

King County Real Estate Insights

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Overview

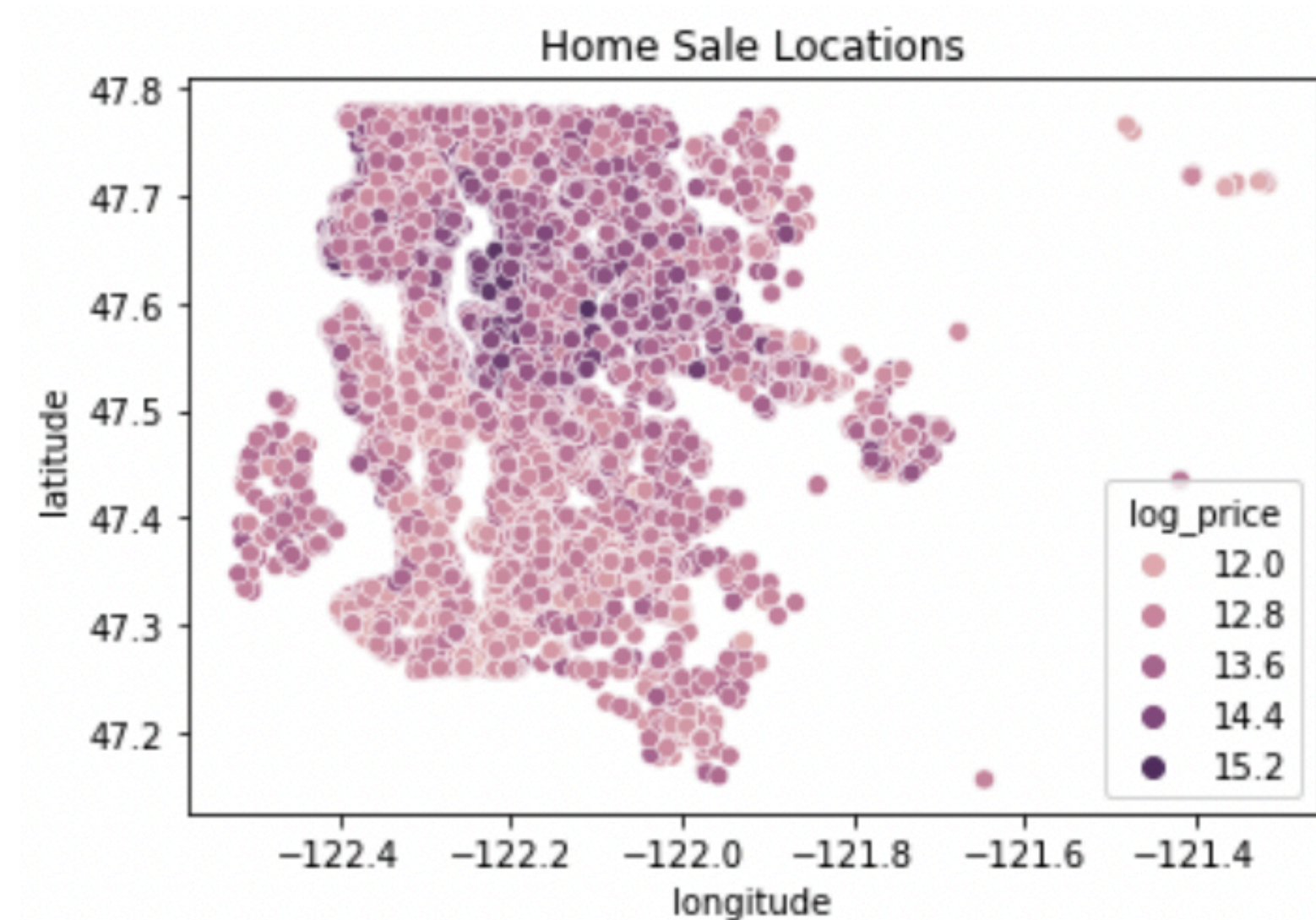
- Business problem
- Data and model
- Recommendations and areas for further analysis
- Conclusion

Business Objective

- Build an inferential model based on real estate transactions in King County
- Make investment recommendations for an *individual real estate investor*
 - Select relatively lower cost properties to purchase
 - Renovate / upgrade properties
 - Re-sell property to at least capture original purchase + investment costs

Data & Model

- Approximately 21,500 home sale transactions in King County
- Sale price and date plus physical details of the homes
- Multiple linear regression outputs numerical relationships between physical attributes and sale price



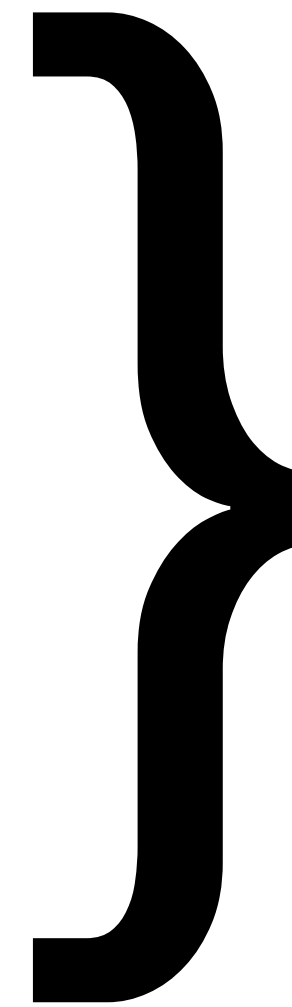
Model

Inferential Factors

- Northern / southern half of range
- Home's view
- Square footage of living area
- Number of bathrooms
- Number of floors
- Home condition
- Season of sale



An investor cannot change

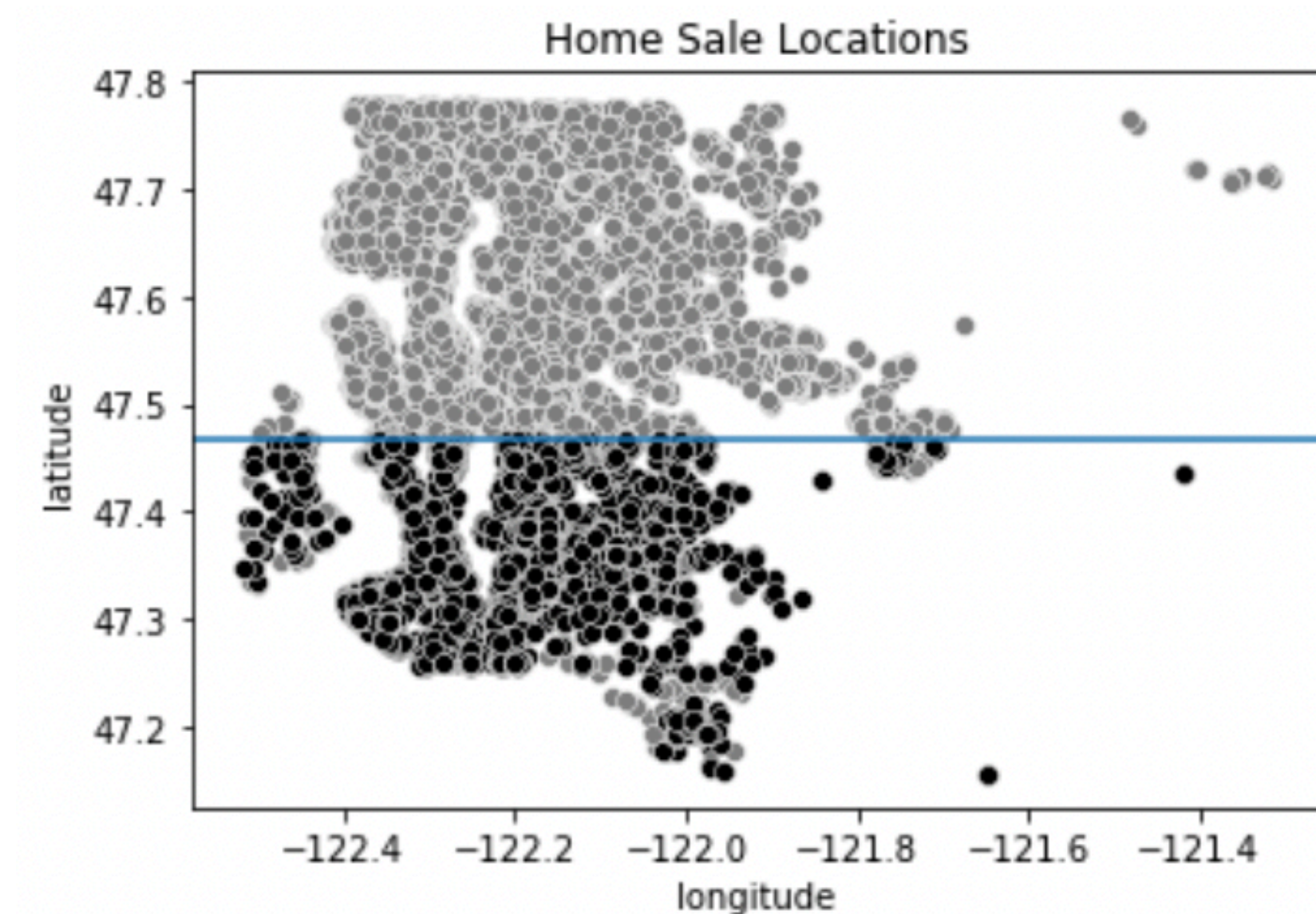


An investor can change (to some extent)

Recommendation 1

Look to purchase houses in the southern half of the county with no view

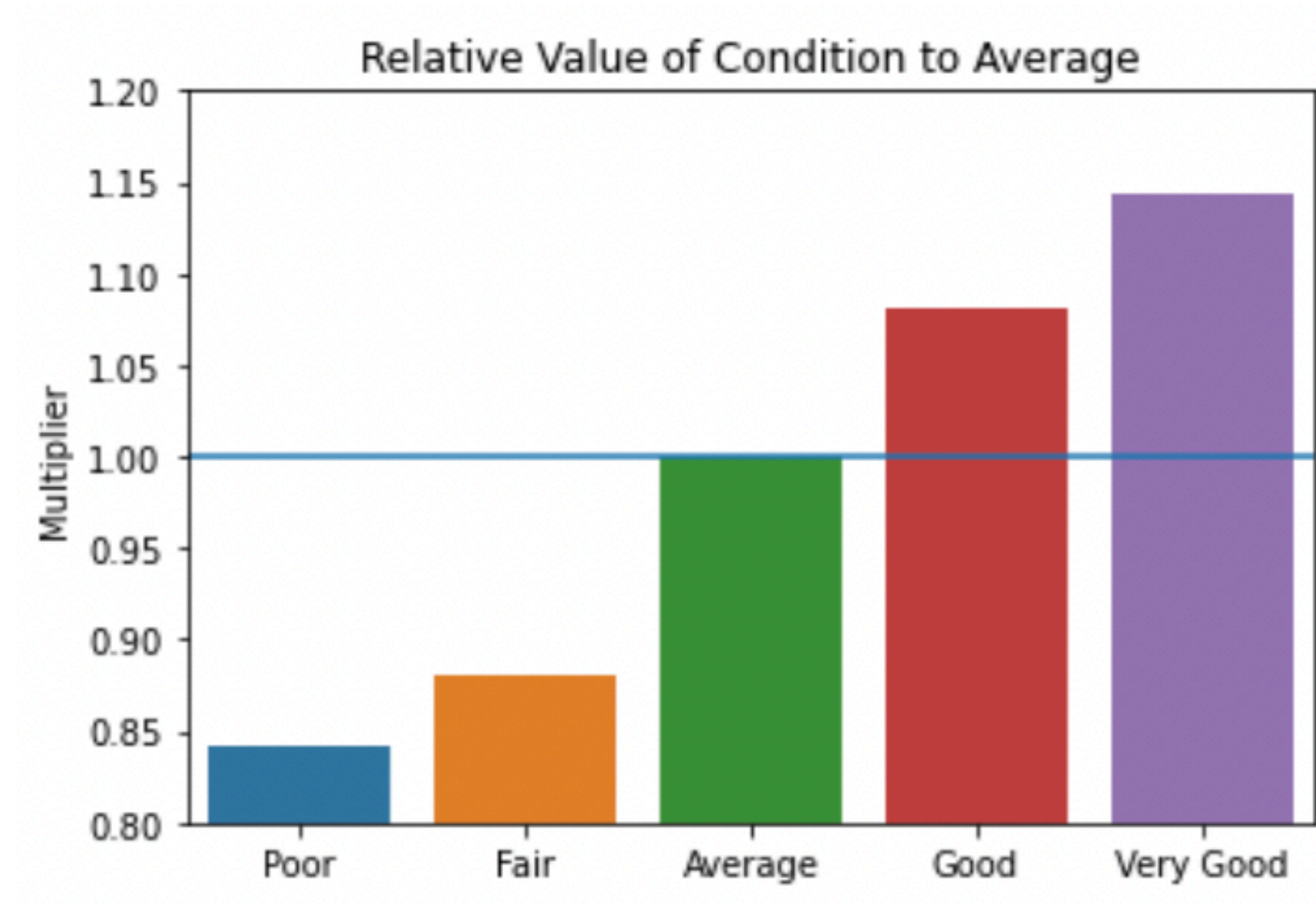
- Discount for a house in the southern half of the county: 60%
- Discount for a house with no view (compared to average view): 20%
- Combined discount: up to 87%



Recommendation 2

Focus on minor improvements to condition

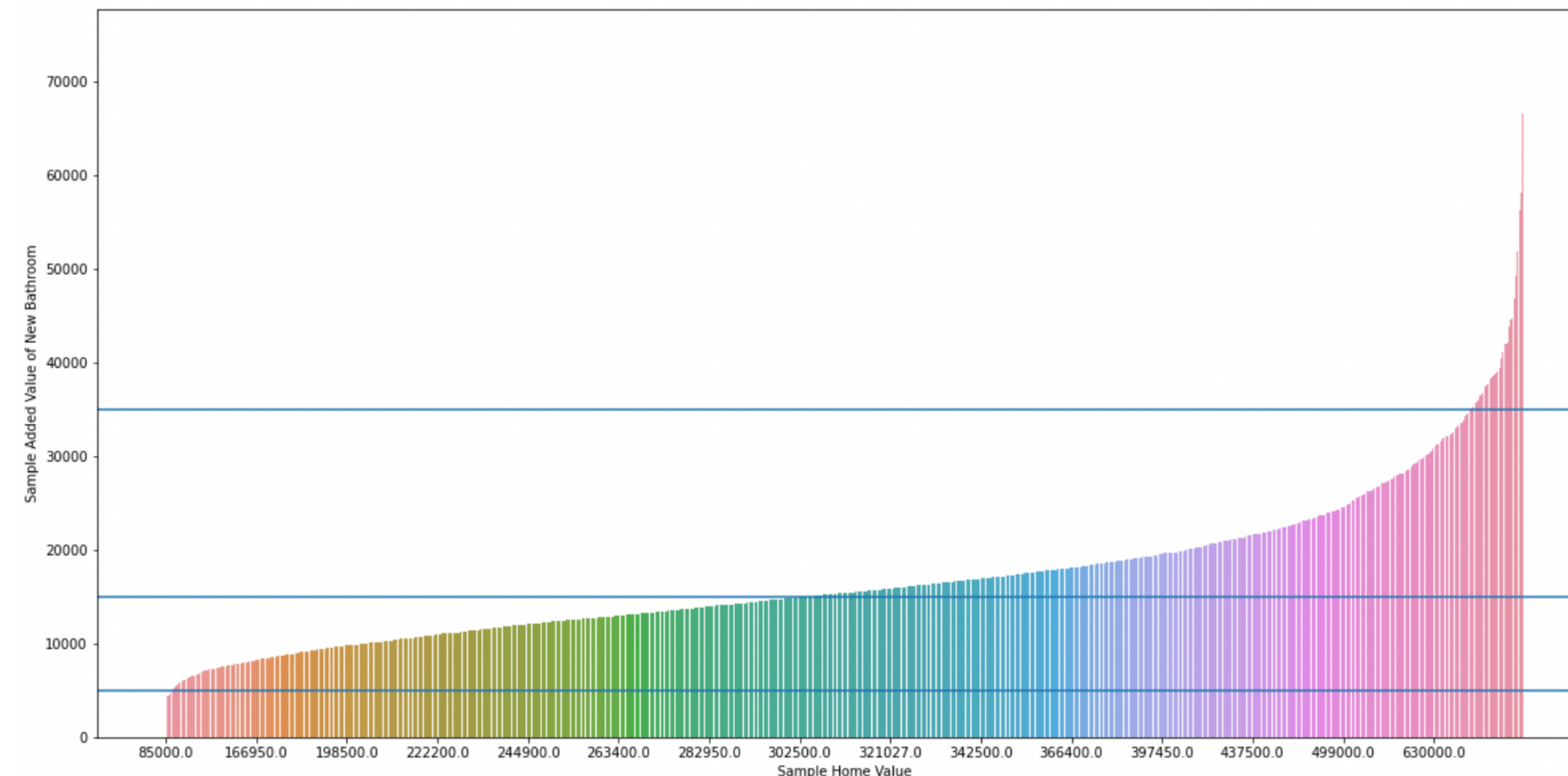
- Marginal increase from poor or fair value to average yields same percent increase as average to good condition



Recommendation 3

Adding another bathroom makes sense for low-priced homes

- According to HomeAdvisor, the cost of a new bathroom (converting existing space) ranges from \$5,000 to \$35,000, with an average of \$15,000*
- Model suggests new bathroom yields home value increase of 5%



* Source: <https://www.homeadvisor.com/cost/bathrooms/#average-cost-of-adding-a-bathroom>

Future Improvements to Analysis

- Increase analysis on location
 - Need to incorporate school districts and local amenities
- Take into consideration construction costs to make more concrete improvement recommendations

Conclusion

- Focus on buying low cost properties: southern half of the county, poor / fair condition, no view
- Minimal improvements pack more punch than maximal
- Adding a bathroom needs to be considered in the context of total home value

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