Factors influencing House prices in USA over next 10 years

Introduction

This report describes all the factors that can influence the residential house prices in USA over the next 10 years.

Brief

Real estate has always been considered as a fruitful asset in one's investment portfolio, for the short term, as well as long term.But not everyone invests in it,only the modest of the population manages to invest in real estate.But every single man/woman wants to have their dream house.

If one wants to buy a house be it for living or as investment, the first few question that comes to the mind is what is the ideal size that one needs or the area/locality of the house or number of bedrooms,floors etc.One might think these are the major factors that affect the price of a house.For an extent it is true but there are lot of other factors that affect the price of a house.
The house price is the differing perception of what the property in question is worth to the buyer and seller. No matter what, the buyer will always try to buy at the minimum cost and whereas the seller will try to reap the maximum profit by selling the house at highest cost.

Basic factors that affect house pricing:

➢ Size of the House
➢ Number of Bedrooms and floors
➢ Location
➢ Neighborhood
➢ Age and condition

Lets see some basic factors that affect the price of house.These factors are the basic ones which plays major role while determining the price of a house in any given country and decade.

1.Size of the House

 When estimating the home's market value, size is an important element to consider.Size is directly proportional to the price.Bigger the house higher the price.The value of a home is roughly estimated in price per square foot,the sales price divided by the square footage of the home. The price buyers will pay per square foot can vary greatly. Depending on where you're buying, $100 per square foot might be a good deal or sometimes it might be more for buyer.
In addition to square footage, a home's usable space matters when determining its value. Garages, attics, and unfinished basements are generally not counted in usable square footage. So if you have a 2,000-square-foot home with a 600-square-foot garage, that's only 1,400-square-feet of livable space.

2.Number of Bedrooms and floors

Livable space is what is most important to buyers and appraisers. Bedrooms are most highly valued, so the more beds the home offers, the more home is generally worth.
And coming to number of floors as the floors increase bedrooms and the living space also increases,hence the price goes up as well.
However this changes from place to place and it is very locally specific.

3.Location

The pricing of the house depends a lot on the location where the house is built.If the location is close to the market or commercial areas the house prices are higher compared to the residential couterparts.In some areas simply hold higher value than others.
The houses located in the rural or less developed areas are always less cost than those houses built on well developed or urban areas.
Also, a location with a great accessibility to highways, expressways, schools, shopping malls and local employment opportunities contributes to the added house value.

4.Neighborhood

If someone is buying a house they are not just buying that house but they are becoming a part of that neighborhood.Hence a good neighborhood is what almost everyone expects while buying a house.Good neighborhood refers to one that will sync with one's current lifestyle, one that caters to specific needs such as

proximity to shopping, entertainment, and recreational centers.More often than not while calculating house's price location can be more important than even the size and condition of the house.

5.Age and condition

Typically, homes that are newer appraise at a higher value. The fact that critical parts of the house, like plumbing, electrical, the roof, and appliances are newer and therefore less likely to break down, can generate savings for a buyer. For example, if a roof has a 20-year warranty, that's the money that an owner will save over the next two decades, compared to an older home that may need a roof replaced in just a few years or any plumbing or electrical malfunction.

The above mentioned factors will always contribute to the price of a house but nowadays they are more like a basic requirement that a person will consider while buying a house rather than the factors which influences the price of the house.In coming years there will be lot of other factors that will determine the price of a residential home in USA.

Factors that can affect the house price in USA over next 10 years:

- ➢ Availability of basic amenities and necessities.
- ➢ Local market
- ➢ Economic Situation
- ➢ Interest Rates
- ➢ Supply and Demand
- ➢ Population Growth
- ➢ Income

1.Availability of amenities and necessities

There is a certain set of features and amenities that have high desirability or appeal as from a buyers perspective. If a house happens to have features such as modular kitchen, underground drainage system, intercom facility, it is going to command a pretty good price. Furthermore, infrastructure facilities like club house, kids play area, jogging track, swimming pool, gymnasium, covered parking lots, 100% power backup, library, yoga center, 24/7 security, etc. are provided within the township or community surely have a significant impact on the house prices.

2.Local Market

Even if one's home is in excellent condition, in the best location, with premium upgrades, the number of other properties for sale in that area and the number of buyers in the market can impact one's home value. If there are a lot of buyers competing for fewer homes it's a seller's market. Conversely, a market with few buyers but many homes on the market is referred to as a buyer's market.
If one is buying in a buyer's market, they likely have more room to negotiate on the home's price, timeline, and contigencies in the contract. Although if one is selling in a buyer's market, they may have to adjust the price to attract more offers or be willing to make concessions to a seller, like paying closing costs, covering repairs, or being more flexible with the timeline.

3.Economic situation

A country's economic condition also plays a vital role in property appreciation. If the inflation rate is high, the value of money will reduce. This means that a builder would need to spend more on input items like construction materials, labour, permits, etc. However, this does not imply that the property prices will rise, irrespective of the growth drivers. For prices to grow, properties have to meet several requirements, including accessibility, infrastructural requirement and availability of residential properties. In addition to this, the overall economic indicators such as GDP, purchasing power parity and unemployment rate, also contribute to price growth in the long run.

4.Interest Rates

Interest rates influence the monthly payment value for mortgages. A high-interest rate era would increase mortgage costs and reduce the demand for a house to be purchased. In contrast to renting, high-interest rates make rental attractive. Homeowners with high adjustable mortgage rates have a more significant effect.

5.Supply and Demand

When there is increasing demand for homes in a certain area, property prices go up if the amount of residential real estate projects being built to meet the demand is not catching up fast enough. In other words, people buying homes for their own use (end-users) are willing to pay more for a home because living in that area is attractive and desirable. End-user demand also attracts the attention of real estate investors, who purchase residential properties with the view of

putting them on the market again when supply in the location reduces and prices consequently increase further. The ideal window of opportunity for end-user buyers to buy a home in areas with high appreciation potential, is the period when investor activity has not yet begun in earnest.

6.Population Growth

The growth of population in a location obviously results in increasing demand for housing there. Increased demand directly translates into faster appreciation in real estate prices.

7.Income

The average income of people living in a particular area is one of the most defining factors of the prices of homes in that area. Houses around major cities and states where people tend to earn more are usually also costlier than houses in rural areas.

Conclusion

Apart from these there are lot of other factors that influence the price of a home such as Crime rate,air pollution,traffic,unemployment etc.
The real estate market is highly unpredictable and much of it is based on the factors we can't control. Be it planning or buying a new house or want to use our home equity for other expenses, it becomes vital to analyze the particular property and the associated market conditions so as to know how much the property is worth in the market over the course of time.