



# 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

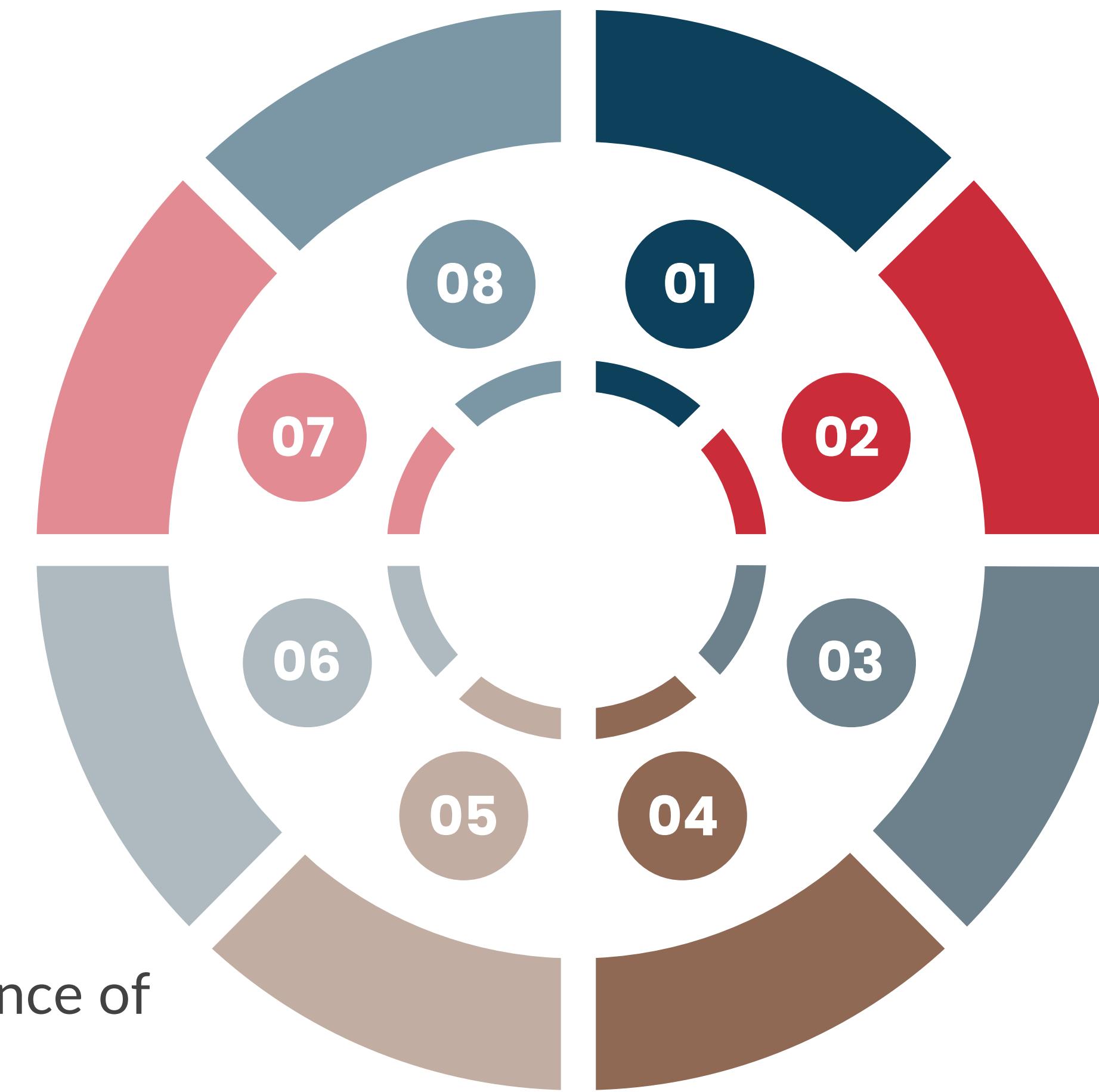
Year when house was built and renovated.

## ZIPCODE

ZIP Code used by the United States Postal Service

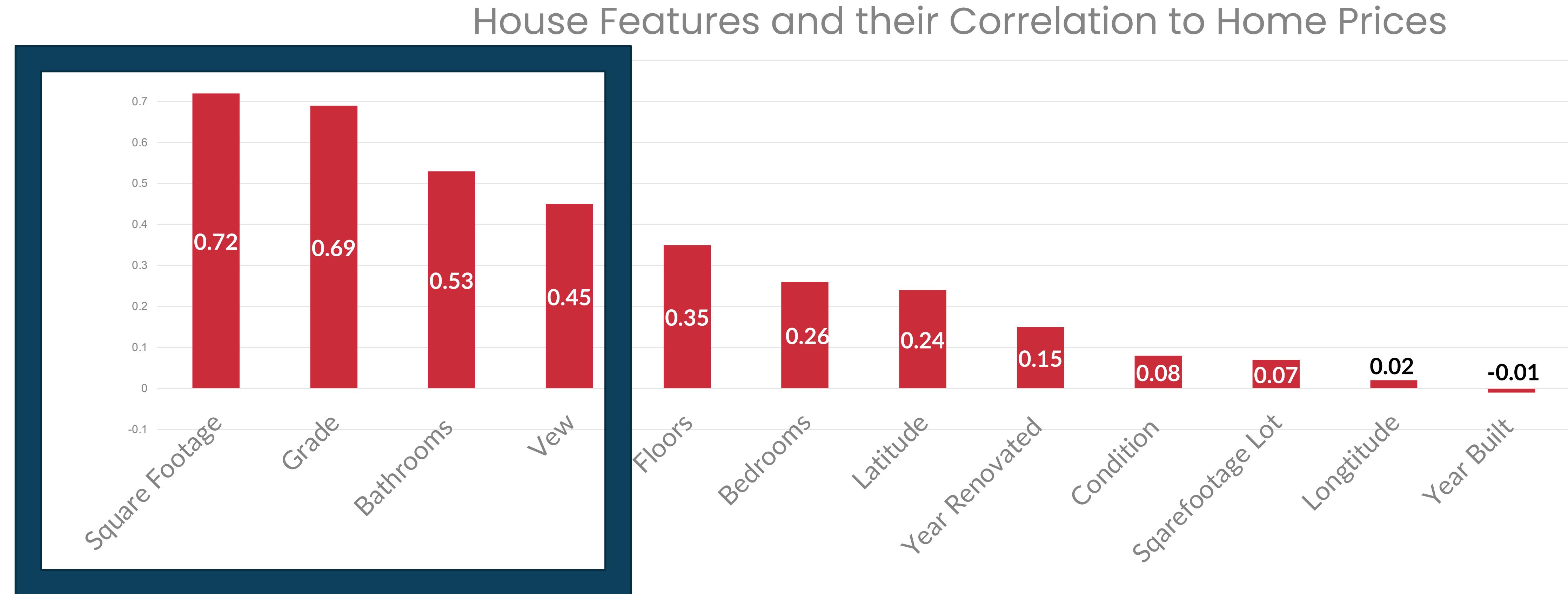
## GEOGRAPHY

Latitude/Longitude coordinates



# CORRELATIONS

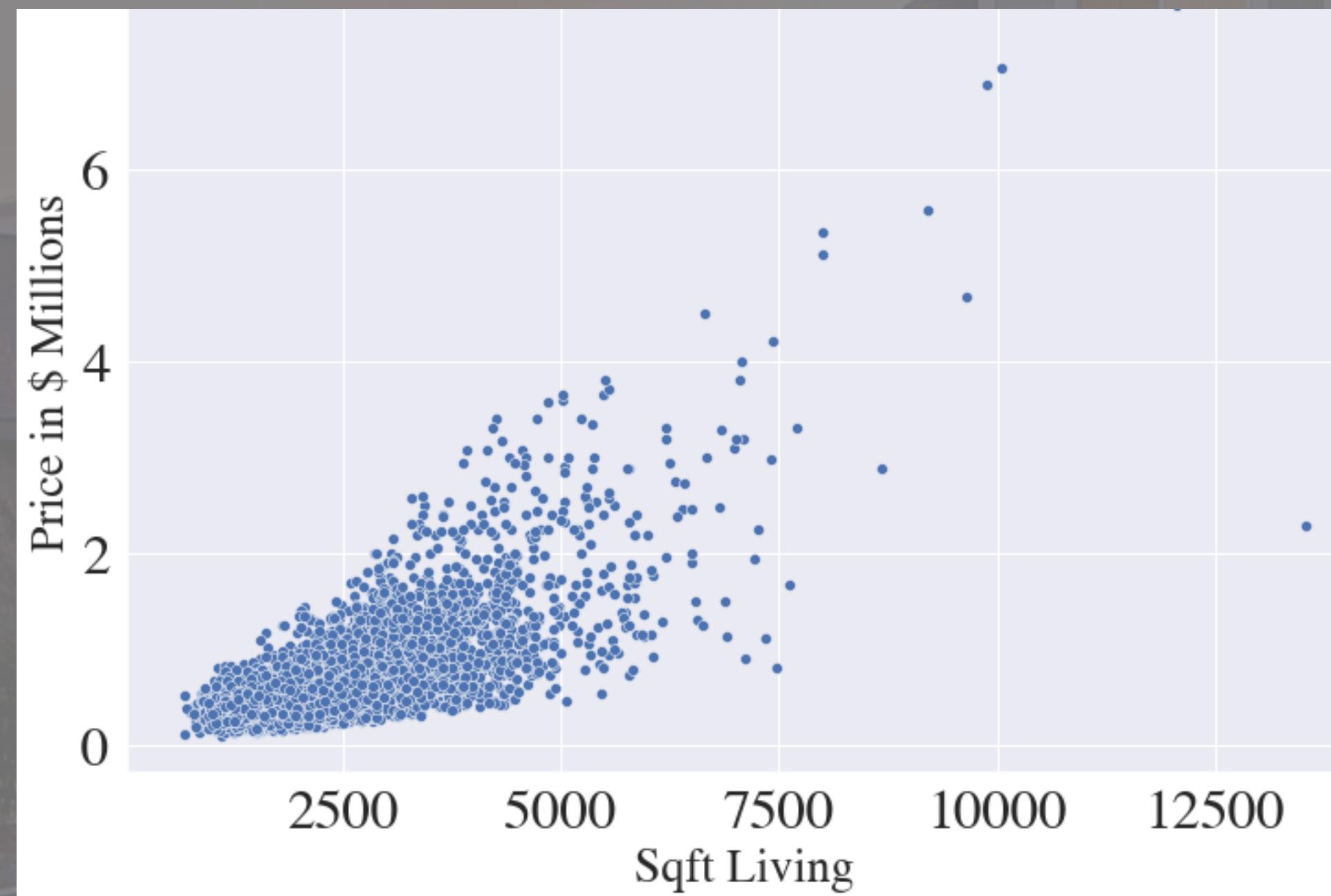
- We removed redundant data (e.g. square footage above & basement.)
- We removed zip codes since it has the number do not follow a meaningful order.



# Home Features with High Correlations

Square feet and Bathrooms

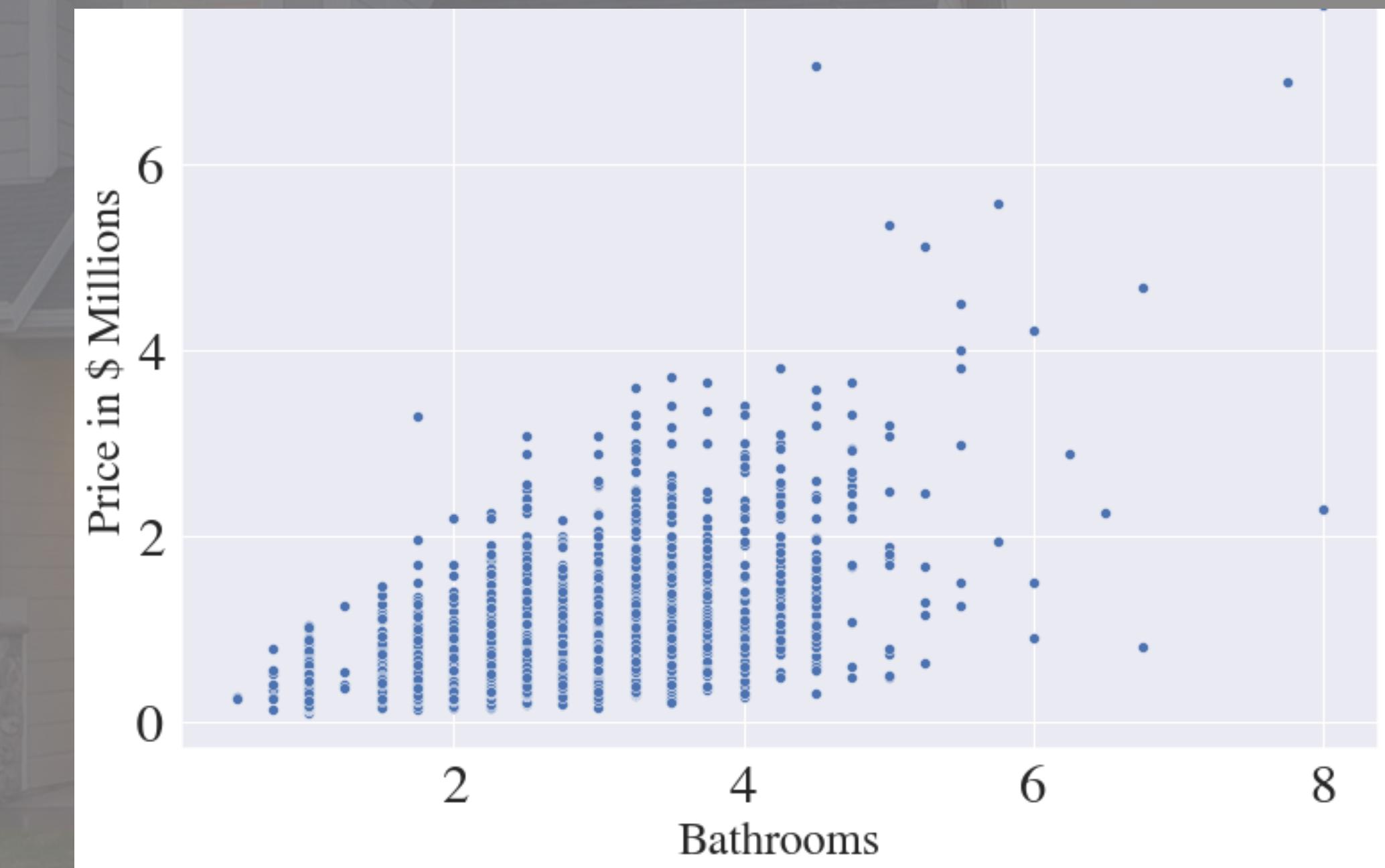
LIVING SPACE



0.72

Correlation

BATHROOMS

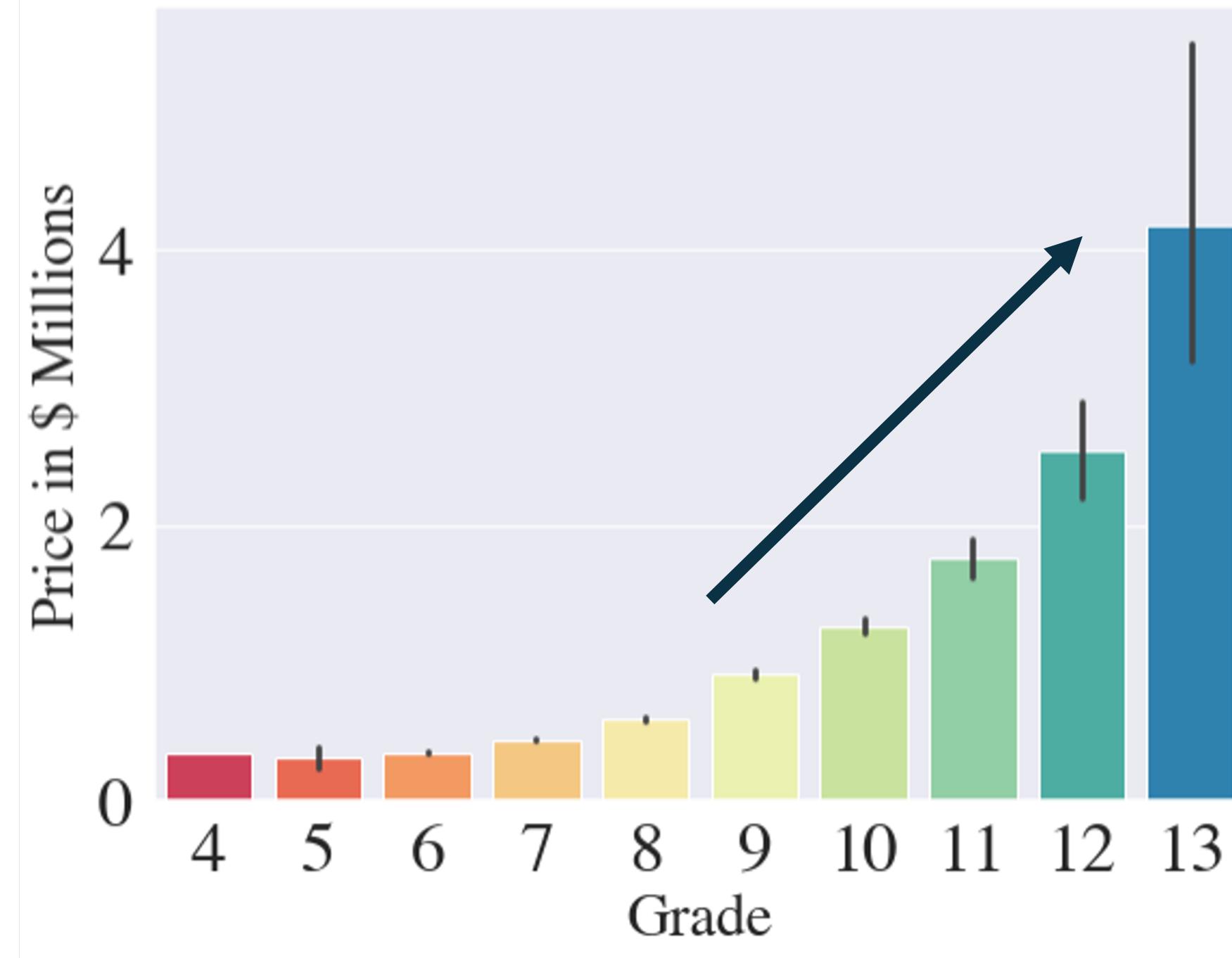


0.59

Correlation

# GRADE

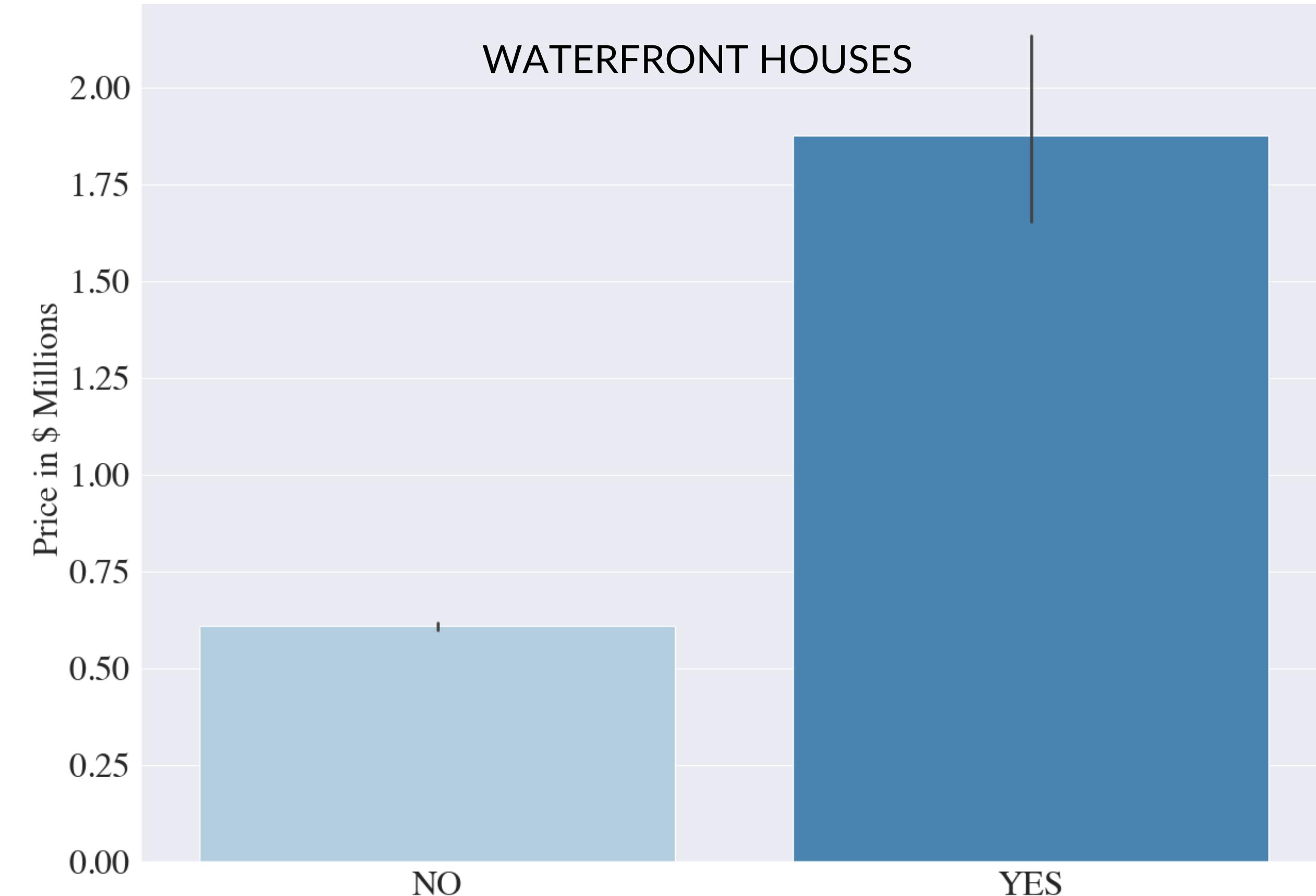
Grade and House Prices



- **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.

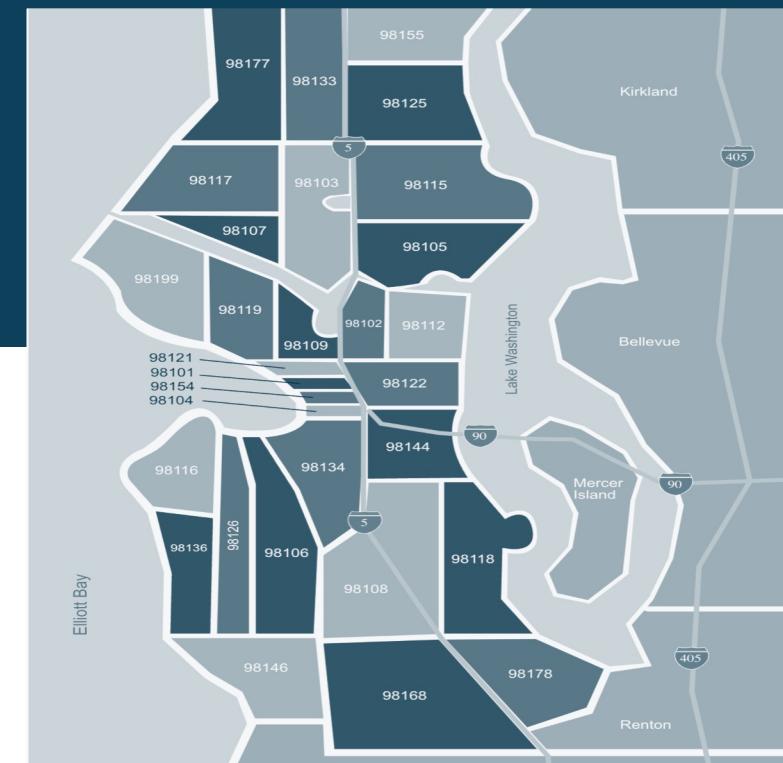
# PRICE PREDICTION BASED ON HOUSING FEATURES

## 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

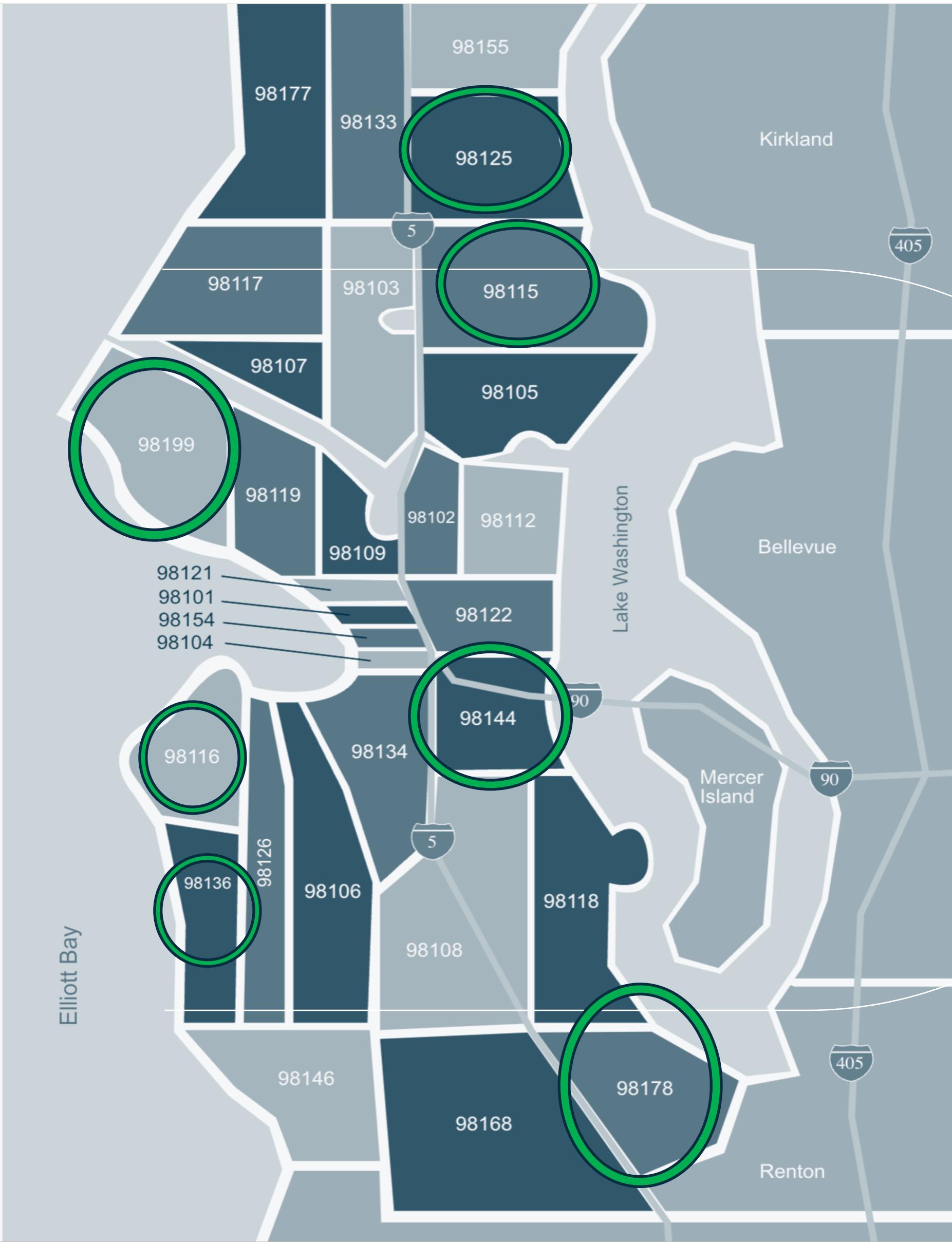
**GRADE:** INVEST IN A HOME WITH A HIGHER GRADE OR INVEST IN IMPROVING THE GRADE OF A HOME BY ADDING HIGH-END FINISHES AND USING HIGH QUALITY MATERIALS.

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

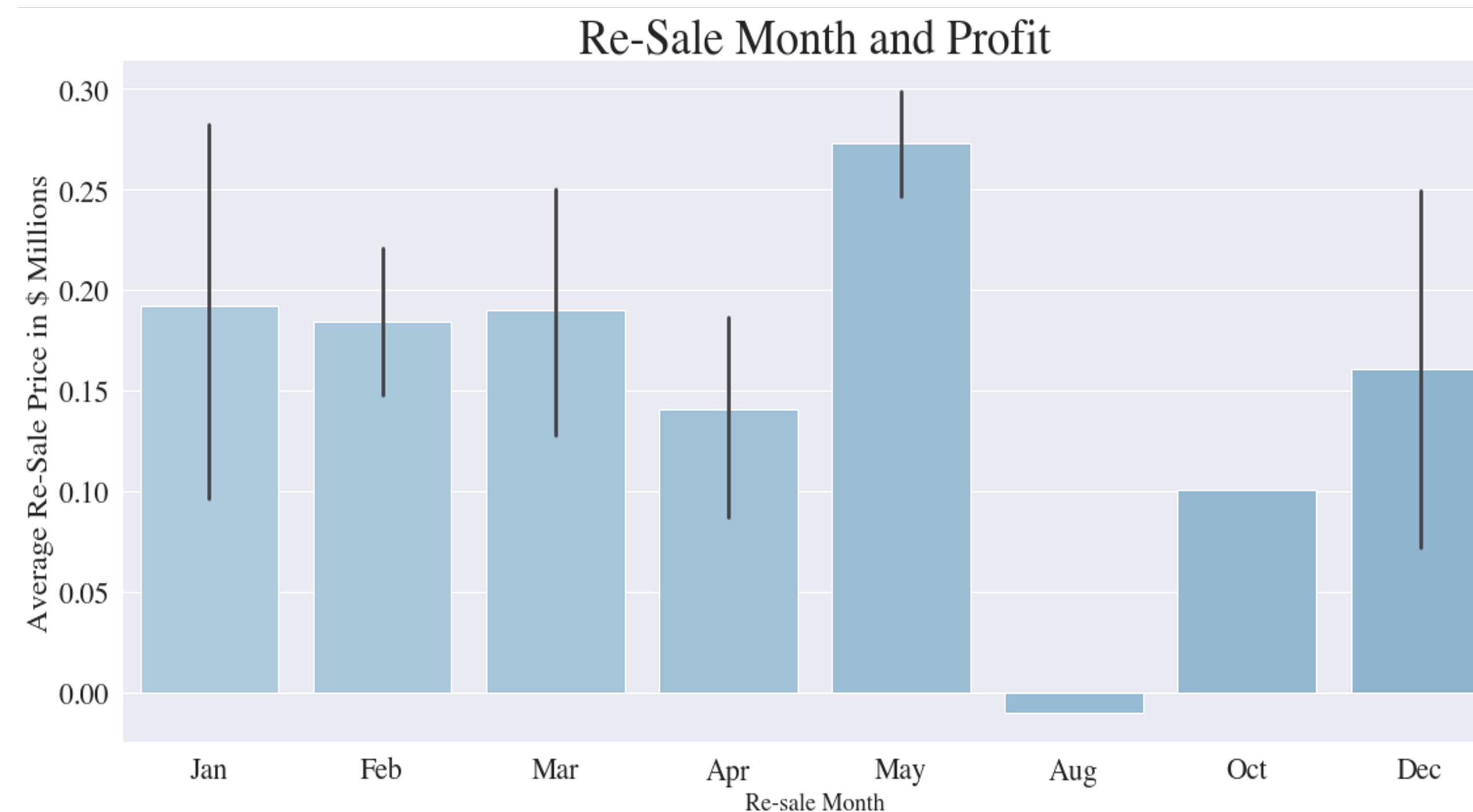
Focus on profitable transactions (buy/ sell) with the new data

## 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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