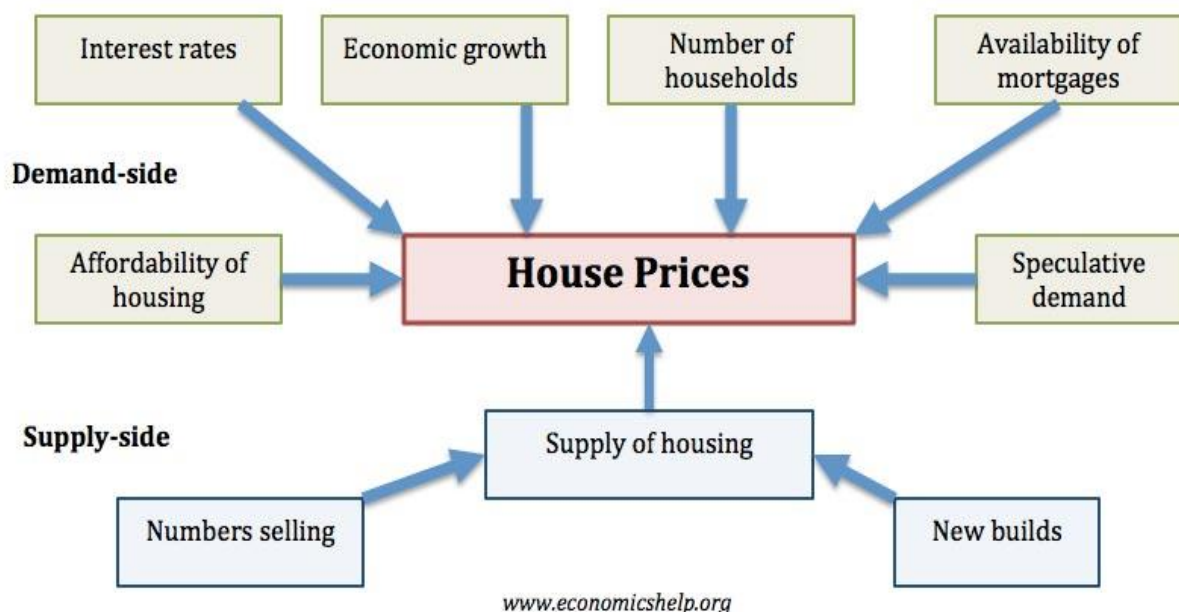


Factors that could influence residential home prices across the United States:

Over time, the price of houses fluctuates. If you want to buy a home, understanding what makes prices go up helps you know when and where you'll get the best price for a home. The same holds true for savvy sellers who will better understand when to sell if they want top dollar. When you sell, the condition and size of your home both play a factor in the listing price. Other conditions outside your control will also impact the price you can expect. Home prices go up under the right economic and political conditions. Interest rates will also impact you as a seller, as will the market's current supply and demand. None of the factors that affect home prices exist in a vacuum, and many will impact each other as well as housing prices.

The housing market is influenced by the state of the economy, interest rates, real income and changes in the size of the population. As well as these demand-side factors, house prices will be determined by available supply. With periods of rising demand and limited supply, we will see rising house prices, rising rents and increased risk of homelessness.



1. Supply and Demand

The housing market is subject to the same economic laws of supply and demand as every other industry. When there are more buyers than sellers, the supply of houses goes down and the demand goes up, making houses harder to buy and more expensive. It's not just the amount of houses available, but also how much money is available to buy them. It's rare for a new homeowner to plunk down cash when buying a home. Instead, buyers use debt in the form of a mortgage. As long as banks are willing to keep lending, sellers can ask high prices for their homes and get them. When banks start lending less, however, the price of the house will have to come down or it will sit on the market, unattainable to potential buyers who simply can't get the funding they need to make the purchase.

2. The Economy

When the economy is going strong and unemployment goes down, housing prices tend to rise. In a strong economy, people feel more secure in their jobs and their ability to take on mortgage debt. They're also more likely to get approved for that mortgage. When the economy falters, however, more people find themselves laid off, having to live on unemployment compensation or accept much lower paying jobs. When this happens, fewer people are able to purchase houses, competition for them goes away and motivated sellers must lower their asking price to get a sale.

3. Interest Rates

Changes in interest rates also impact housing prices. When interest rates are low, home prices tend to be high. One reason is that low interest rates encourage buyers, and the more buyers there are, the

more competition there is for available homes. Low interest rates also make purchasing a more expensive home possible. A lower interest rate lets you borrow more without seeing a huge jump in your monthly mortgage payment. When the interest rate goes up, however, so does your monthly mortgage payment. When interest rates rise, houses become less affordable unless their prices come down.

4. Political Forces

The national and local political climate also impacts housing prices. One big way is through tariffs. Some of the materials required to build new homes get imported to the U.S. from other countries. If, for example, heavy tariffs get imposed on foreign steel or lumber, the cost of building new homes increases. Tax laws also impact housing prices. As of 2018, homeowners can still deduct mortgage interest on loans of up to \$750,000. If that were to change in the future, however, fewer people may have an incentive to buy, and home prices may go down. If more tax breaks are created for homeowners, ownership may rise and take home prices along with it.

Local political issues, too, can impact housing prices. San Francisco, for example, has a very specific vibe that many of its citizens want to protect. One way they do so is by limiting the number and type of new homes that builders may construct in certain parts of the city. As a result, the growing city is seeing a high demand for housing while abiding by limited building options. The result has been a drastic demand for housing with limited supply that has driven housing costs sky high.

5. Area Desirability

While housing prices tend to rise and fall on a national level, you may live in a micro-climate that defies the norm. Even when housing prices fall across the nation, prices in your neighbourhood may rise. This occurs due to desirability. If you live in an excellent school district or trendy area where people want to be, the price of houses in your area will likely go up. If a new manufacturing plant or large

company brings jobs to your area, people may flock to the region, even if the population was small before. If new housing isn't built fast enough to accommodate the influx of people, housing prices in the area will rise. Even if the supply of housing does keep pace with the demand, your home's value may increase simply because people want to be where you are.

6. Bay Area Boom

Even with home prices rising across the nation between May of 2012 and 2018, the Bay Area has seen a much higher rise than average. In 2018, the median sale price of homes in San Francisco reached \$1.6 million. While local zoning laws and resistance to building have contributed, they aren't the only factors driving the 9.2 percent increase in housing costs the city experienced in 2017. Prices have also climbed due to an influx of wealth into the city. Area wages have grown rapidly and unemployment has gone down as more tech companies have moved into the area, bringing with them wealthy workers who can afford to compete for the area's limited space. As space decreased, area rents increased. These higher rents have made the tax benefits of home ownership even more appealing, tempting more people to buy in an already tight market.

7. Policy changes

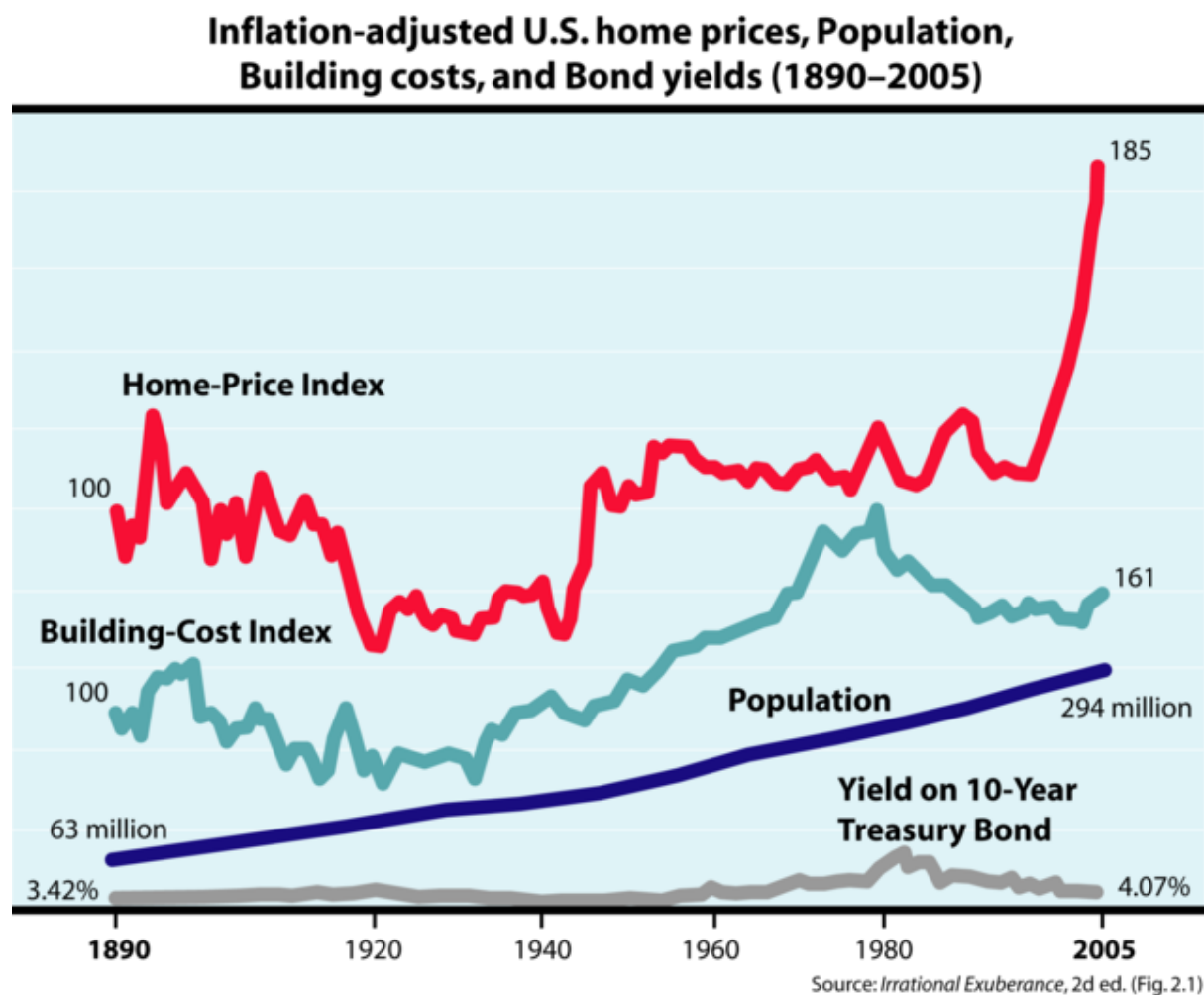
One major policy that directly impacts real estate appreciation, is lending rates. Cheaper cost of borrowing brings more buyers to the market, creating more demand and appreciation. Similarly, reductions in stamp duty rates, GST rates, income tax benefits, etc., directly impact demand.

Similarly, the introduction of the Real Estate (Regulation and Development) Act, 2016 (RERA), brought a lot of confidence amongst home buyers. This may not impact property prices directly but the streamlining of processes and fixing of accountability on promoters and real estate builders under the states' real estate regulatory authorities, have infused trust in the sector, where home buyers can appeal against the wrongdoings, such as possession delays

or change in the master plan without their consent, etc. This kind of transparency helps in the overall development of the real estate sector.

8.Upcoming or available amenities

Imagine a property without a parking space. Now, think of a similar property, with a parking space. This additional amenity can create a price difference of 10%-15%, especially in metro cities where parking in residential colonies may be a hassle. Property owners, who continue to upgrade their property, can get a better rate than the prevailing market rates. This could be a basement garage or a mini terrace garden or a kitchen lawn. In addition to this, the architectural design, upkeep and interiors of the property, also play a pivotal role in price appreciation



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