KING COUNTY, WA

Real Estate Development

Recommendations for real estate developers in King County, WA to maximize profit

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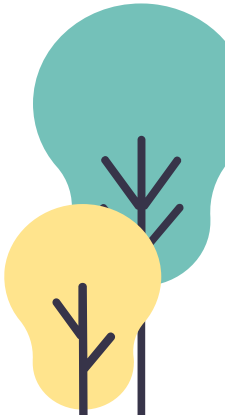


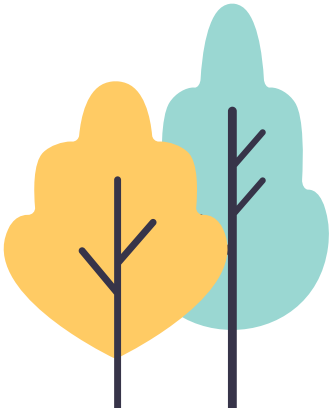
Overview

Recommendations

1. Buy in Mercer Island or Bellevue School District (Seattle also)

2. Look for land on a waterfront

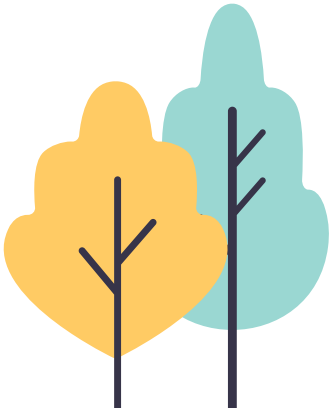
3. Hire contractors who can increase the quality of construction by a grade for < $50,000



Business Understanding

Where to allocate resources to maximize income

To answer the question, will paying more for _____ result in a high enough increase in the price of the home to turn a bigger profit?



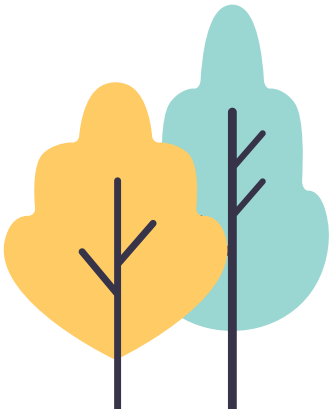
Modeling

Data Available Data on price, square footage, number of bedrooms, zipcode, etc. for ~20,000 homes in King County Washington sold between 2018 and 2019.

Why Linear Regression? Easy to interpret **effect of each feature individually**.

Metric of Evaluation

R^2, the coefficient of determination –how well the model **describes variance** in home price.



72.3%

Regression Results

Biggest effect on R^2

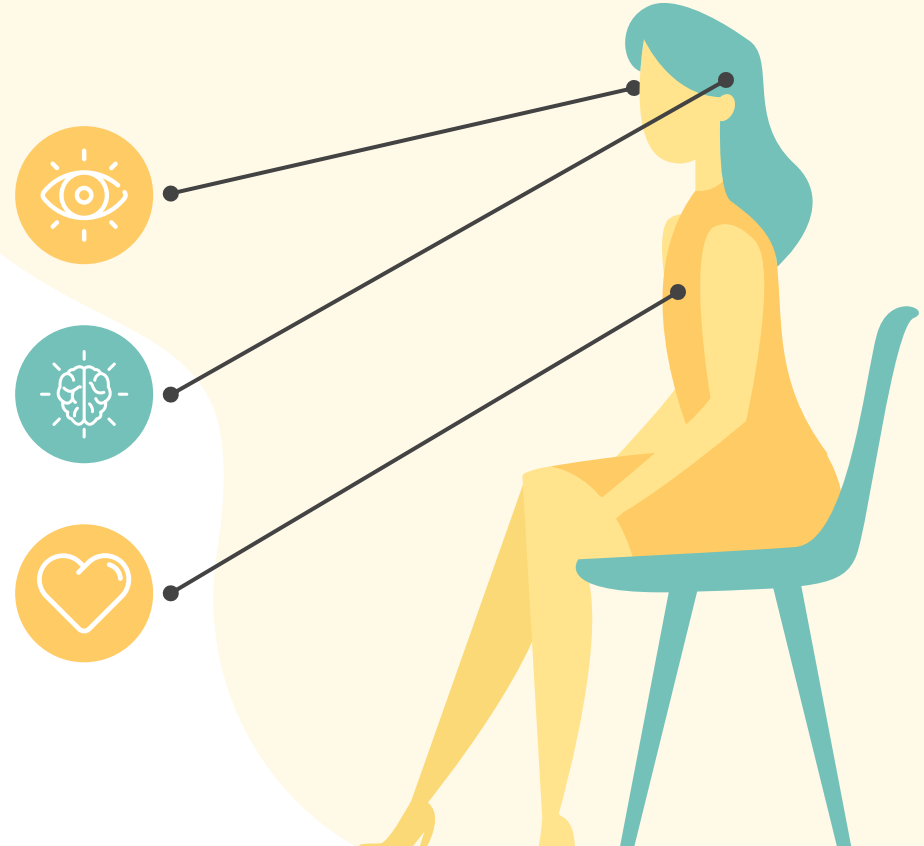
School district and grade had the biggest effects on R^2, each explaining between 27% and 38% of the variance in price.

Biggest coefficient

A home on a waterfront sells for ~$175,000 more than a similar home NOT on a waterfront.

$50,000 at a time

Increasing the grade of construction could net you $50,000 more on final home price per level increase.



Recommendation 1

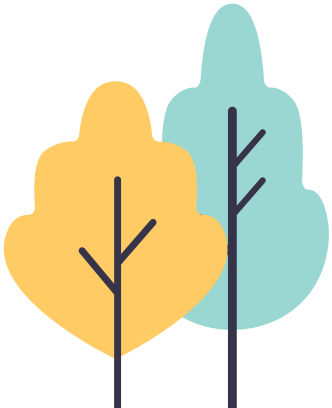
School District

Buy land in the **Mercer Island** or **Bellevue** school districts

- Only 6 out of 18 school districts had positive coefficients in our final model

	model_coefficients
Mercer Island	271238.218719
Bellevue	218460.536197
Seattle	112819.435759
Lake Washington	78610.025896
Issaquah	57558.498960
Northshore	49212.151697

A home in Mercer Island sells for ~$271,238 more than a home in “no school district”

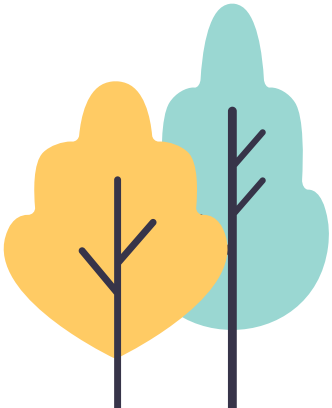


Recommendation 2

Waterfront

Look for land on a waterfront (bays, canals, lakes, rivers)

- Homes on waterfronts sell for around **$175,000 more** than similar homes not on waterfronts
- Confidence interval: $150,000 to $215,000

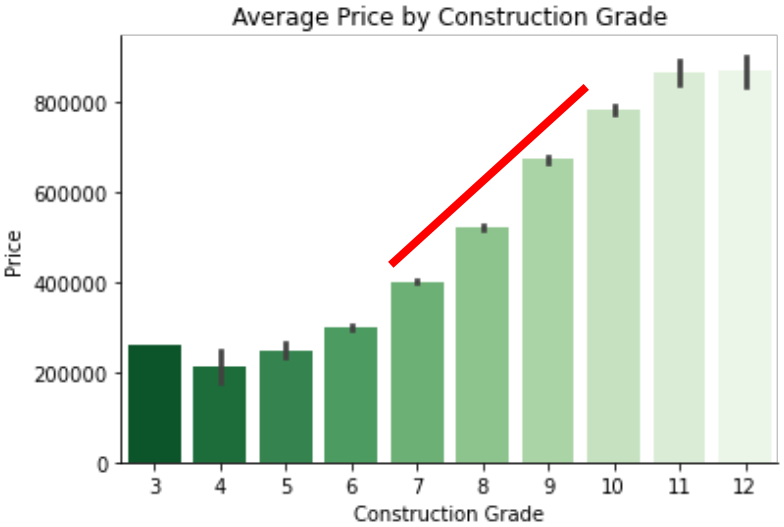


Recommendation 3

Construction Grade

Hire contractors who can increase the quality of construction by a grade for < $50,000

- King County Assessor Numerical Grade
- Grade of 7 or higher
- Every increase in grade → ~$50,000 more



Summary of Recommendations

Recommendations

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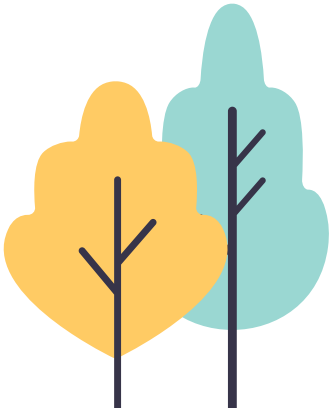
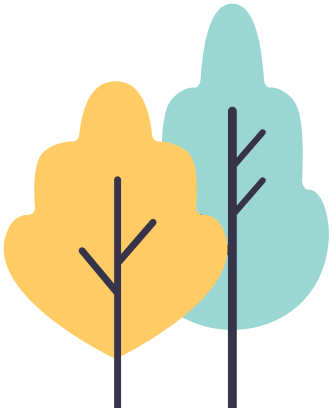


Next Steps

- Combine with data on development costs

- Dashboard tool for analyzing development opportunities (internally, and /or to share with investors)



THANKS

Does anyone have any questions?

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