Best Zipcodes for Investment

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12/3/19

About the Project

Short Term Investment

- 5 years period relatively short term investment.
- Property will be listed market on May of 2021.

Investment Strategy

- Inflation hedge investment.

Data

- Sourced from Zillow.com.
- Consist of average value of the zipcodes, April 1994 – April 2018.

Assumptions

- Buying with 100% cash.
- All fixed up properties.
- No vacancy period.
- Data from 2008 - 2018

Business Value

1. Finding Guaranteed Return

2. Minimizing Risks

3. Valuable information

Methodology

- Time Series Forecasting using Zillow data source.
- Future value estimated by ARIMA model.
- Scoring system to select best potential zipcodes.

Risk Management

1.Uncertainty of profit

- By ARIMA model, profit is guaranteed.
- Only zipcodes with increased value were selected.

2.Bad Renters

- Unemployed rate was reflected for choosing zipcodes.
- Shows zipcodes with good job security.

3. Lack of Liquidity

- Zipcodes with positive population was selected.
- Positive population proves increase of demand

4. Concentration Risk

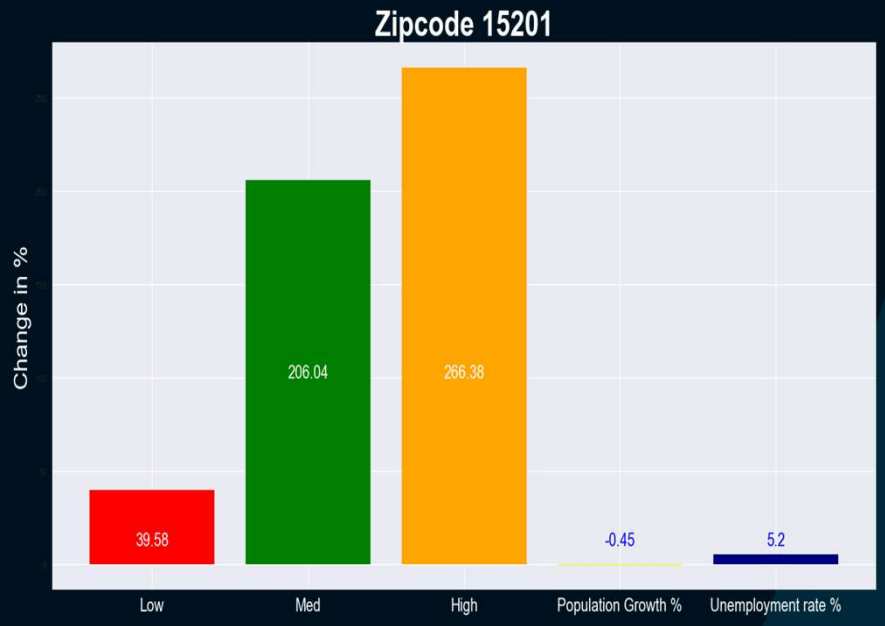
- Multiple zipcodes will be selected to minimize the risk.

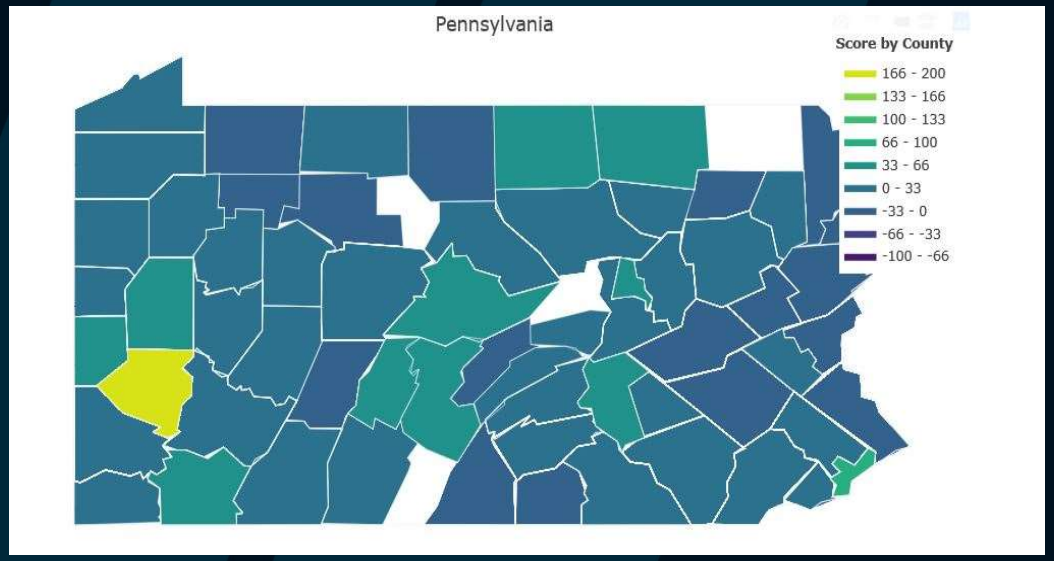
Scoring System

- Inflation X 1.2
- Unemployment Rate X -1
- Population Growth X 2
- Median Property Tax X 500

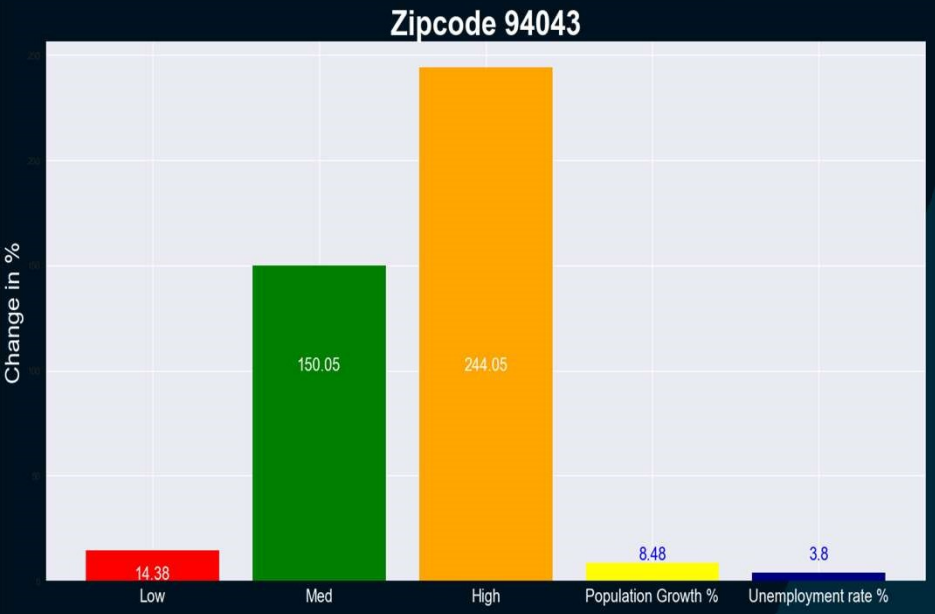
#1 15201 Pittsburg, PA

1.35% Property Tax

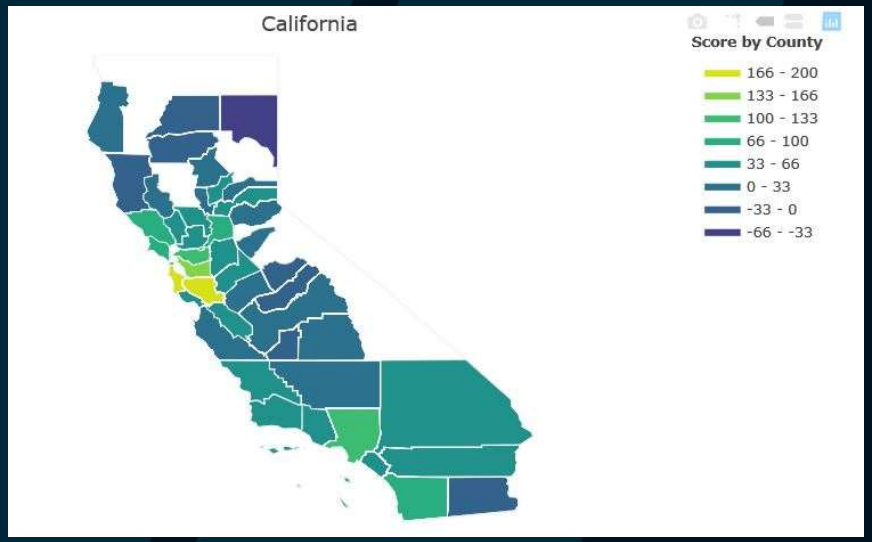




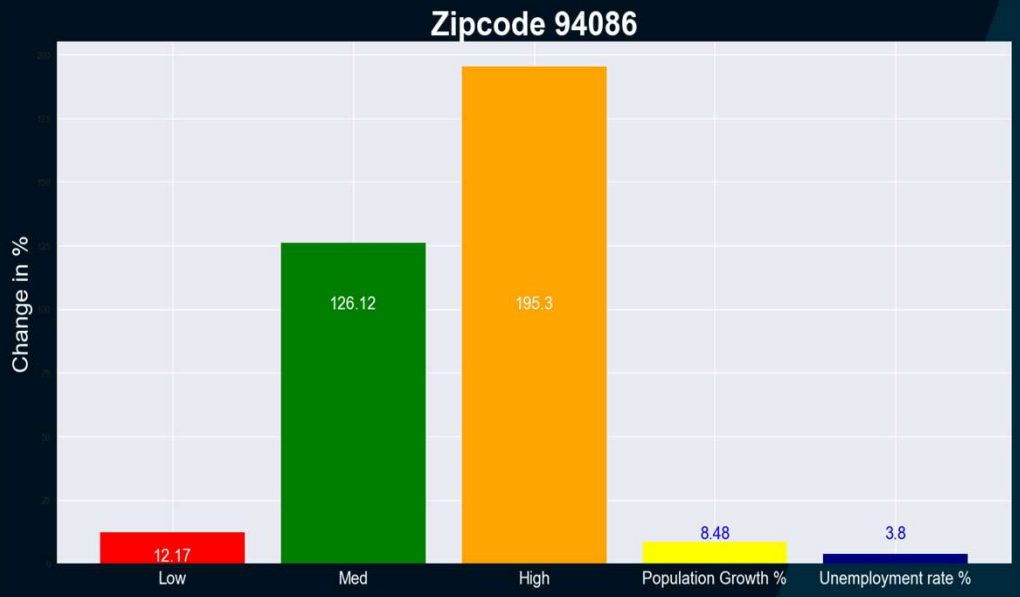
#2 94043 Mountain View, CA



0.74% Property Tax



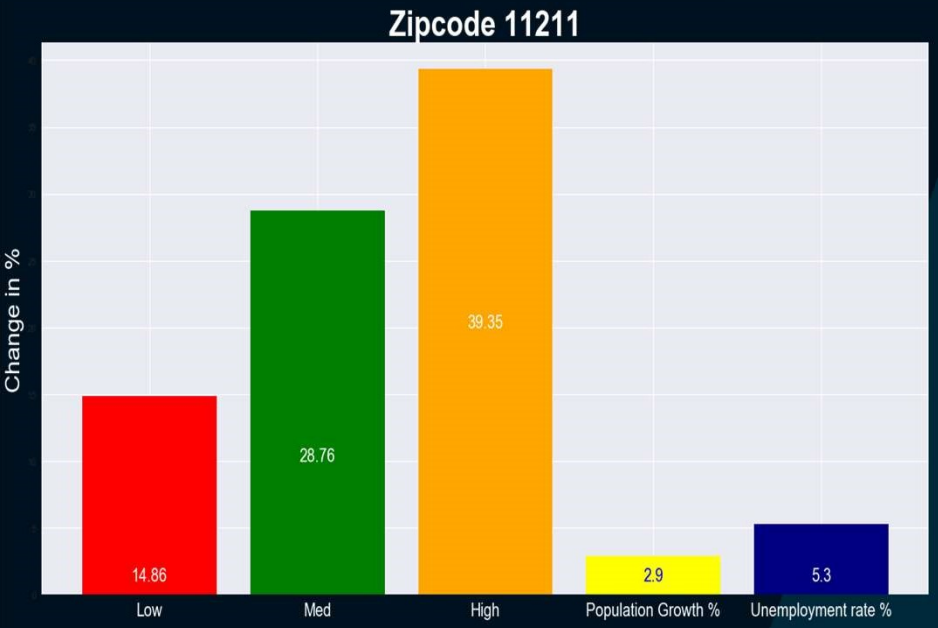
#3 94086 Sunnyvale, CA

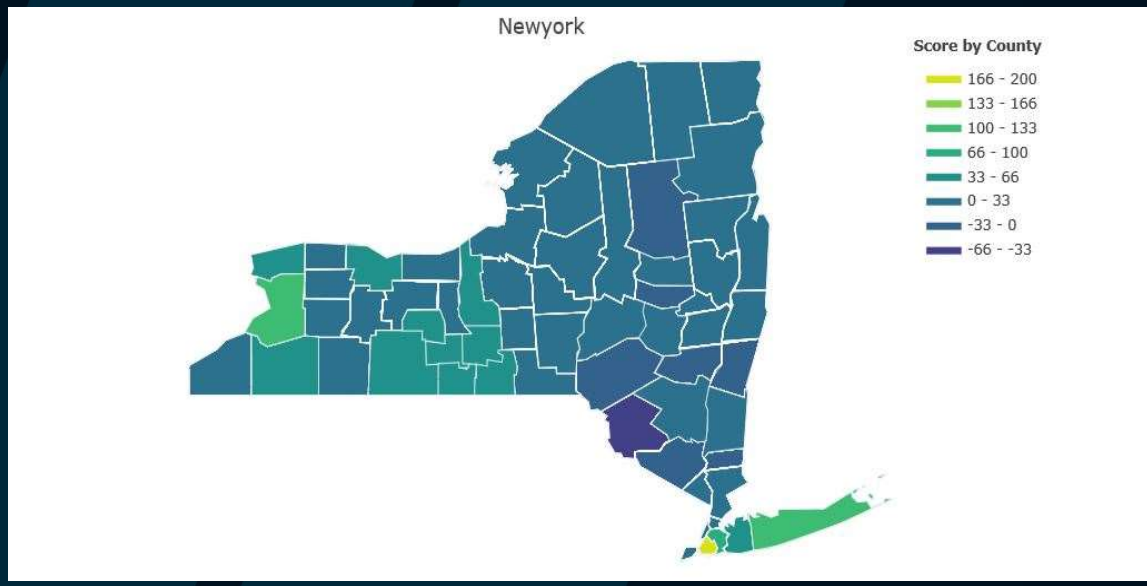


0.74% Property Tax

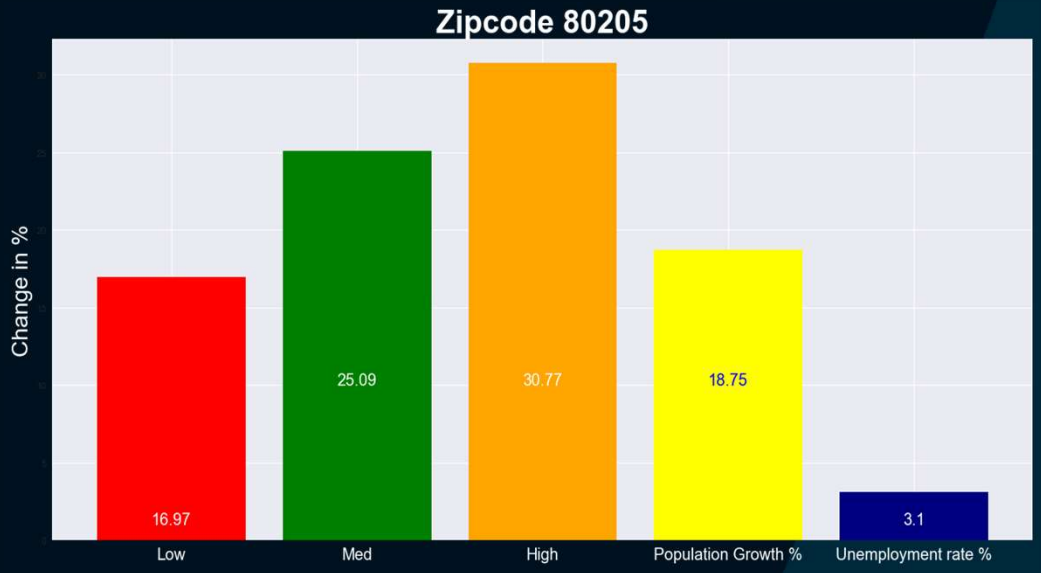
#4 11211 Williamsburg, NY

1.2% Property Tax

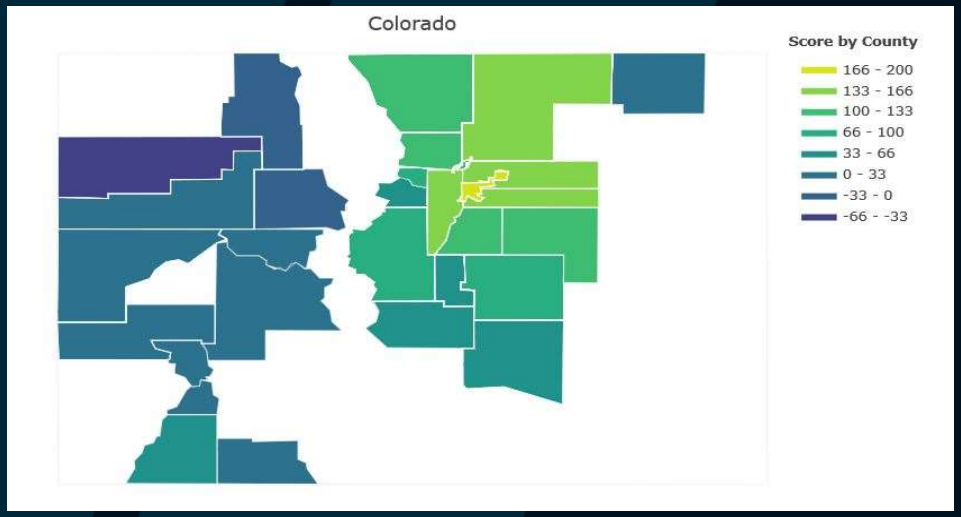




#5 80205 Denver, CO



0.64% Property Tax



Forecast

Example for median growth

	2018	2023
Zipcode 15201	$217,800	$666,468
Zipcode 94043	$1,438,700	$2,158,050
Zipcode 94086	$1,554,200	$1,958,292
Zipcode 111211	$985,400	$1,241604
Zipcode 80205	$478,300	$597,875

Recommendation

Select Zipcode with Right Budget

- Forecast is based upon on 100% cash buy.
- Any of the zipcdoe will bring positive ROI.
- Investing in more than one area for lower risk.

Hold on to the Property for 5 years

- Selling the property before 5 years will give lower ROI.

Future Work

Different Buying Option

- New forecasting model with 20% down payment.
- More criteria will be incorporated.
- Property will be listed market on May of 2021.

Demand Forecast

- Population growth doesn’t equal to increase in demand
- Demand forecast using Census API

THANK YOU!

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