Factors that could influence the Residential Home Prices across United States for the next Decade using MECE Framework
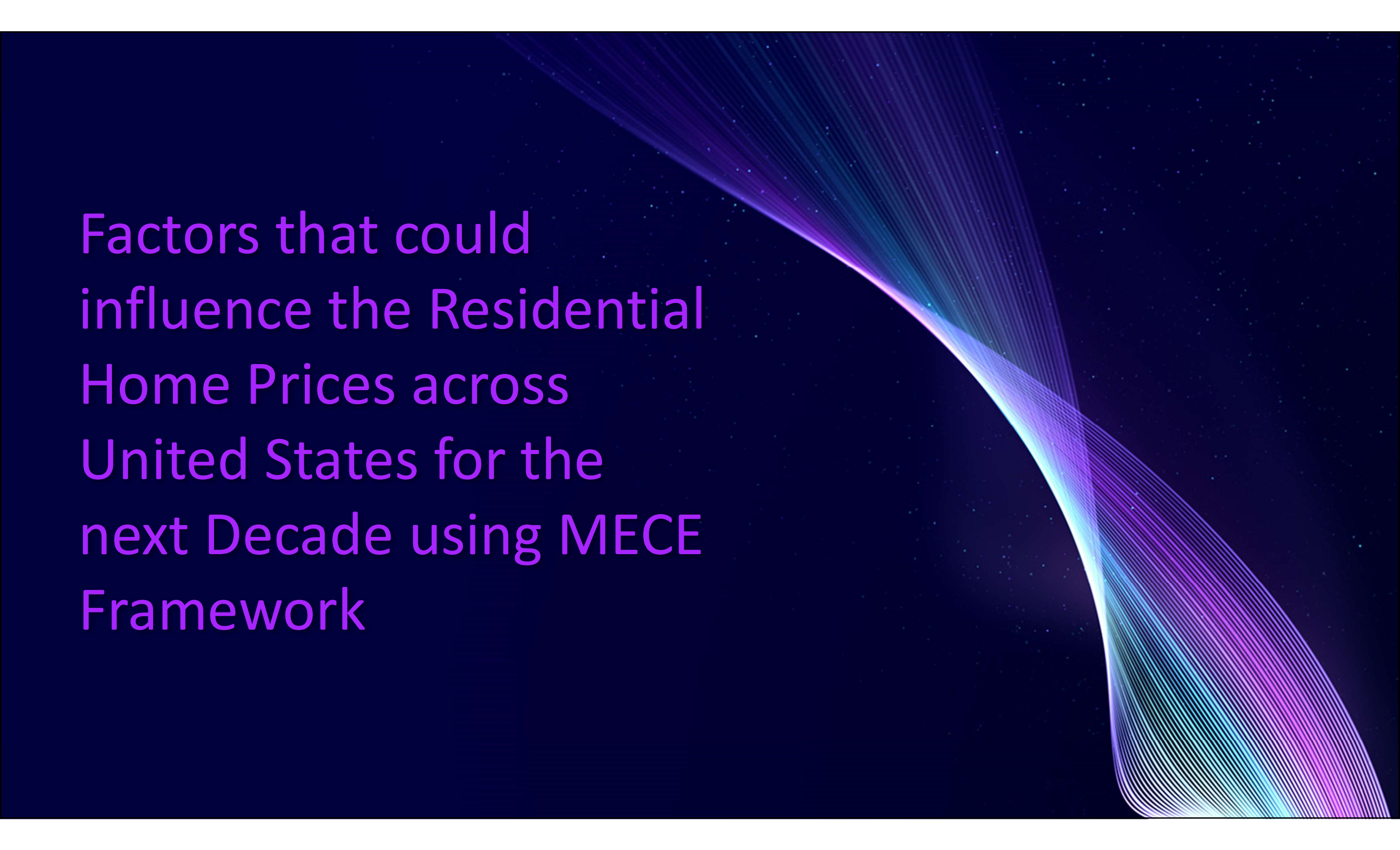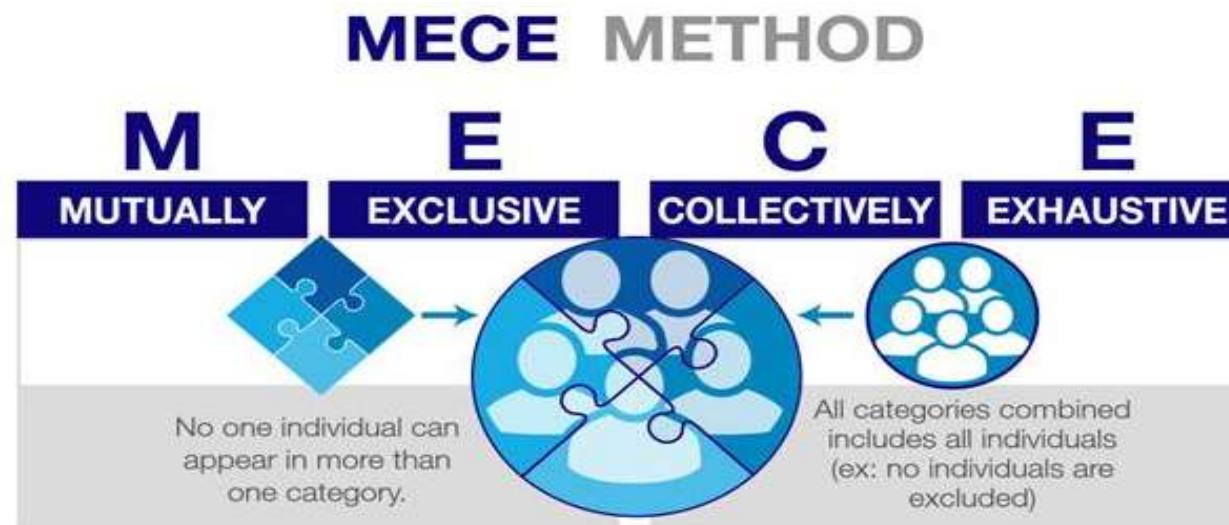
MECE Framework

- **MECE** is a principle used by Management consulting firms to describe a way of organizing information. The MECE principle suggests that to understand and fix any large problem, you need to understand your options by sorting them into categories that are: **Mutually Exclusive**– Items can only fit into one category at a time and **Collectively Exhaustive** – All items can fit into one of the categories.

- MECE is a systematic Problem-Solving Framework that helps to solve complex problems. It can help you eliminate confusion and focus on key data that points the way toward success.

- In case interviews, the MECE principle is a valuable tool for creating Management consulting firms that break down complicated problems into basic components you can evaluate and help you get to the root of the problem. Thinking this way is useful because it helps you avoid duplication and clarifies your options for resolving the problem.

MECE METHOD

| M | E | C | E |
| MUTUALLY | EXCLUSIVE | COLLECTIVELY | EXHAUSTIVE |

No one individual can appear in more than one category.

All categories combined includes all individuals (ex: no individuals are excluded)

The Main Factors are as below

- Resources and Requisites
- Location and Habitat
- Regional Market
- Economy
- Interest Rates
- Laws
- Population
- Income

The Figure shows the MECE Chart of the all factors.
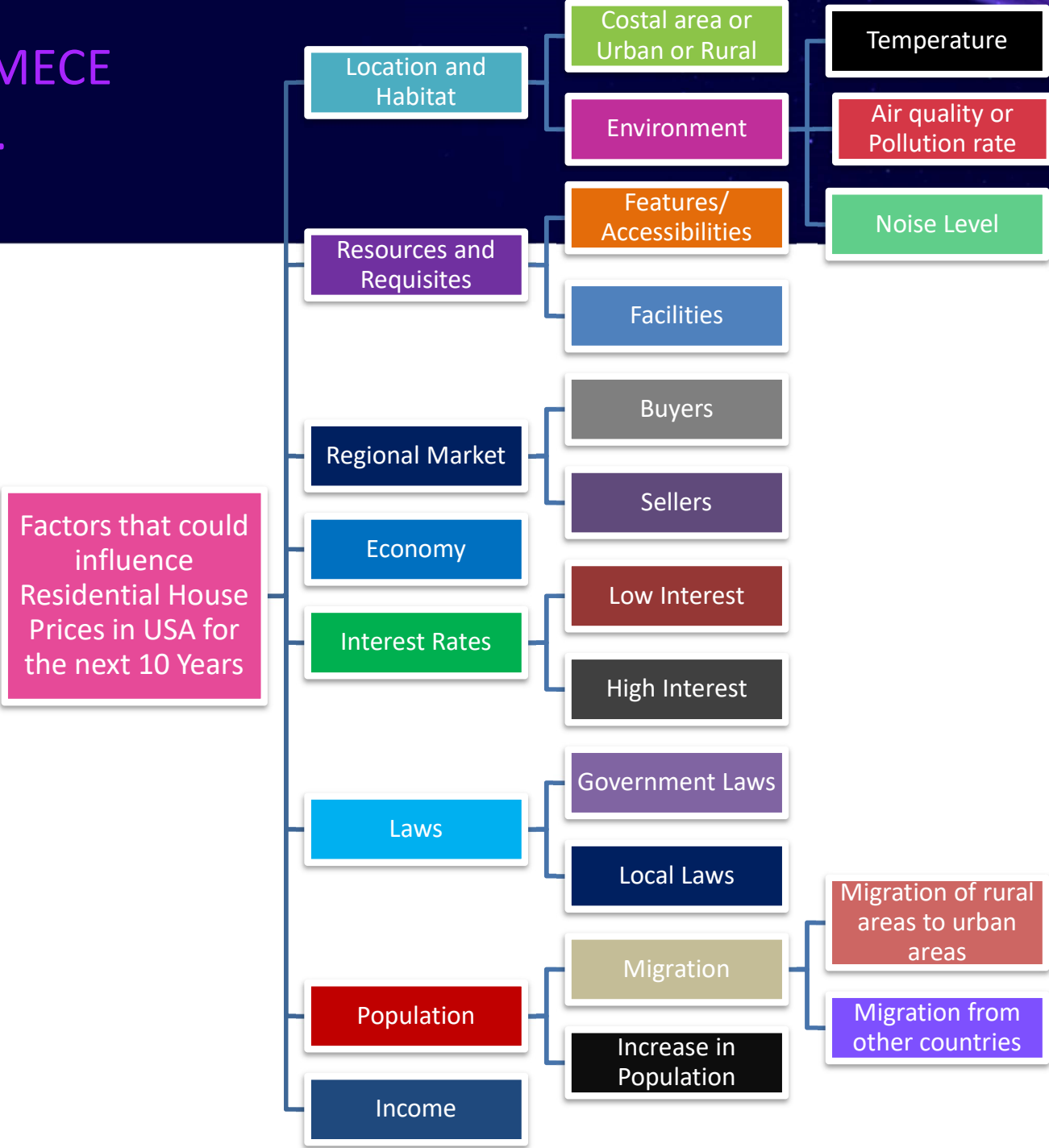
Location and Habitat

- Location refers to the area in which they are buying the house, that is the location comes under which area whether it is a costal area or urban or rural.

- There will be difference of prices in urban and rural areas which will be in large scale.

- Habitat refers to the environment available in the particular area. The quality of air, Noise level and the level of air pollution in the particular area.

- There will be difference in this between rural areas and urban areas. In rural areas the air pollution level and noise level are very less compared to the urban areas.

Resources and Requisites

Resources:

- Water Facility
- Public Transport
- Malls that are nearby
- Educational Institutes
- Hospitals
- Underground Drainage System

Requisites:

- Security
- Parking Facility
- Power backup
- Jogging Track
- Gymnasium
- Kids Play

Regional Market

Sellers:

- Market with lot of buyers but few sellers is referred to as sellers market.

Buyers:

- Market with few buyers but many homes on the market is referred to as buyers market.

Economy

- **Inflation Rate**: The rate at which increase in price of a certain goods and services for a certain period of time is referred to as inflation rate.

- GDP

- Purchasing power parity

- Unemployment rate

- Mortgage Rate

- Price of houses in neighbourhood

Interest Rates

Low Interest Rates:

- Lower the interest rates, lower the cost of a mortgage will be, Thus increasing the housing demand and pushing asking prices up.

- Encourage home buyers to take out home loans and buy a home.

High Interest Rates:

- A high interest rates would increase mortgage rates and reduce demand for a house to be purchased.

Laws

Government Laws: There are some notable ways government forces that could impact house prices

- Mortgage Interest rates deductions

- Tariffs

Local Laws: There are some area specific laws that could also impact the price of a house in that area.

Population

The growth of population in an area results increase demand for housing there. Increase in demand directly translates into faster appreciation in real estate prices and vice versa.

The common ways of increasing population are:

1. Migration: There are two ways of migrating population.

- Some people who wants to migrate from rural places to urban. This causes increase in population in urban places.

- Some people who migrate from other countries.

2. The most common way is naturally increase in population of local people.

Income

- The average income of people in a particular area is one of the most defining factors of the prices of home in that area.

- Increase in income results in increase in demand for houses and therefore this is also a factor of house prices.

Thank You