King County Home Sale Price Analysis

Flatiron School Mod 1 Final Project
Non-Technical Presentation

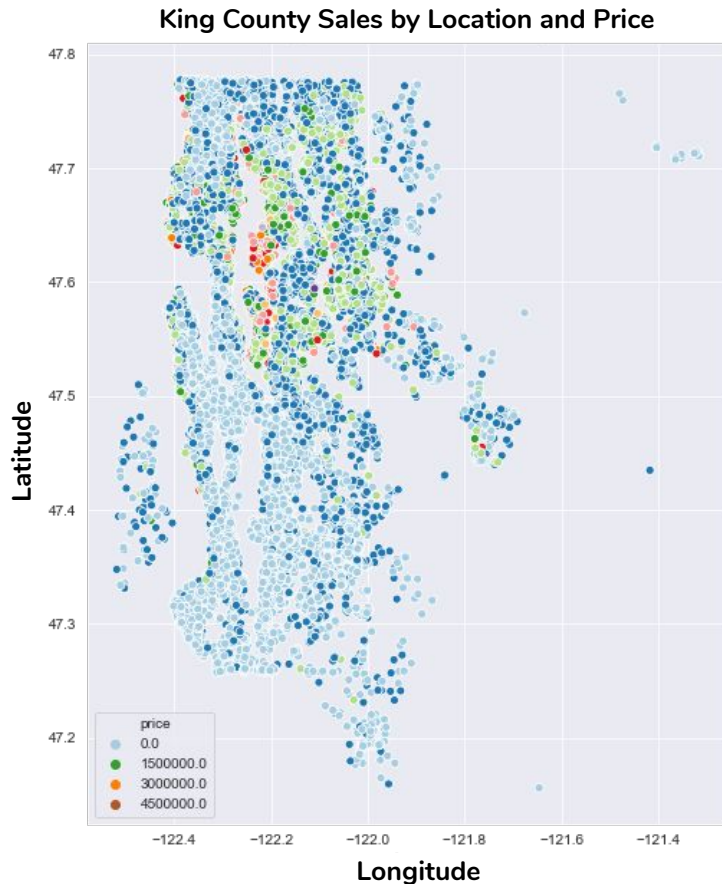# Predicting home sale prices for investment planning

- For real estate investors to be prepared to **act** on market opportunities, they must be able to **accurately plan** for the future

- By analyzing historical home sale information we can determine what the potential price of future home sales will be based on **targeted investment areas**

- Our analysis will show how we can use specific features of a home to determine what we should **budget for a future purchase**

Our approach

- Analyzed **over 21.5 thousand home sales** in King County from 2014 and 2015

- Considered **20 different aspects** of each home sold, including:
  - Location
  - Market Indicators
  - Home Features

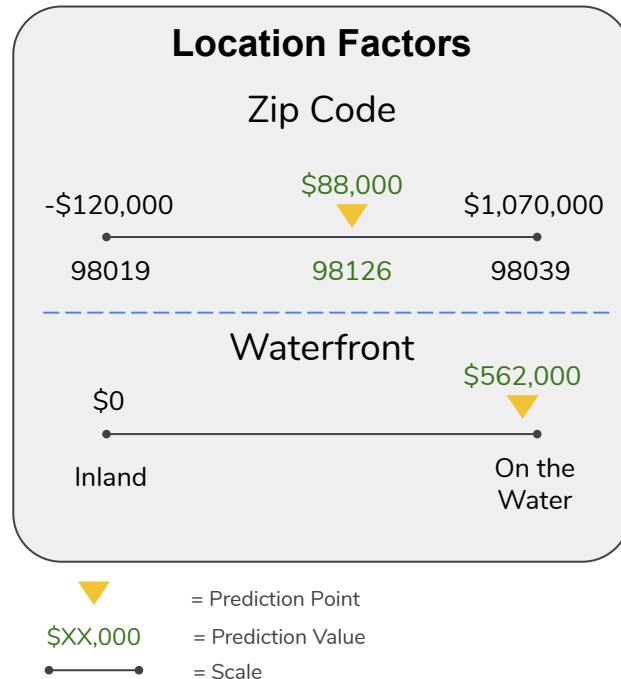- Developed a model that with **80% accuracy** prices a home within $70k*

King County Sales by Location and Price

* does not include homes >8000sqft living and >500,000sqft lot
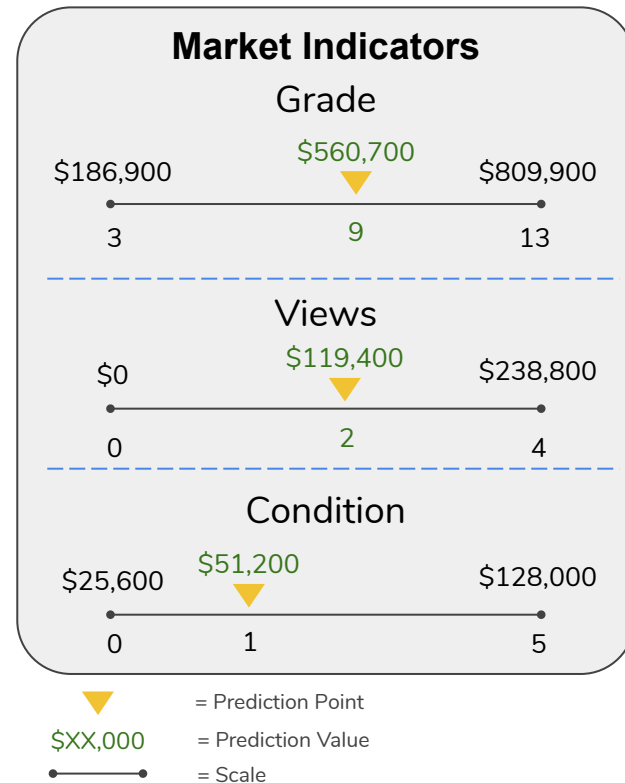
Insights - Location

- Location by zip code is the largest predictor of price, and can have either a positive or negative effect

- Waterfront properties drive significant value

Location Factors

Zip Code

-$120,000 $88,000 $1,070,000

98019   98126   98039

Waterfront

$0 $562,000

Inland   On the Water

▼ = Prediction Point

$XX,000 = Prediction Value

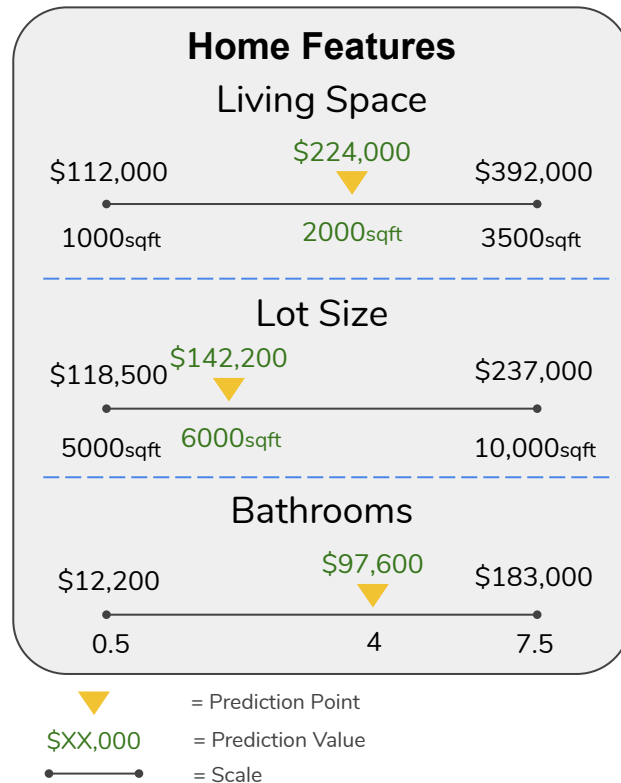●—● = Scale

Insights - Market Indicators

- King County rates buildings from 1-20, from Cabin to Mansion

- The number of times a property has been viewed by time of sale drives up the price - competition is hot!

- Home condition is not as strong a factor, but can make a difference

Market Indicators

Grade

$186,900 $560,700 $809,900

3   9   13

Views

$0 $119,400 $238,800

0   2   4

Condition

$25,600 $51,200 $128,000

0   1   5

▼ = Prediction Point

$XX,000 = Prediction Value

•—• = Scale

Insights - Home Features

- Each additional sqft of living space accounts for up to $112 more of predicted price value

- Lot size is not as strong of a predictor as living space - something to watch in areas supporting new development

- Each additional bathroom can add another $24.4 thousand to potential price

Home Features

Living Space

$112,000 $224,000 $392,000

1000sqft   2000sqft   3500sqft

Lot Size

$118,500 $142,200 $237,000

5000sqft   6000sqft   10,000sqft

Bathrooms

$12,200 $97,600 $183,000

0.5   4   7.5

▼ = Prediction Point

$XX,000 = Prediction Value

●—● = Scale

Recommendations

Location × Market Indicators × Home Features × additional factors = Budget

Apply our model to find value:

- Set baseline prices in zip codes and on the waterfront
  - Seek value below benchmark zip code and waterfront value
  - Avoid zip codes with negative baseline values
- Seek to purchase high Grade homes before they have been viewed
- Count the bathrooms for extra value

Thank you