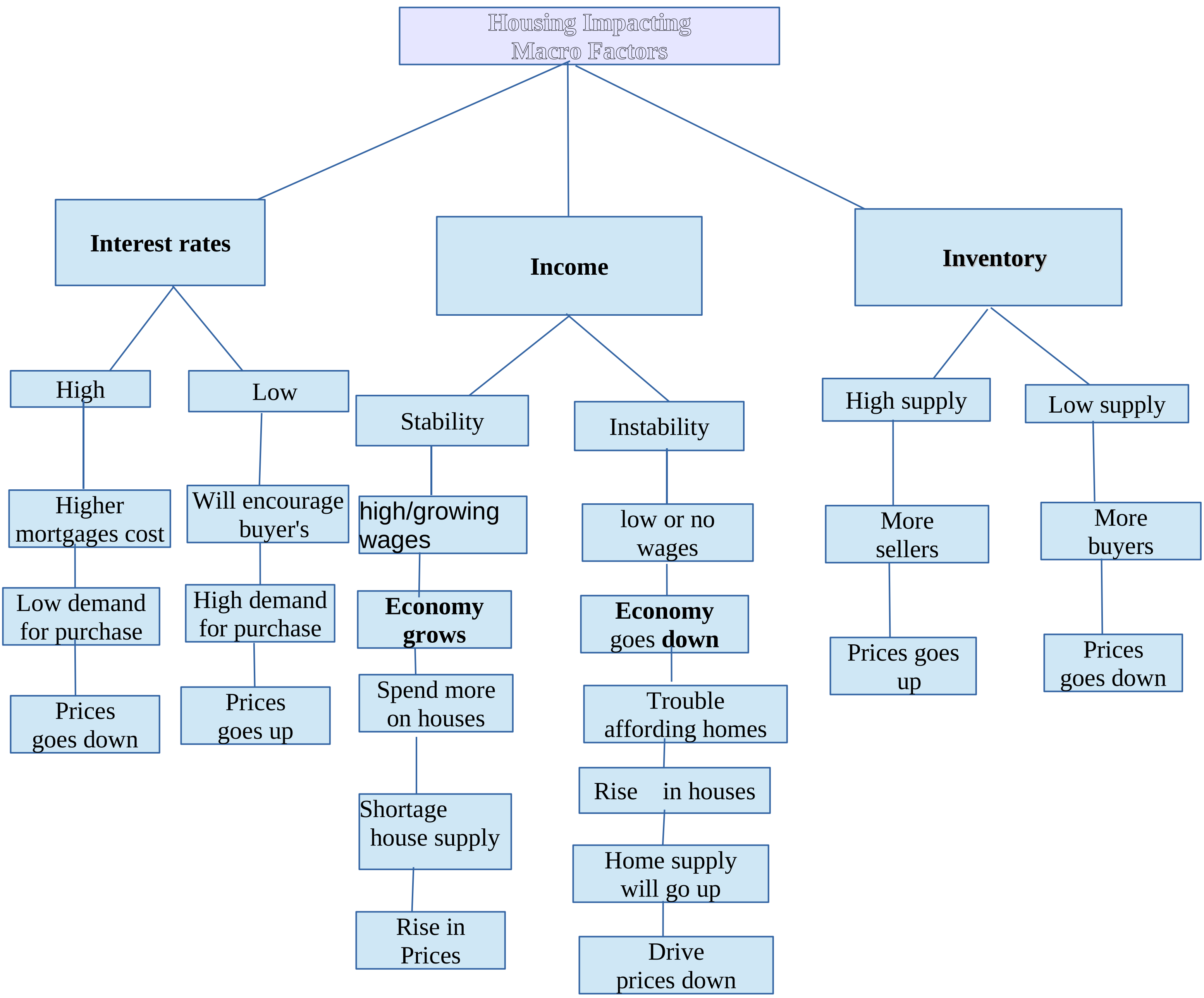
MECE framework that explains what factors could impact home prices ?

We're looking for macro-factors, more than home-centric factors.

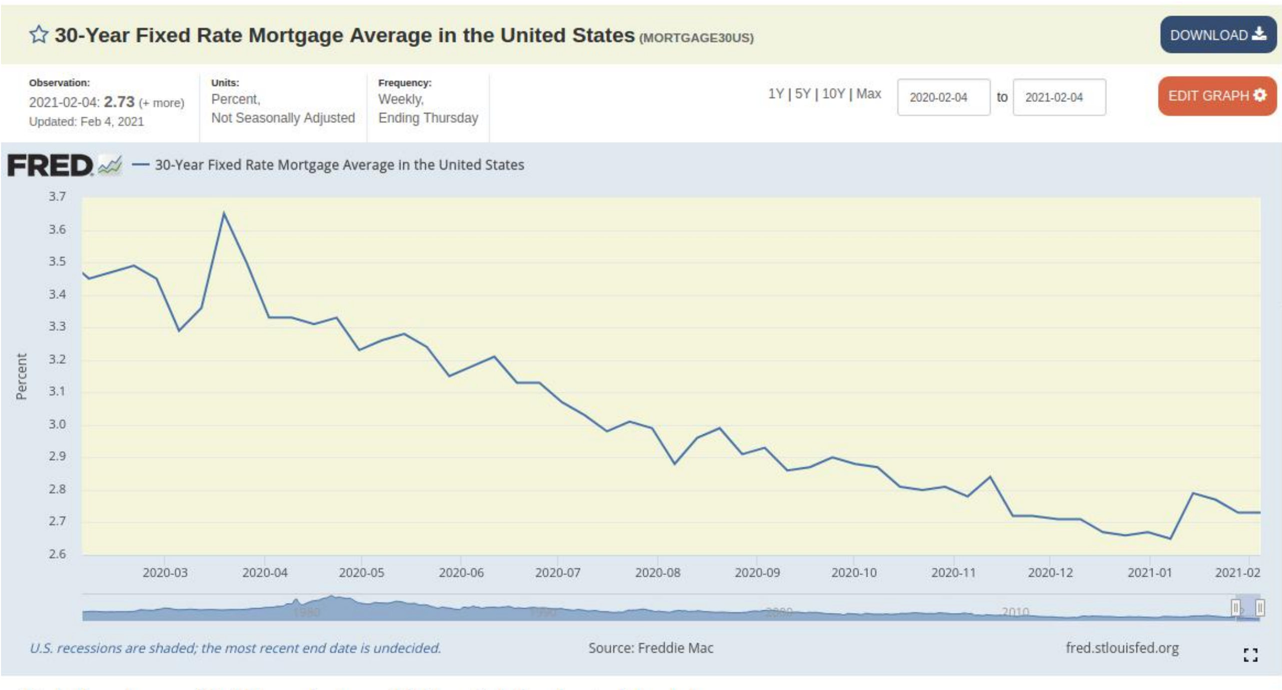
Answers:

MECE Framework : for macro-factors(Interest rates,income,inventory levels) impacting home prices

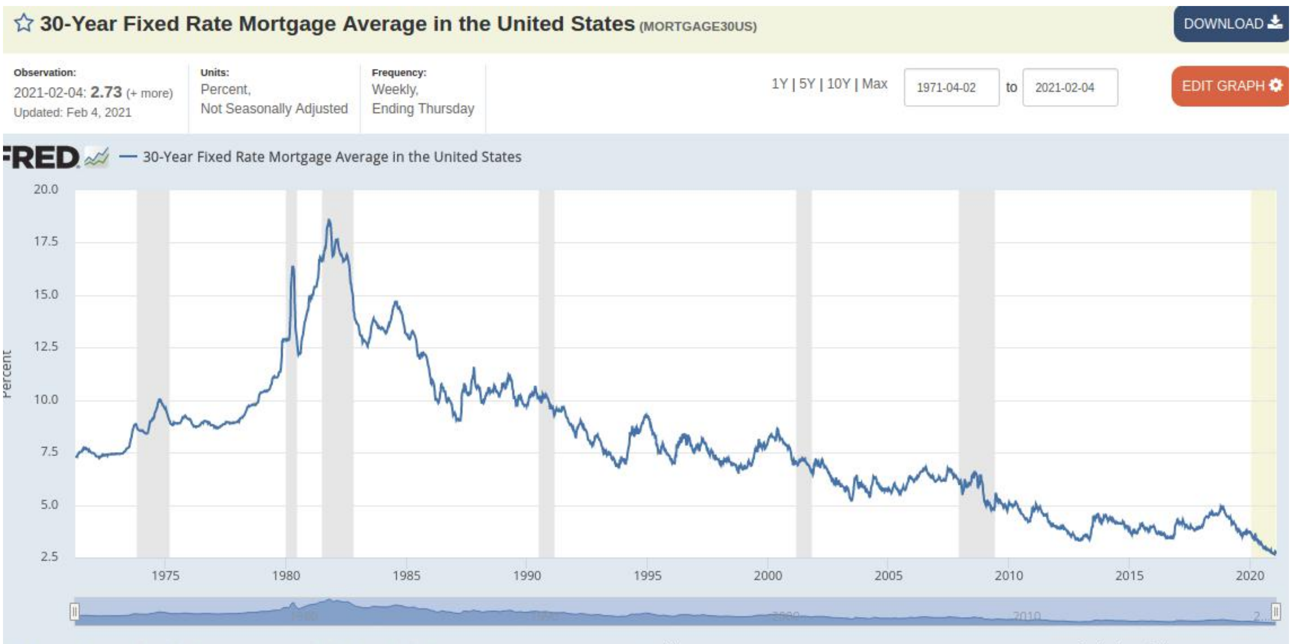


1. Interest Rates:

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. Fortunatelly, interest rates will remain historically low as the Federal Reserve cut interest rates to around 0%. So for the time being, they aren't worth focusing on. Please have a look at bellow graph for a referal.



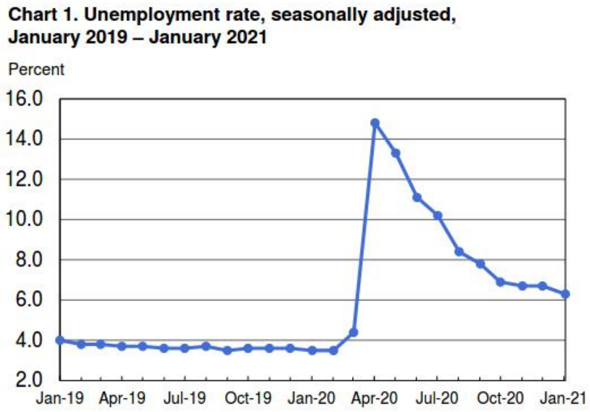
Fixed Rate Mortgage Average in the united states for 30 years.

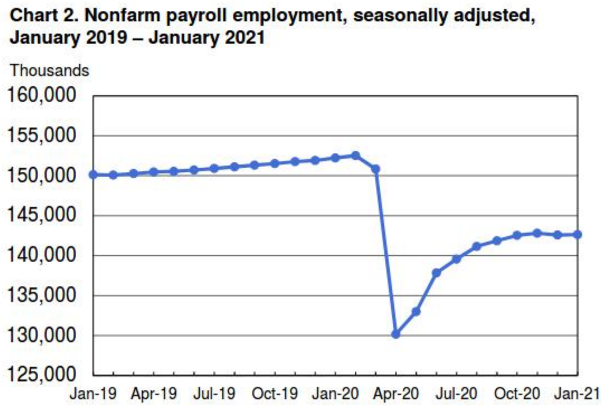


According to above graph: Mortgage rates are going low, so we dont have to worry about interest rates at all. Historically speaking they are always in favour with industry.

2. Income Stability:

An increase in unemployment, low and stagnant wages, and uncertainty regarding future employment all lead to income instability. And, once unemployment benefits expire, people will have even more trouble affording rent or mortgage payments. An estimated 30% of all renters aren't paying rent on time. The increase in supply will drive down prices.





However, when the economy's started to go up now, people are more confident that they'll be able to get another, maybe an even better job. According to above graph taken from https://www.bls.gov/news.release/pdf/empsit.pdf

3. Inventory levels:

Inventory is low, so prices are high. Once coronavirus housing relief measures expire, millions of out-of-work Americans will face foreclosures. Eventually, that means more houses on the market. Over-supply could lead to a fall in prices. Similarly, a supply shortage drives prices up.

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4. Economy:

Home sales are usually directly related to the stability of an economy and economic growth and decrease. When the economic growth slowdown, cash supplies get limited thoroughly. Because capital is difficult to buy, the housing market will be less available to home buyers.

After an economy slows, the housing markets can be impacted. Slowdowns in the economy impact housing markets as housing-related activity decreases and overall economic demand slows. When economic reforms start and housing prices reflect the willingness of consumers to pay, the economic cycle breaks down.

With higher economic growth and growing wages, people can spend more on housing, improving application and boosting prices.

Other unusual factors affecting housing market!

The attractive dealer’s supply rate

- Increased profits
- Fast-moving nuclear families
- Confidences for customers