

FACTORS THAT WILL AFFECT HOUSE PRICES IN THE US IN THE NEXT DECADE

Work done after conducting extensive research of the U.S real estate market and its projections for the upcoming years.

MUTUALLY EXCLUSIVE CUMMULATIVE EXHAUSTIVE FLOW CHART

Factors influencing House Prices in the U.S

Location

Economic Factors

Ammenties

Age and Condition

Develop
ment

Coastal
Area

Crime
Rate

Employment rate

Inflation Rate

Property Tax

Inside
House

No. of
Floors

Number of
Bedrooms

Number of
Bathrooms

Scope for
modification

Outside
House

Pool Area

Garage

New House

Old House

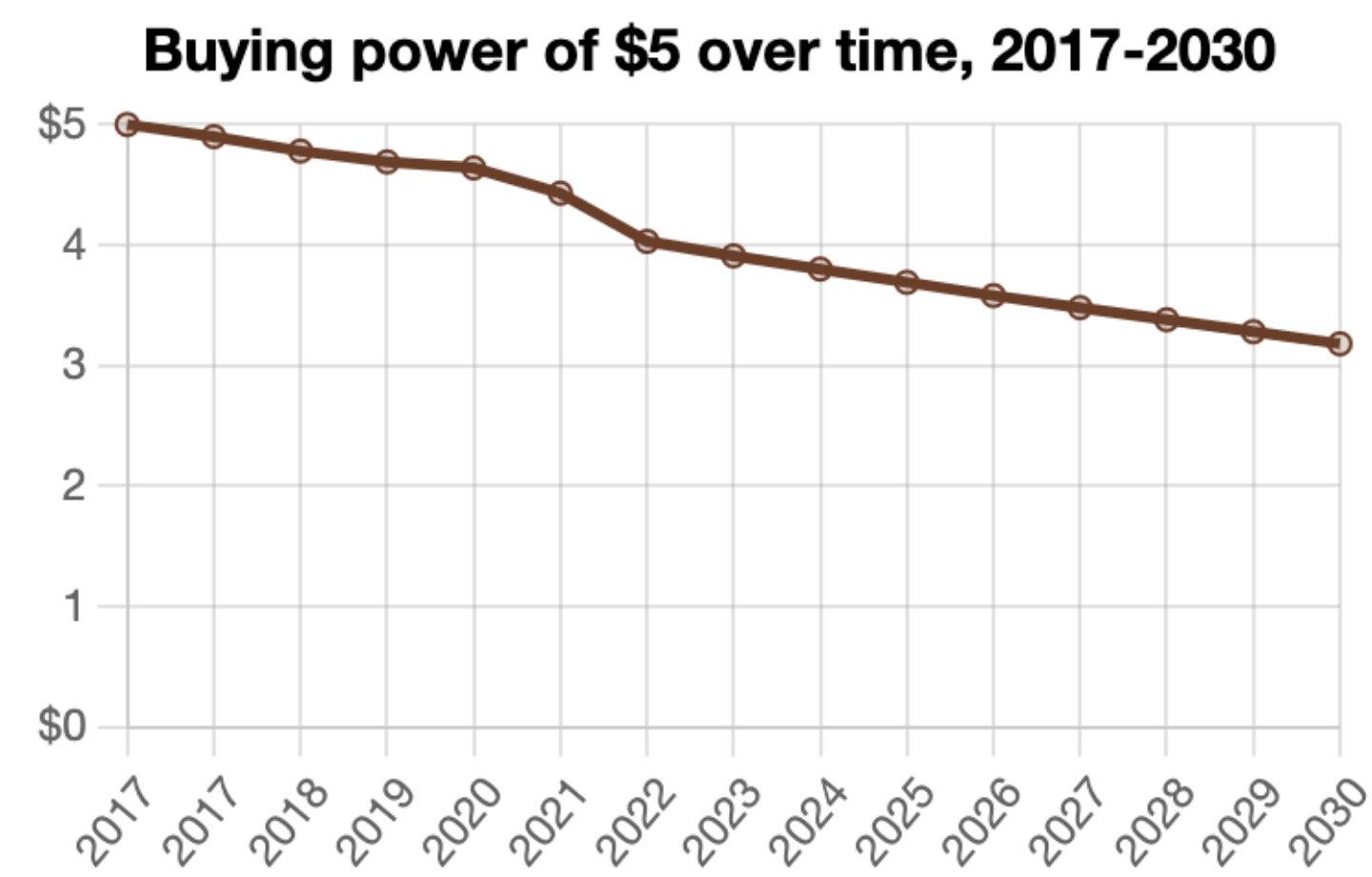
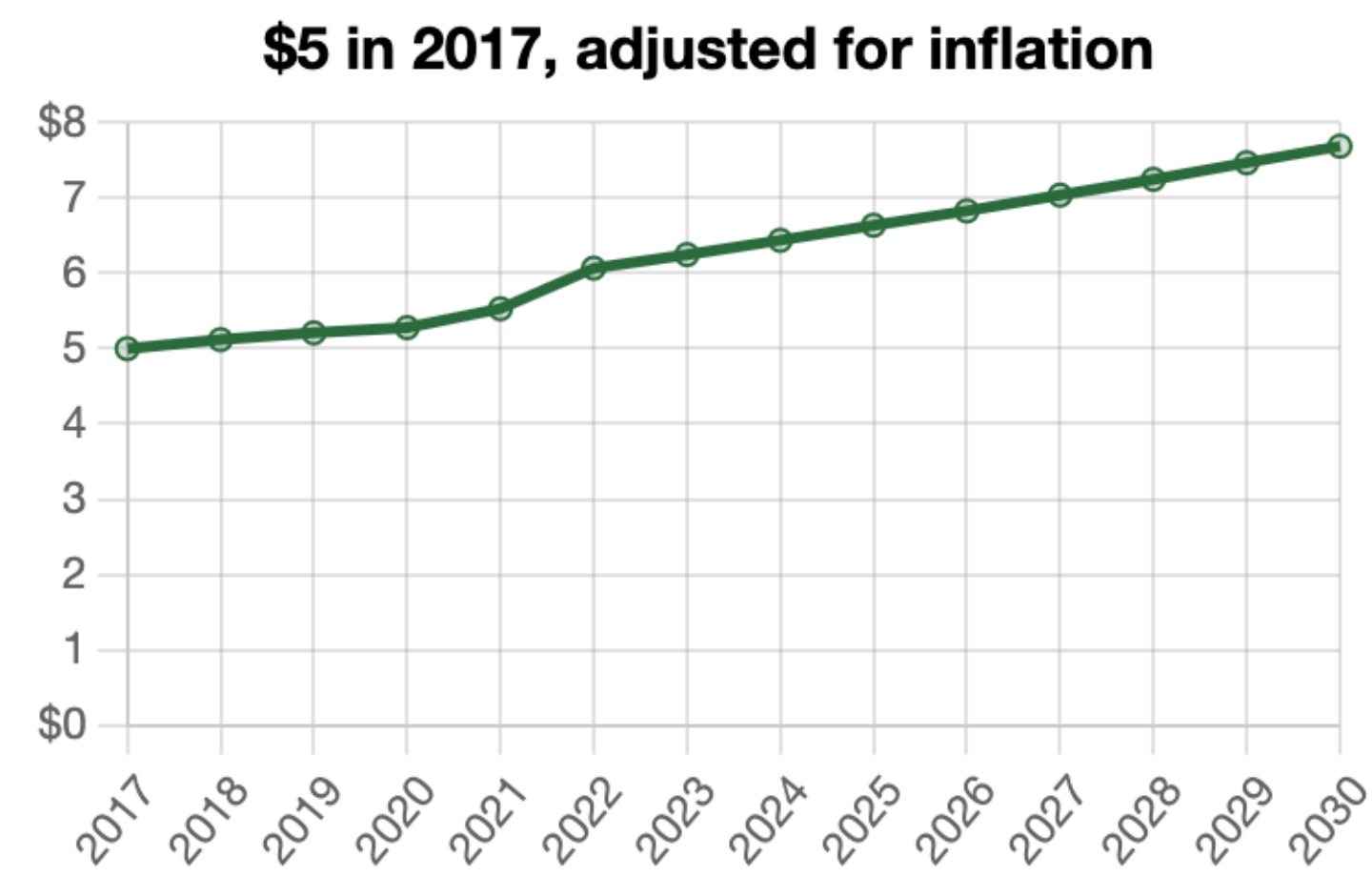
Why the above factors will influence the housing prices in the US over the period of next 10 years.

- **Location** : This is actually like a mantra, Location, Location and Location. Location plays an integral role in determining the price of a house. Earlier, during the dot-com bubble, lots of people started flocking in California, which increased the price of house in that area but now COVID 19 has taught us that work can be done from anywhere including our home.
- **1. Development** : A developed place is one that has Schools, colleges and hospitals around it, primary factors which tends to heavily influence the house price. As per a report, a lot of American states has shown tremendous growth like Utah, Raleigh, Charleston etc.. as it has ticked all the boxes under development. With places like Manhattan, San Francisco and San Jose showing no signs of slowness, the median house price could skyrocket in upcoming decade.
- **2. Coastal Areas** : As per a U.S survey, only 10% of the people are aware that their house is in the flood map and this tends to decrease the valuation of house. With global warming, the average temperature in the U.S is set to increase by 2.5 degree, over the next 10 years which increases the chance of flooding. Houses lying in the flood map requires an additional Flood Insurance which usually is in the ball park of \$300.
- **3. Crime Rate** : With the crime rate in U.S steadily increasing, there is also a rising need for people wishing to live in a safe neighbourhood. This of course comes at a price, a price that is quite high.
- **Economic Factors** : This is probably one of the important if not the most important factor that determines the price of a house. The basic concept behind this is the universally acclaimed “Supply and Demand”. Lets face it, if there is no demand for a product, then the price of the product is set to come down. On the other hand, if there is a high demand for a product, then its price increases. This intertwined with Property tax and employment rate forms a crucial factor in setting the house price. With the COVID baby boom, the supply for houses is all set to increase in coming 20 years as more and more people (Children) are leaving their house early to live a independent life.

Inflation rate

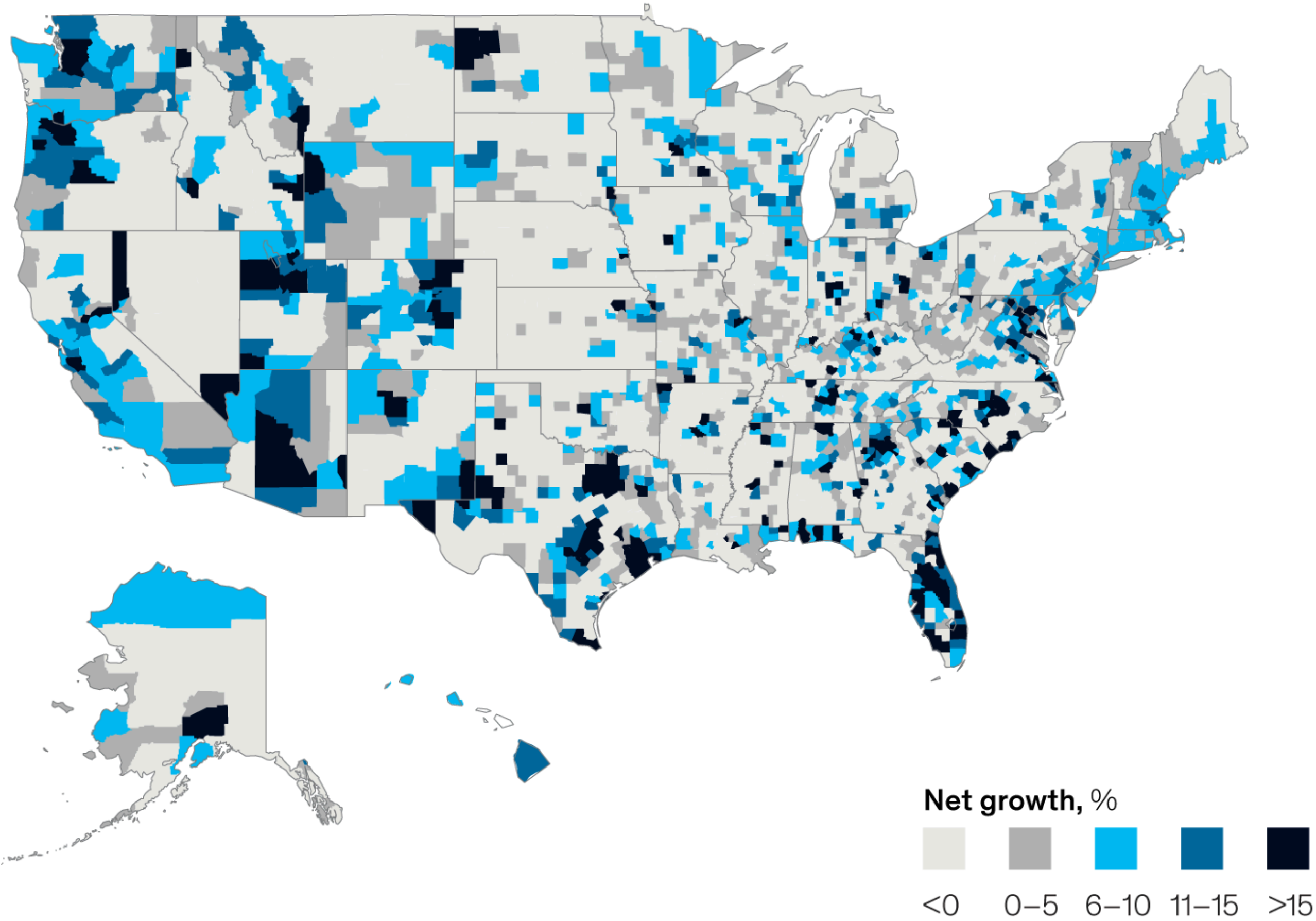
The below image shows how inflation rate is set to increase.

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A pictorial representation of people living in different parts of the US(from 2017 to 2030)

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- **1.Employment Rate** : With the unemployment rate in U.S set to decrease from 8.1% in 2019 to 4.6% in 2030, the sun shines bright for the real estate sector. With employment rate increasing, people can leverage this to get a better pay, which in turn can lead them to purchase bigger and better homes for them.
- **2. Inflation Rate** : As inflation rate increases, the federal bank intervenes and this in turn causes a downturn in the mortgage rate which will badly affect the price of the house. With the inflation gradually increasing at 3% per year in the U.S, by 2030 the price of houses could very well shoot up.
- **3. Property Tax** : This varies from location to location. Now during this digital days, every the property tax slab is set to increase in the coming years as people have started to relocate to tier 2 and tier 3 places.
- **Ammenties** : Do you know as per a McKinsey survey, a whopping 80% of working class people like working from home. This means a large portion of the people are going to live in and work from their home. And by 2030, this number will probably reach 2.65 million which means people would expect all sorts of luxuries in their Home cum office like Pool area, garages mutiple floors along with multiple bedrooms and restrooms. Yes, this of course comes at a very high price.
- **Age and Conditions** : A house can have all sorts of luxuries like garages, Swimming pool etc.. But it all boils down to this. Whether a house is old or new. Typically houses that are quite old do not have much room for modification which means people who wish to modify their house as per their wish will not be interested, thus reducing the number of potential buyers interested in buying the house, which further reduces its price.

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Heat Map Showing the Correlation of different factors influencing the price of house.

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