

Investing Locally: 5 ZIP Codes in the Sacramento Region

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Module 4 Project



Agenda

- Project Overview and Methodology
 - Evaluate ZIP Codes for potential investment opportunities and select five
 - Methodology
- Findings
- Recommendations
- Potential future work
- Q&A and acknowledgements

Project Overview

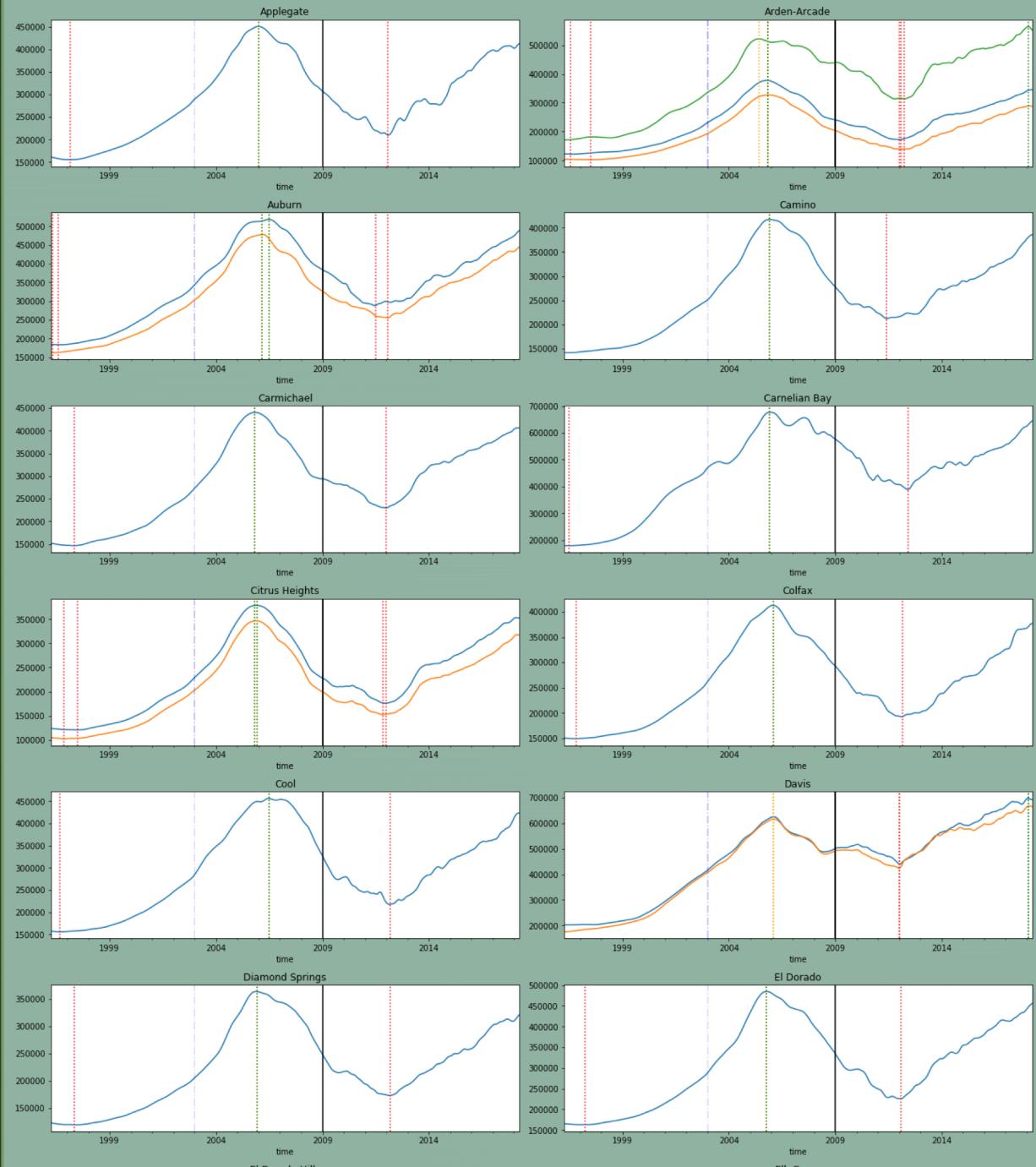
- Evaluate 5 best ZIP codes for investment opportunity
 - Data source: Zillow monthly housing values by ZIP in US
- Methodology
 - What is meant by “best”
 - Data exploration and visualization
 - Time series modeling
 - Forecasting 24 months

Analysis Approach

- Evaluated ZIP codes Sacramento, CA metro area
- Developed visualizations to compare cities and ZIP codes within cities
 - Can also be used to compare other metro areas, cities within metro areas, and ZIP codes within cities
- Selected 19 ZIP codes spanning all four counties
- Identified 5 ZIP codes with good predicted values, relatively low downside, and potentially large upside

Creating multiple plots for certain geographies

(At right: subset of Sacramento metro area home values by ZIP code and city)



Findings

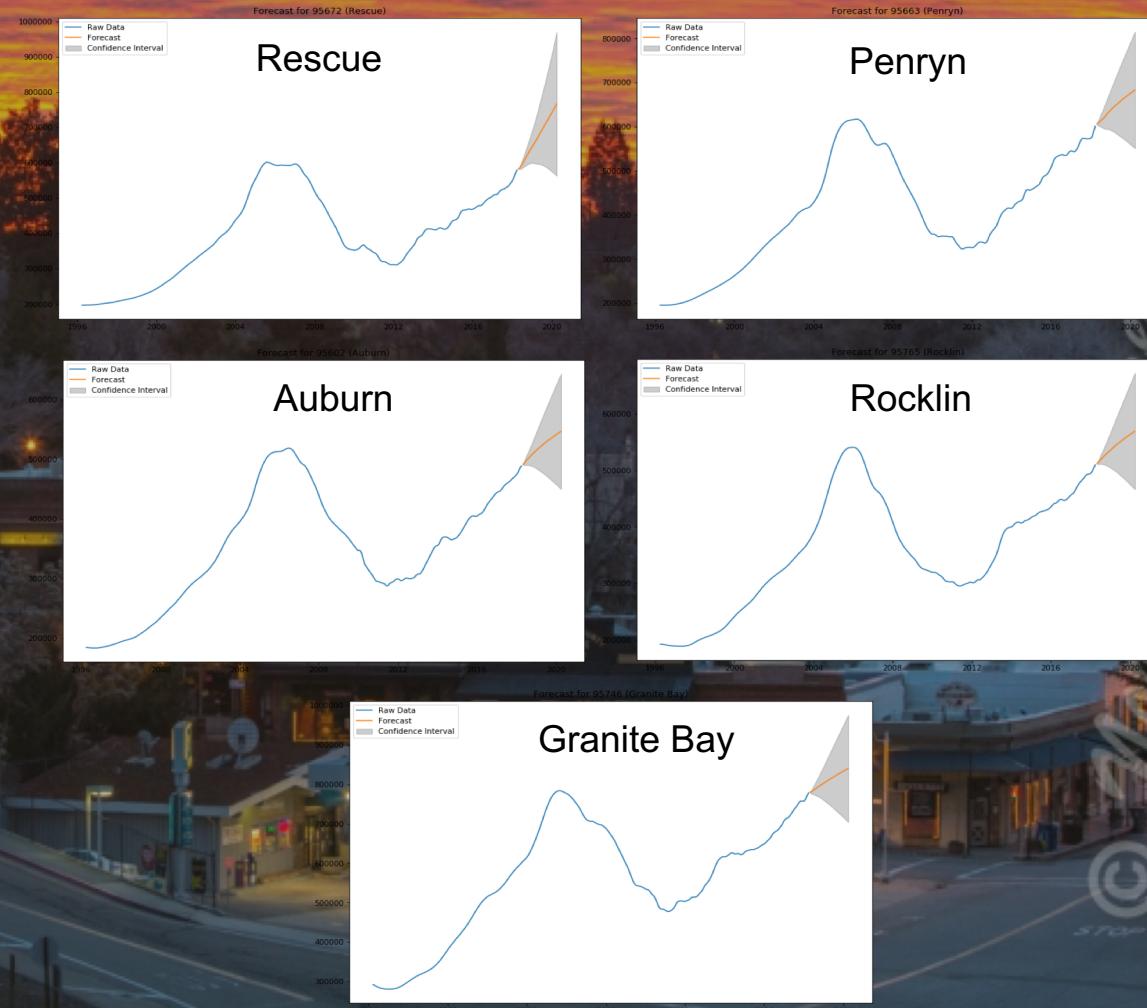
- El Dorado and Placer county ZIPs seem to offer better investment opportunities
- However, geographic concentration around Lake Tahoe reduces opportunities and increases risk
- Recommending a mix of populations and locations

ZIP code	2018 value	City	Pop	County	Invest?	Predicted	Worst Case	Best Case
95672	579300.0	Rescue	4592	El Dorado	yes	32.296	-2.975	67.567
96140	644600.0	Carnelian Bay	1170	Placer	maybe	19.421	-19.639	58.480
95663	600700.0	Penryn	2468	Placer	yes	13.679	-8.334	35.692
95602	488700.0	Auburn	18290	Placer	yes	11.831	-7.957	31.619
95765	509200.0	Rocklin	41810	Placer	yes	11.779	-8.471	32.029
95636	241200.0	Somerset	1000	El Dorado	maybe	11.207	-38.231	60.646
95619	321100.0	Diamond Springs	4359	El Dorado	maybe	10.799	-14.266	35.863
96142	523600.0	Tahoma	1037	El Dorado	maybe	9.791	-15.663	35.246
95623	455700.0	El Dorado	3986	El Dorado	maybe	8.258	-14.768	31.285
95746	778500.0	Granite Bay	22482	Placer	yes	7.906	-9.561	25.374
95747	483800.0	Roseville	72437	Placer	maybe	5.556	-10.609	21.722
95614	423300.0	Cool	3882	El Dorado	no	2.466	-18.714	23.646
95811	567500.0	Sacramento	7630	Sacramento	no	2.254	-17.073	21.582
95616	692300.0	Davis	45500	Yolo	no	1.756	-14.007	17.518
95630	542900.0	Folsom	74111	Sacramento	no	0.538	-21.171	22.247
95709	386000.0	Camino	4354	El Dorado	no	-0.349	-21.147	20.448
95818	563900.0	Sacramento	21825	Sacramento	no	-0.978	-25.772	23.816
95864	552700.0	Arden-Arcade	92186	Sacramento	no	-4.669	-26.572	17.233
95831	449300.0	Sacramento	42952	Sacramento	no	-13.413	-32.770	5.945

Recommendations

ZIPs to invest in

- **95672 (Rescue)**
- **95663 (Penryn)**
- **95602 (Auburn)**
- **95765 (Rocklin)**
- **95746 (Granite Bay)**



Possible Future Work

What

- Evaluating other metro areas, e.g., Dallas, Pittsburgh
- Back testing
- Analyzing shorter time frames (e.g., 2013-2018)
- Scaling investment by population size
- Construct a hypothetical investment basket
- Look at size of standard deviations

Why?

- Other metro areas might have greater upside
- Predict 2016-2018 values?
- More accurate if a shorter time frame were used?
- Larger populations in some ZIP codes
- Show potential returns from investment strategy
- Indicator of volatility/risk

Q&A



- Thank you for your time!

