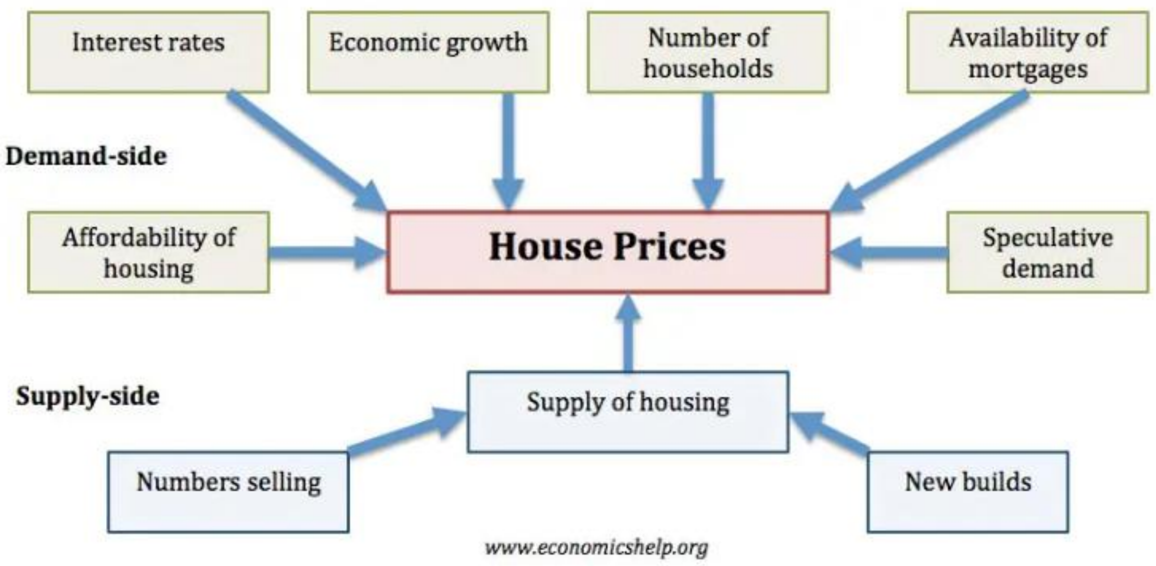
Study of Home Price Trends in the United States

Articles Referred –

https://finance.yahoo.com/news/us-home-values-changed-over

https://www.economicshelp.org/blog/377/housing/factors-that-affect-the-housing-market/



The following variables are chosen for the model building: -

Variables	Source
CASES - CHILLER Home Price Index	https://fred.stlouisfed.org/series/CSUSHPISA
Interest Rates	https://fred.stlouisfed.org/series/FEDFUNDS
Unemployment Rate	https://fred.stlouisfed.org/series/UNRATE
Income	https://fred.stlouisfed.org/series/DSPIC96
Per Capita GDP	https://fred.stlouisfed.org/series/A939RX0Q048SBEA
New Constructed Units	https://fred.stlouisfed.org/series/COMPUTSA
Construction Price Index	https://fred.stlouisfed.org/series/WPUSI012011
Urban Population	https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?end=2021&locations=US&start=2001

1. **Home Price Index:**
    - The Home Price Index is a measure of the changes in residential property prices over time. It serves as a comprehensive indicator of overall home price trends. Analysing the HPI allows for a holistic understanding of how home prices have evolved, providing insights into market conditions.
2. **Interest Rates:**
    - Interest rates impact the cost of borrowing, particularly for mortgages. When interest rates are high, the cost of obtaining a mortgage increase, potentially reducing demand for homes. Conversely, lower interest rates can stimulate demand as borrowing becomes more affordable.
3. **Unemployment Rate:**
    - The unemployment rate is a key economic indicator that reflects the percentage of the labour force currently unemployed and actively seeking employment. High unemployment rates often signal economic challenges, reducing the purchasing power of individuals. In the housing market, a higher unemployment rate may lead to decreased demand as fewer people can afford to buy homes.
4. **Income:**
    - Household income is a fundamental factor influencing housing affordability. Higher incomes generally enable individuals or families to afford more expensive homes. The relationship between income levels and home prices is crucial for understanding the purchasing power of potential homebuyers.
5. **Per Capita GDP:**
    - Per Capita Gross Domestic Product (GDP) represents the average economic output per person in a specific region. A higher per capita GDP often correlates with increased prosperity, potentially influencing the demand for housing. Regions with higher per capita GDP may experience greater demand for real estate.

6. **New Constructed Units:**
    - This variable represents the number of newly constructed housing units. It directly influences the supply side of the housing market. An increase in new constructed units tends to lead to higher overall housing supply, potentially impacting home prices based on the principles of supply and demand.
7. **Urban Population:**
    - Urban population refers to the percentage or number of people living in urban areas. The level of urbanization can impact housing demand and prices. Urban areas often experience higher demand for housing due to factors like employment opportunities, amenities, and accessibility, leading to potential price increases.