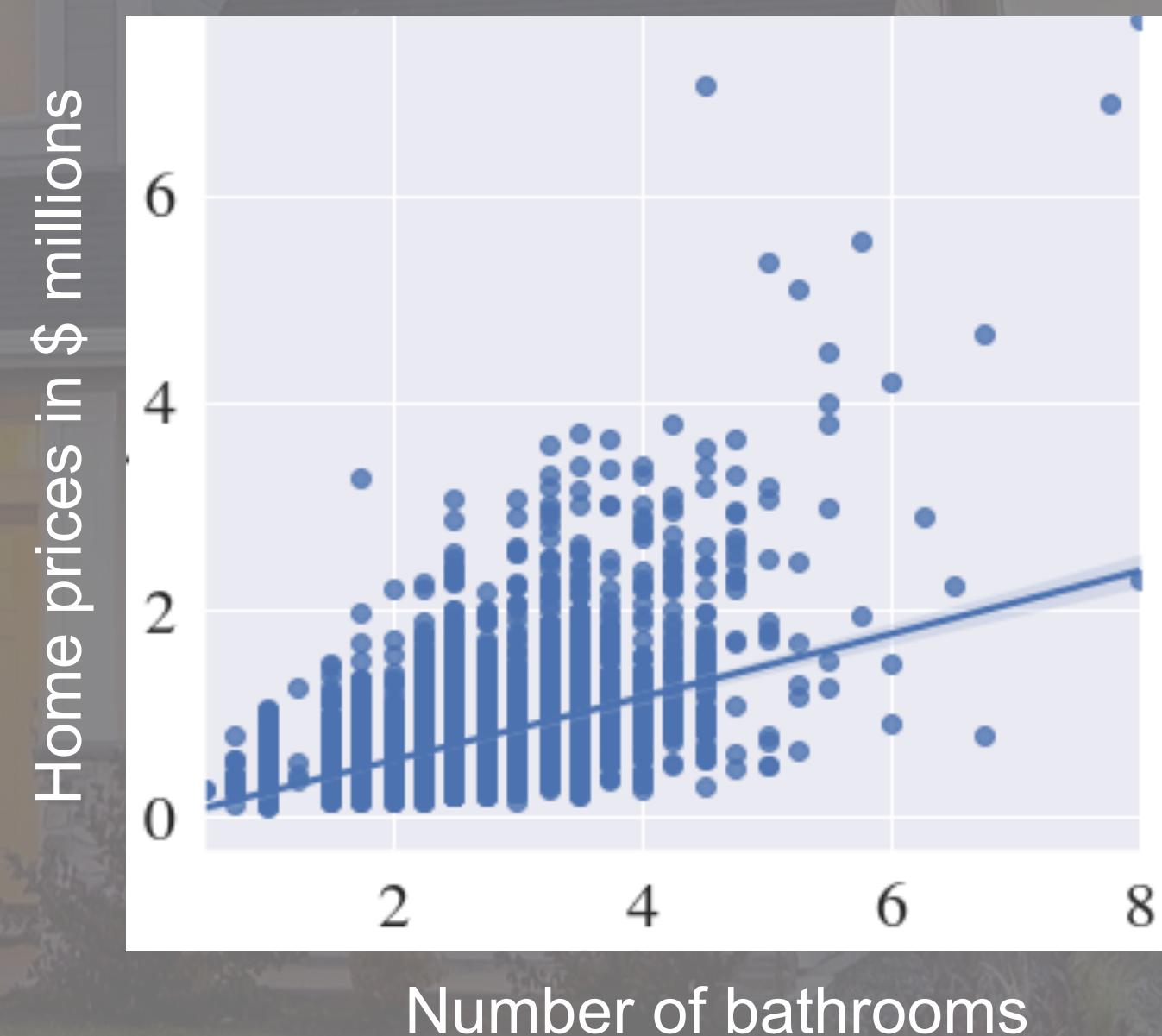
LIVING SPACE VS.
HOME PRICES



0.72

Correlation

BATHROOMS VS.
HOME PRICES

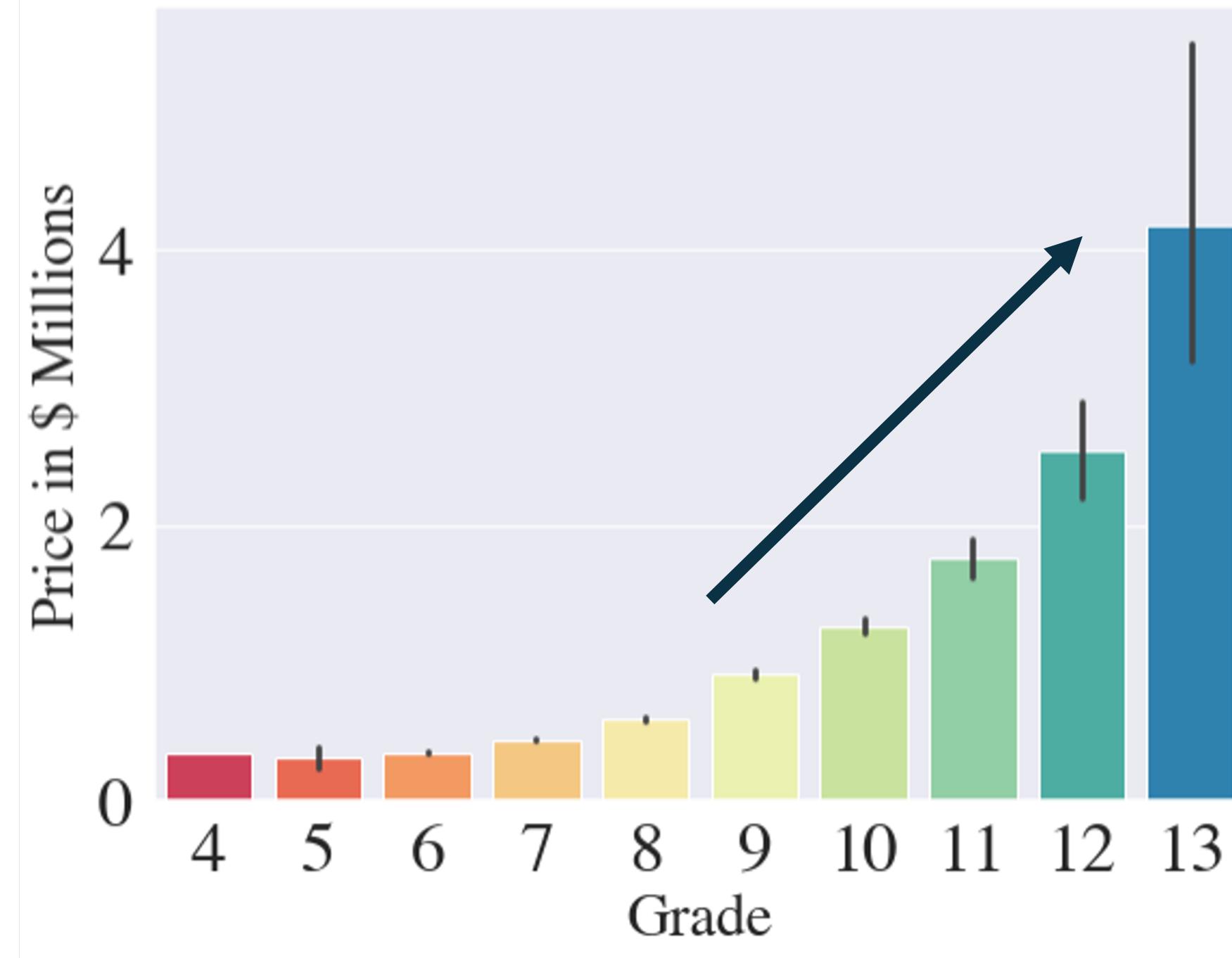


0.59

Correlation

GRADE

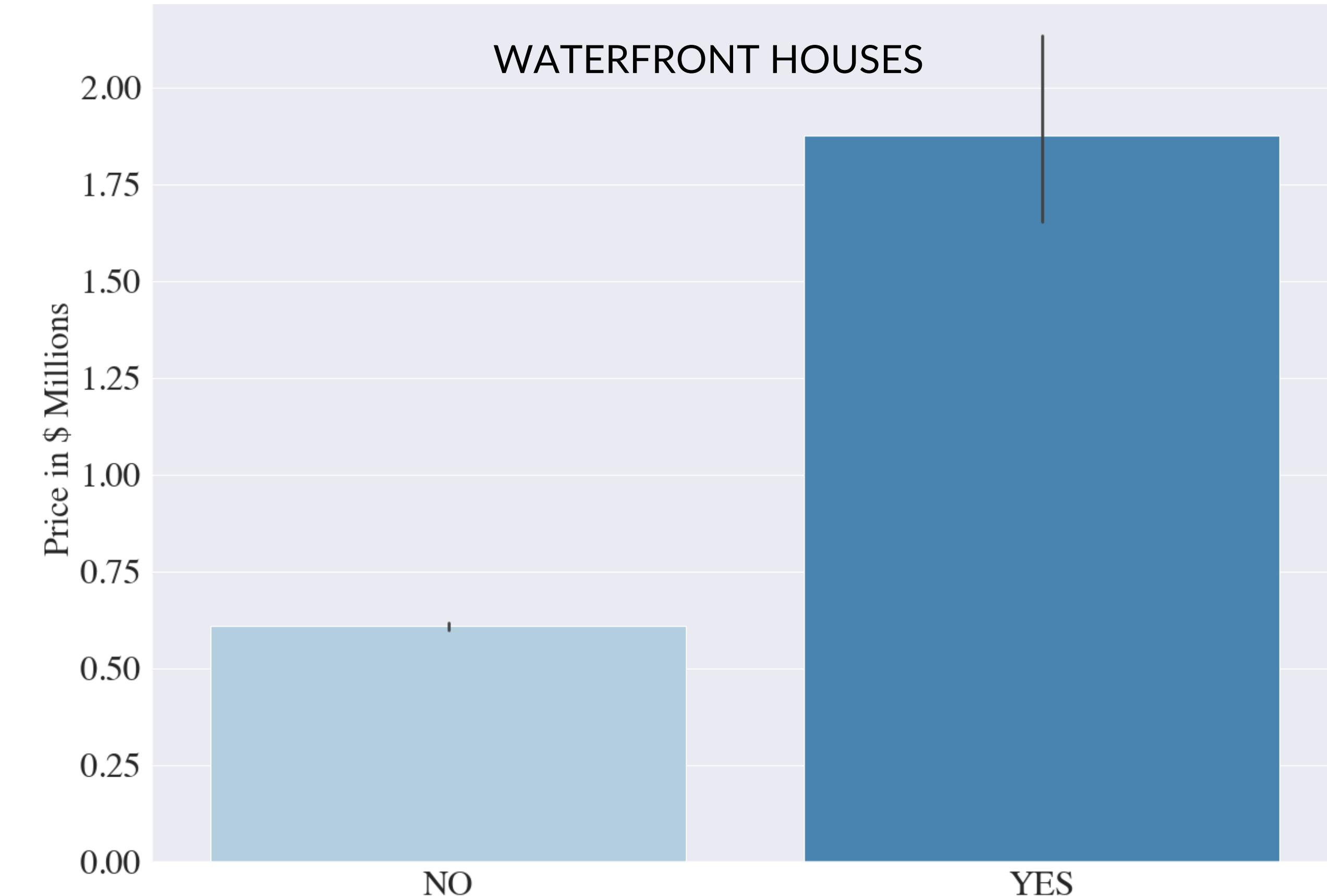
Grade and House Prices



- **Grade:** the quality of materials and appliances used throughout the structure
- Houses with a grade rated higher than 10 range from roughly \$1.5 to \$4 million.

INVESTING IN A VIEW

QUALITY OF VIEW: MOUNTAINS, PARKS, SEA, LAKES OR SKYLINES



- Houses that have a “good” or “excellent” view range from \$800K to \$2 million in value.
- Houses with less attractive views, range from \$350K-\$500K in value.

- Homes without a waterfront typically range from \$300K-\$600K.
- **Waterfront homes typically cost more than three times that amount, from \$900K-\$2.6M.**



OUR MODEL

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

PRICE PREDICTION BASED ON HOUSING FEATURES

SELECTED MODEL FEATURES



GRADE

The average price of a house in very good condition increases by \$83K.



LOCATION

The average price of a house with a specific zip code can increase \$21K to \$90K.



VIEW

The average price of a house with a better view of a small lake or river increases by \$51K or more.

MODEL RESULTS

MULTI-REGRESSION MODEL

RESULTS

EXPLANATION

EXPLAINING VARIABILITY (R SQUARED)

79%

79% of the variability observed in house prices is explained by the house features in our model.

MODEL'S ERROR (ROOT SQUARED ERROR)

\$203K

The average discrepancy of house prices in this model will be roughly \$203K per house.

BUSINESS SUGGESTIONS

INVESTMENT RECOMMENDATIONS FOR EDEGON & COMPANY

01

LOCATION: FOCUS ON LOW-MID-RANGE MARKET ZIPCODES WITH HOUSE SPECIFIC HOSUE FEATURES (SEE DETAILS IN THE NEXT SLIDE)

02

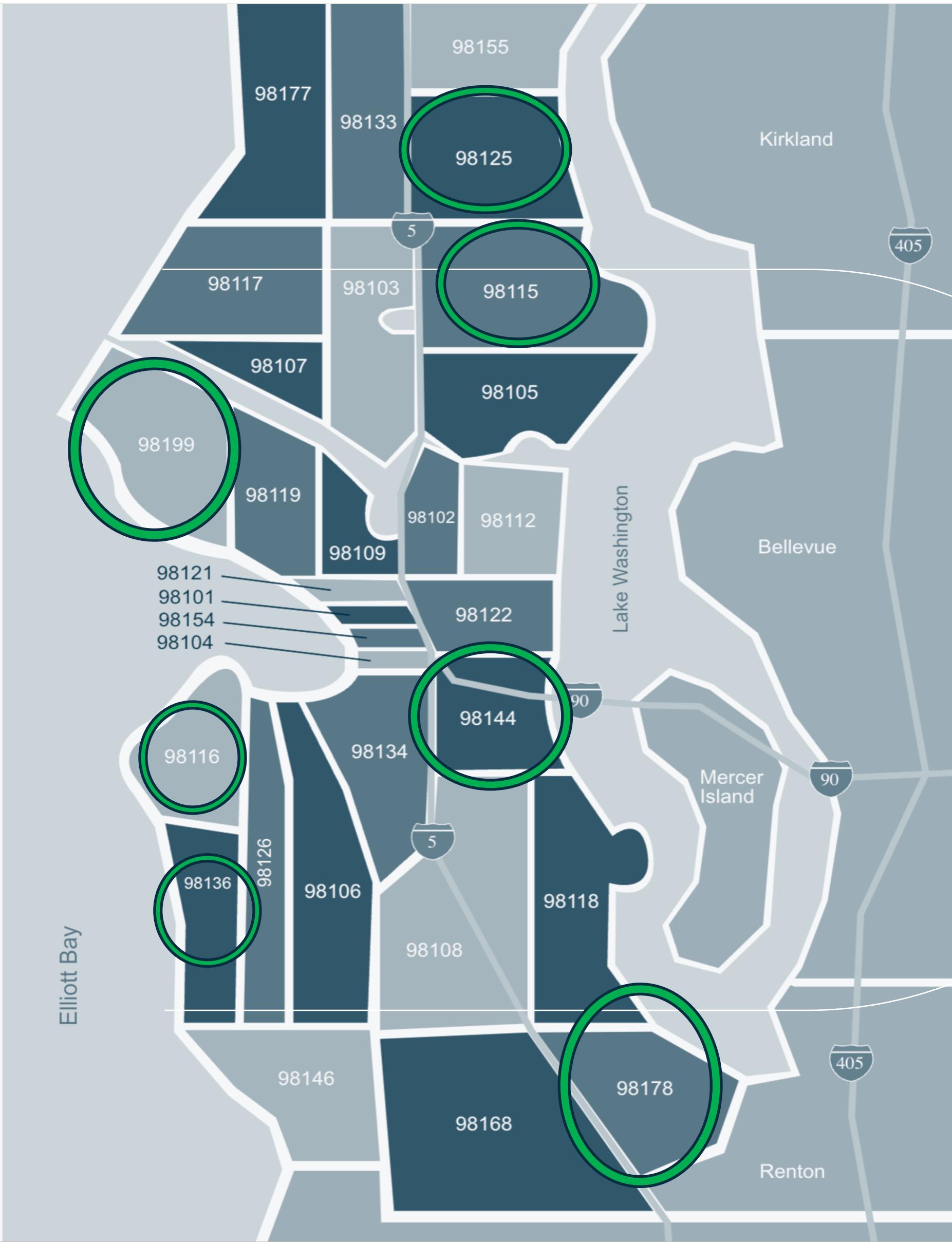
GRADE: INVEST IN A HOME WITH A HIGHER GRADE OR INVEST IN IMPROVING THE GRADE OF A HOME BY ADDING HIGH-END FINISHES AND USING HIGH QUALITY MATERIALS.

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.

INVESTMENT OPPORTUNITIES

MULTI-REGRESSION MODEL



INVEST IN LOW AND MID – RANGE MARKET: FROM \$350K TO \$1 MILLION (CIRCLED IN GREEN)



LIVING SPACE: FROM (2000 TO 5700 SQFT)



VIEW: FROM AVERAGE TO EXCELLENT (3-5)



BATHROOMS: 3 to 6

NEXT STEPS

YOUR SUBTITLE HERE

HISTORICAL DATA

Gather more data from previous years

BUY & SELL DATA

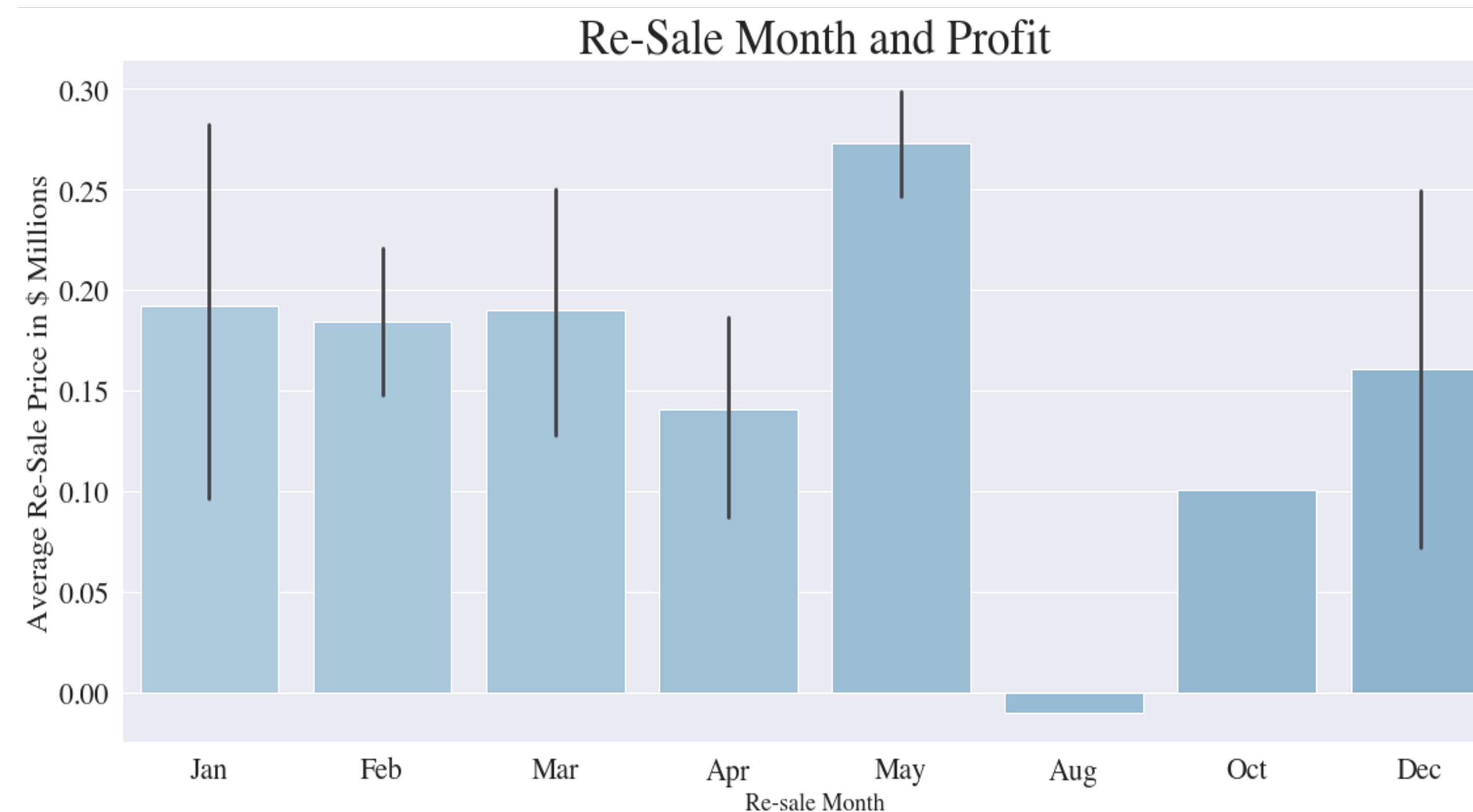
Focus on profitable transactions (buy/ sell) with the new data

COST OF IMPROVING GRADE

Research the cost of improving a grade of a home.

GET MORE DATA ON PROFITABLE MONTHS

SEASONALITY RESALE



MAY

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

JANUARY - MARCH

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





CONTACT US

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