

Plunkonomics™ Report
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Advanced AI and Machine Learning reveals new insights into the value unlocked from remodeling

AI-based home remodeling analysis for the greater Seattle area

Report Highlights:

Plunk's analysis reveals the following key insights within the Greater Seattle area:

- Introduces a new housing metric, Plunk Value™—which presents the fully-renovated value of a home
- Identifies communities with the greatest remodel upside potential
- Breaks down the best remodeling projects—by neighborhood—to increase home values

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About Plunk

Plunk is a Seattle-based, advanced technology and data science company, empowering REALTORS® with new AI and Machine Learning tools. Using next generation analytics, Plunk enables REALTORS® to become their client's most trusted financial advisor through their entire homeownership journey.



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Vince leads analytics work at Plunk, from economic analysis to development of ML algorithms. His career in analytics has spanned many domains, including real estate, financial services, higher education, and philanthropy, at organizations such as the Bill & Melinda Gates Foundation, HERE Technologies, and JP Morgan Chase. Vince holds undergraduate and graduate degrees in economics from Boston College and Seattle University, respectively.

Seattle area homes now have over \$289B in potential value which can be unlocked through home remodeling—an average of \$240,000 per home

Home valuations in the Seattle area—based on Plunk’s unique AI-based modeling system—climbed on average 25% to 30% from July 2020 to July 2021—the third fastest rate in the US—making it one of the most expensive housing markets in the country. This market rise in home valuations means homeowners saw significant growth in their home equity.

While that is great news... Plunk’s analysis reveals an even better upside for Seattle homeowners.

As Seattle homeowners saw both the value of their home and their equity rise, they also saw an even greater increase in the potential *remodeled value* of their homes.

At the end of July 2021, the total combined value of all homes in the Seattle area—defined in this report as a Metropolitan Statistical Area (MSA) of over 1.1 million homes located in King, Pierce, and Snohomish counties—was \$812 billion. However, the combined value of all those homes if each were remodeled is estimated by Plunk to be \$1.1 trillion—or 36% higher.

This means **Seattle area homeowners have over \$289 billion in untapped, potential home value which can be unlocked through home renovations.** That equates to an average increase in home value of over \$240,000 per home.

Current combined value of all homes in the Seattle area

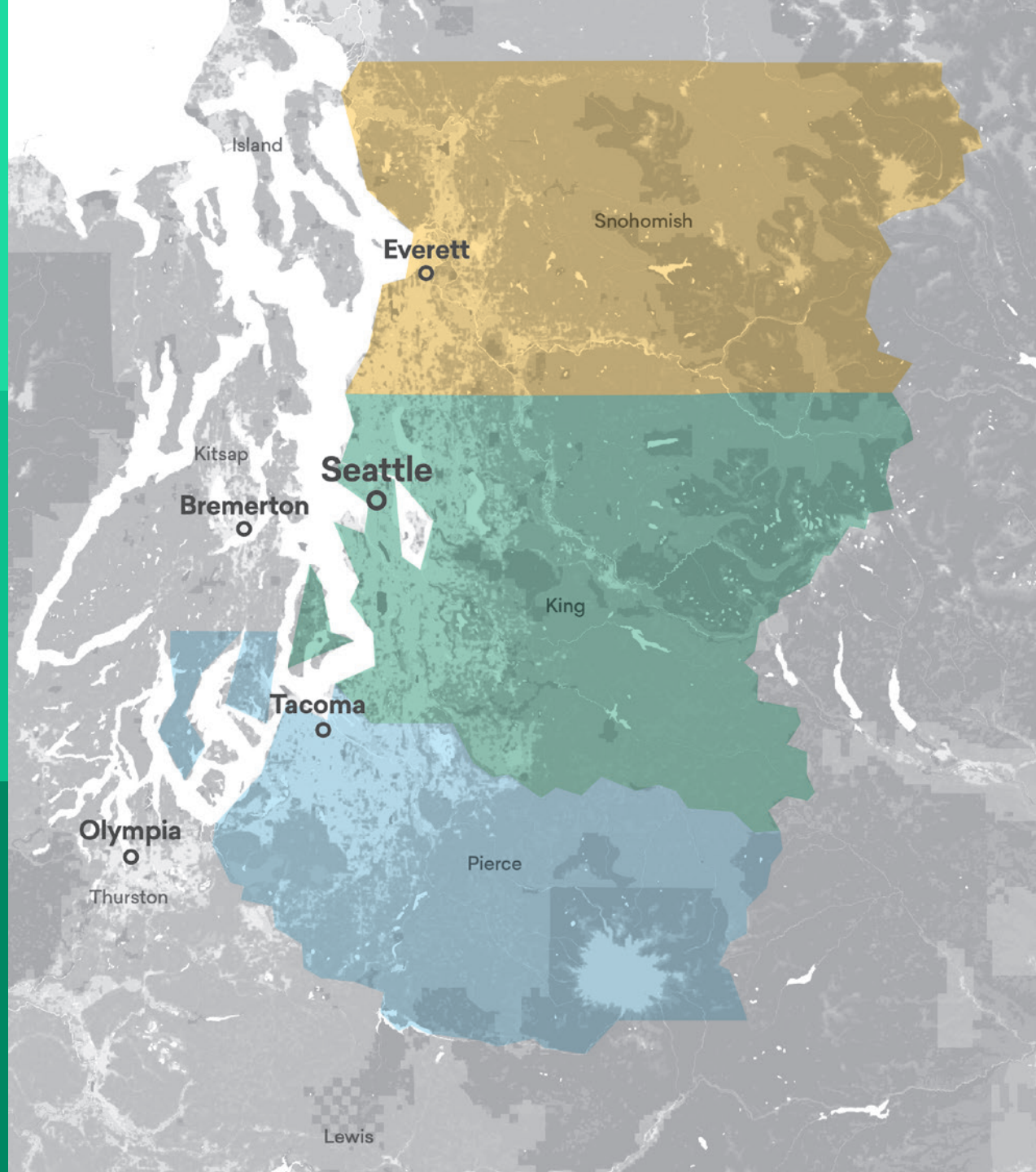
\$812 B

Potential home value creation through remodeling and improvements

+\$289 B

Percentage increase in home value through remodeling and improvements

36%



Seattle area homes have seen a 26% increase in their Remodel Upside since July 2020

As home values increase, so does their **Plunk Value**. The Plunk Value of a home is simply its fully remodeled value.

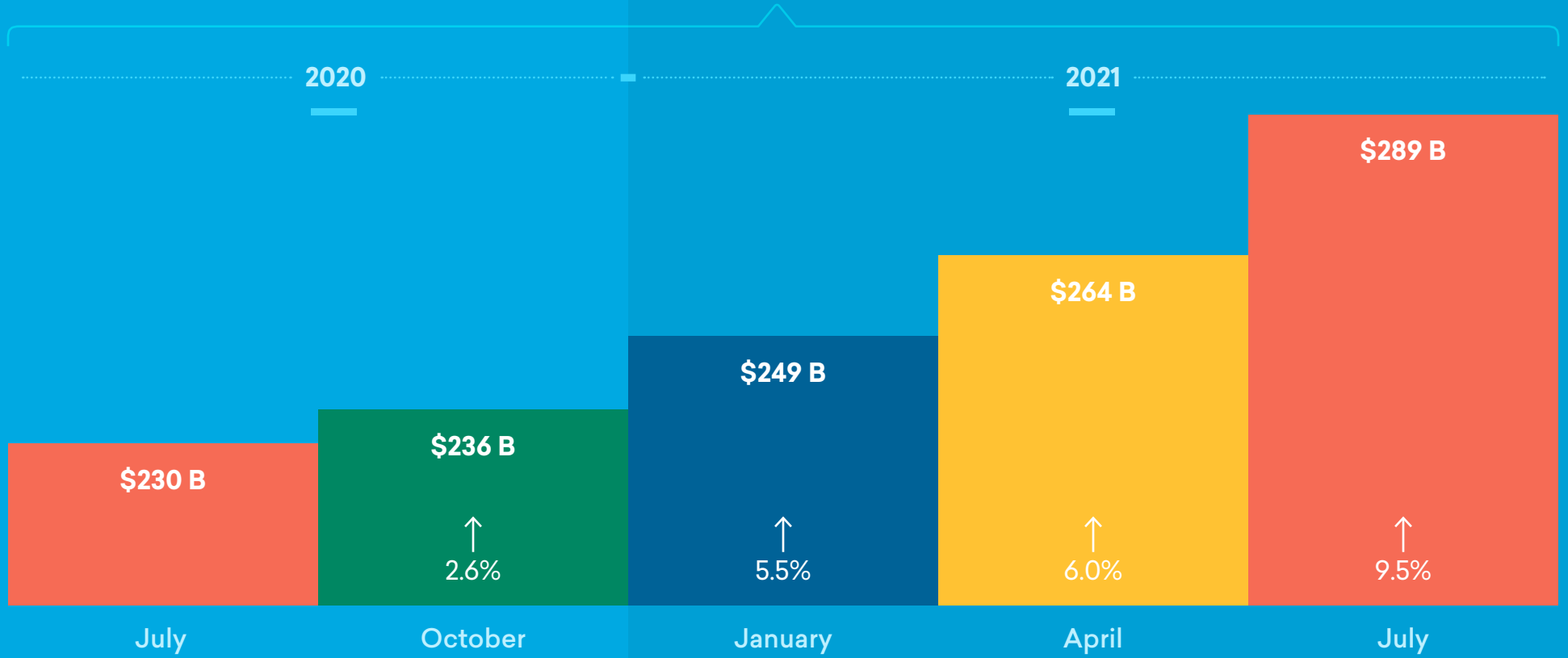
Plunk Value is important to know for any home, given that it represents its **potential upside as an investment**. Long and short-term investors (flippers)—as well as financially savvy home buyers—look specifically for homes with higher values that can be unlocked through smart renovations.

Homes with high Plunk Values relative to their current market value signal great investments for potential home buyers, higher paybacks on remodeling projects for current homeowners, and opportunities to significantly increase their home's listing price for sellers.

While the median closed selling price for a home in Seattle increased 17.8% since July of 2020*, that same median home saw its Plunk Value increase 26%—an average increase of 5.9% per quarter over the last year.

* Northwest Multiple Listing Service, July 2021 Housing Market Statistic report for King County.

+ 26% Year-Over-Year



“A home’s Plunk Value,
less its Current Value,
equals its Remodel Upside.”

Over \$30B in Remodel Upside potential is concentrated in five communities just east of Seattle

Two Bellevue ZIP codes, along with Seattle's Eastside communities of Kirkland, Redmond, and Mercer Island, each represent \$6B+ in potential to increase total property value through renovations and remodeling. Taken together, these 86,270 homes represent just 7.2% of all homes considered in the analysis, but 10.4% of the total remodel upside for the entire Seattle area. These five well-established neighborhoods have also experienced more rapid price acceleration than other Seattle-area ZIP codes.

+\$30 B

Total
Remodel
Upside

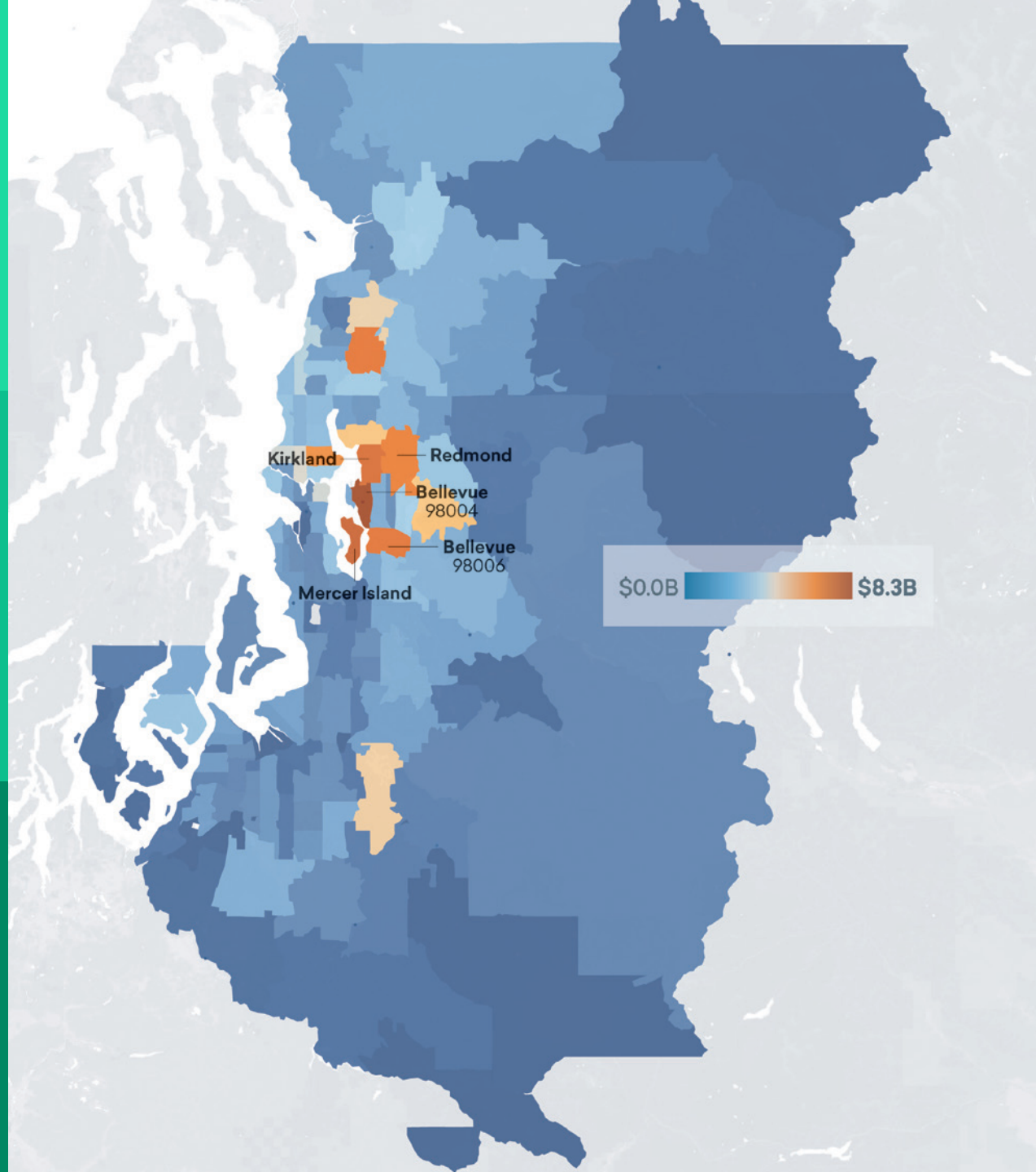
7.2%

of all Seattle
area homes

10.4%

of Total
Remodel
Upside

(for all Seattle
area homes)

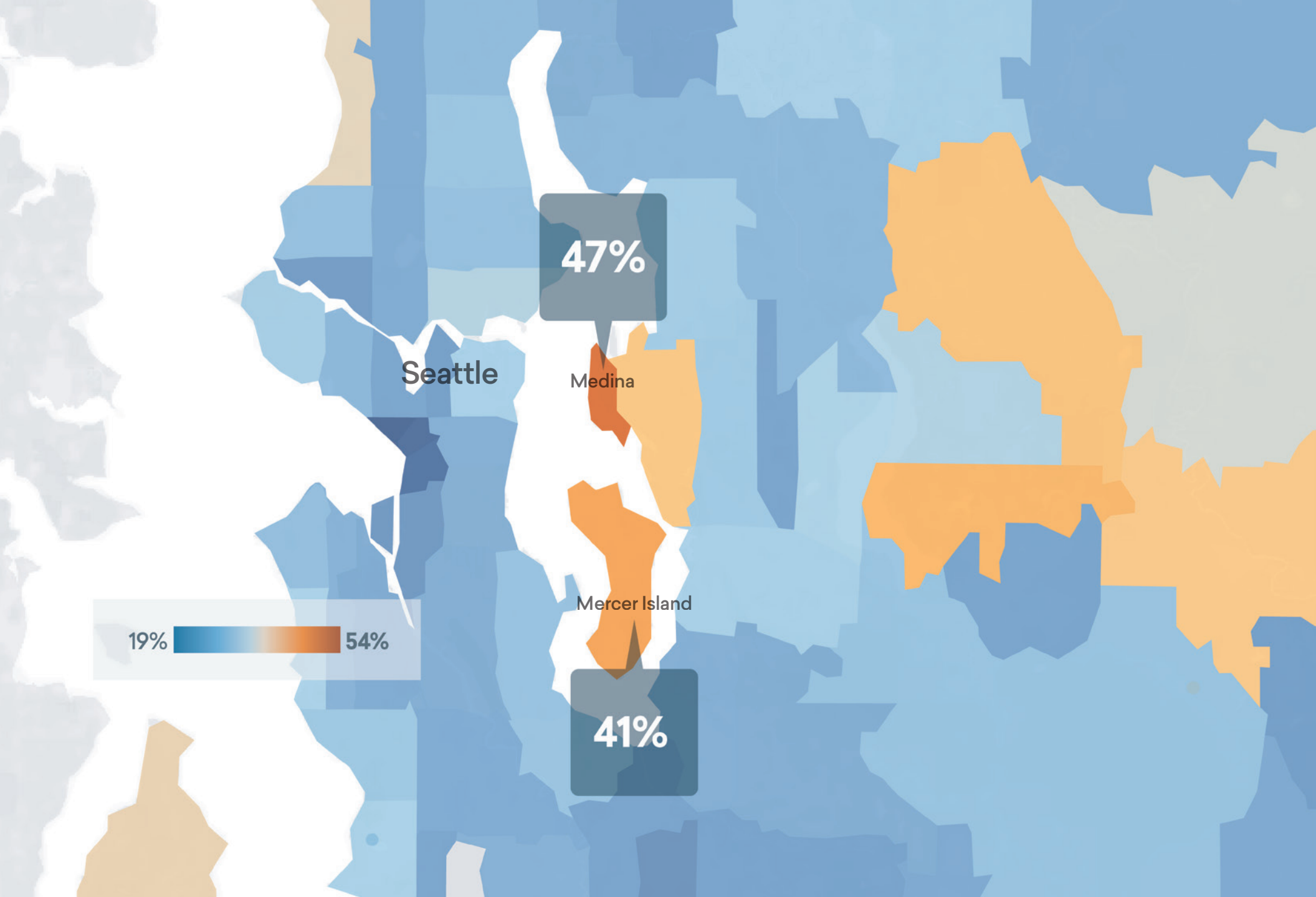


Core Seattle Area

The highest remodel upsides in the core Seattle area are concentrated in Seattle's high-cost sub-markets

Plunk analyzed Seattle area ZIP codes and neighborhoods and assigned a Plunk Value to each home. A closer look at a Plunk Value mapping can reveal insights into where to find the best remodeling opportunities.

Homes in Medina (47%) and Mercer Island (41%) generally represent the greatest *Remodel Upside* from among both Seattle and Eastside ZIP Codes. These are both very high land value neighborhoods—which creates a multiplier effect for making improvements to the older and smaller homes that are still common in these areas.



47%

Seattle

Medina

Mercer Island

19%

54%

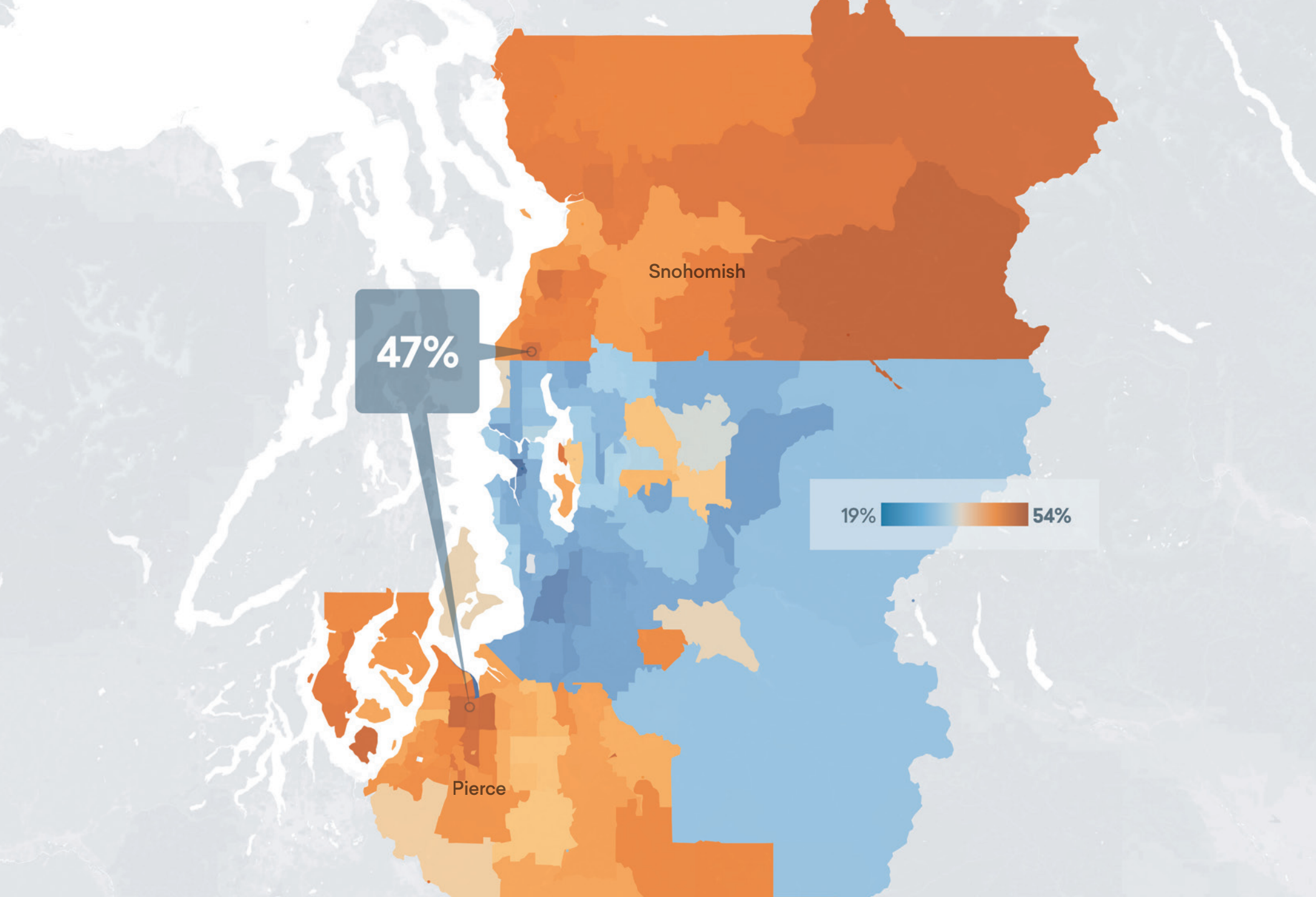
41%

Greater Seattle Area

Remodel Upsides are highest in Pierce and Snohomish counties

There is a 45+% potential increase in value from improvements and remodeling in both south-west Snohomish County and central Tacoma ZIP codes. These are areas with relatively lower-cost homes that have experienced significant growth in both demand and value as more people seek affordability further from the Seattle core.

As workers took advantage of working from home and not having to commute, these neighborhoods have seen a considerable increase in demand.



Snohomish

47%

19%

54%

Pierce

How does a home's Plunk Value increase more than its current home value?

There are several reasons why a home's potential remodeled value—and its Remodel Upside—increases more than its current market value:

The value of its location increases

Neighborhoods often, for a variety of reasons, become more attractive and desirable—thus grabbing the attention of more and higher-end buyers. These new buyers often expect larger, more updated homes and are very willing to pay more for them. This raises the value of any home that is remodeled or updated in that neighborhood.

Lifestyles change

How we work, live, and shelter continue to evolve. COVID has both accelerated some of those

changes and also introduced new changes to our daily routines. Our homes need to be changed to support this evolution. This places an ever-increasing premium on homes that have been updated to support these modern lifestyles, thus increasing a home's remodeled value.

Our homes are aging

As our US housing stock ages (the average home in the US is now currently 43 years old), our homes are increasingly in need of repair. Older homes simply need updating, and newly updated and renovated homes command premiums.

List of Top 10 Cities by Remodel Upside, by dollars and percentage

Plunk's analytics reveal the Seattle area's top cities by total Remodel Upside potential and by percentage increase

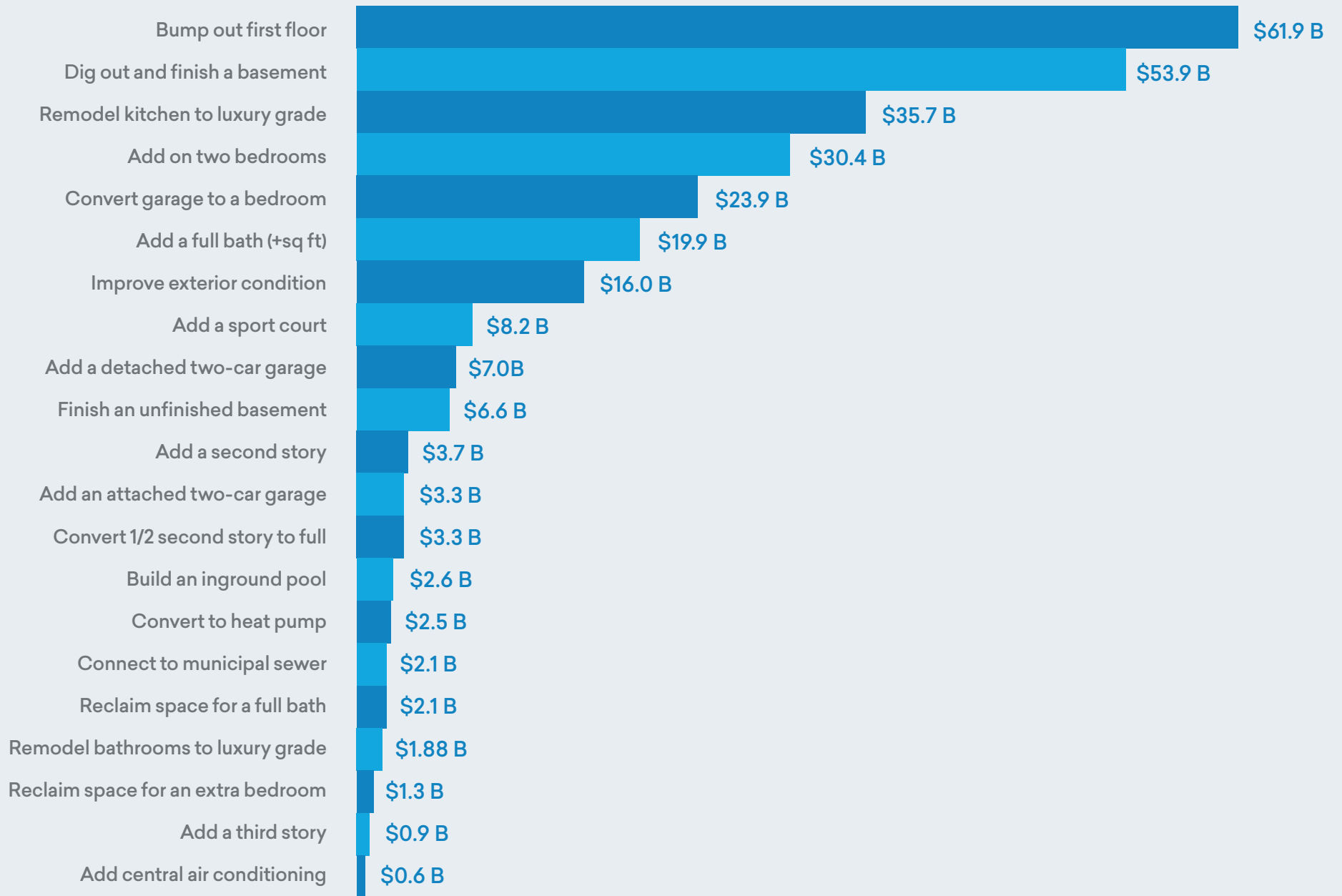
Top communities by total Remodel Upside value			Top communities by Remodel Upside percentage			Seattle area communities with \$1B+ in Remodel Upside potential		
City	Total upside potential	Percent upside potential	City	Total upside potential	Percent upside potential	City	Total upside potential	Percent upside potential
Seattle	\$70,385,104,000	31%	Index	\$16,953,000	54%	Mountlake Terrace	\$1,592,913,000	49%
Bellevue	\$22,435,857,000	35%	Elbe	\$2,954,000	53%	Medina	\$2,437,334,000	47%
Tacoma	\$18,882,996,000	45%	Ashford	\$22,894,000	52%	Marysville	\$5,160,703,000	47%
Bothell	\$11,740,161,000	41%	Gold Bar	\$266,936,000	50%	Lake Stevens	\$3,668,845,000	46%
Kirkland	\$11,376,277,000	32%	Wilkeson	\$35,821,000	50%	Stanwood	\$1,713,672,000	46%
Redmond	\$9,527,149,000	33%	South Prairie	\$17,366,000	49%	Monroe	\$1,829,232,000	45%
Sammamish	\$9,128,529,000	37%	Mountlake Terrace	\$1,592,913,000	49%	Lynnwood	\$6,885,822,000	45%
Everett	\$8,969,299,000	44%	Sultan	\$394,099,000	49%	Tacoma	\$18,882,996,000	45%
Renton	\$8,412,541,000	28%	Darrington	\$92,044,000	49%	Arlington	\$2,412,915,000	45%
						Everett	\$8,969,299,000	44%

Adding livable square footage (most often) represents the biggest opportunity to enhance value

Perhaps our increased sheltering during COVID has put a permanent dent in the downsizing movement, but larger homes with more rooms and more spaces still fetch higher values. Home-owners also now increasingly want more room to work and pursue their hobbies in their homes and so buyers continue to place emphasis on livable square footage.

Plunk's top projects for increasing the value of a Seattle area home emphasize adding square footage—through expanded footprints, additional stories and finished basements.

There are, however, many other ways to increase a home's value without adding square footage—where top projects continue to be kitchen and bathroom upgrades. Plunk's analytics also identified the increased value placed on energy-efficient homes that also keep living areas cool.



Key Takeaways

Plunk's analysis of the Seattle area home remodeling market opportunity reveals the following key insights:

- Even in one of the highest-cost/highest-growth markets, there remains great potential to increase property values through remodeling and updating
- To find the best remodeling opportunities, target more affordable sub-markets that show recent increases in sales activity, **or** high-value sub-markets with significant inventory of existing older/smaller homes
- Despite the downsizing and tiny home movements, adding livable square footage still creates the most value—where you can:
 - bump-out ground floors to create additions
 - finish a basement
 - add-on bedrooms or bathrooms via additional floors

The next generation of real estate analytics will provide new capabilities and unprecedented insights. New, data-related technologies such as Artificial Intelligence, Machine Learning and Advanced Image Analysis promise to improve transparency, accuracy, and fairness while delivering better understanding of market dynamics, real-time trends, and longer-term forecasts.

Plunk's modern data science approach empowers all participants within the Residential Real Estate ecosystem, while allowing us to make housing fair and more accessible, identify and resource underserved markets, and develop effective environmental, social, and governance initiatives to better meet *our* future housing needs.