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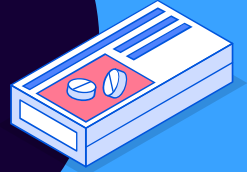
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Problem Statement

What are all the factors that could influence residential home prices across the United States over the next decade and how. Organize your output in a MECE framework.



Methodology

MECE

Mutually Exclusive Collectively Exhaustive

MECE is a principle that is used by consulting firms to describe a way of organizing the information.

MECE Framework breaks down a business problem or any complex problem into various key components related to it. This principle suggests that to analyze and resolve any complex problem, businesses need to determine various possible options by arranging them into Mutually Exclusive means key component should not overlap and Collectively Exhaustive categories. MECE set is one that has no overlaps and no gaps.



Hypothesis
is True If...

Condition
1

Sub- condition
1 A

Sub- condition
1 B

Sub- condition
1 C

Condition
2

Sub- condition
2 A

Sub- condition
2 B

Sub- condition
2 C

Condition
3

Sub- condition
3 A

Sub- condition
3 B

Sub- condition
3 C



"People I know with houses squeeze every drop of capital out of them, because, even when it's hard, squeezing capital out of a house is a hell of a lot easier than squeezing it out of work"

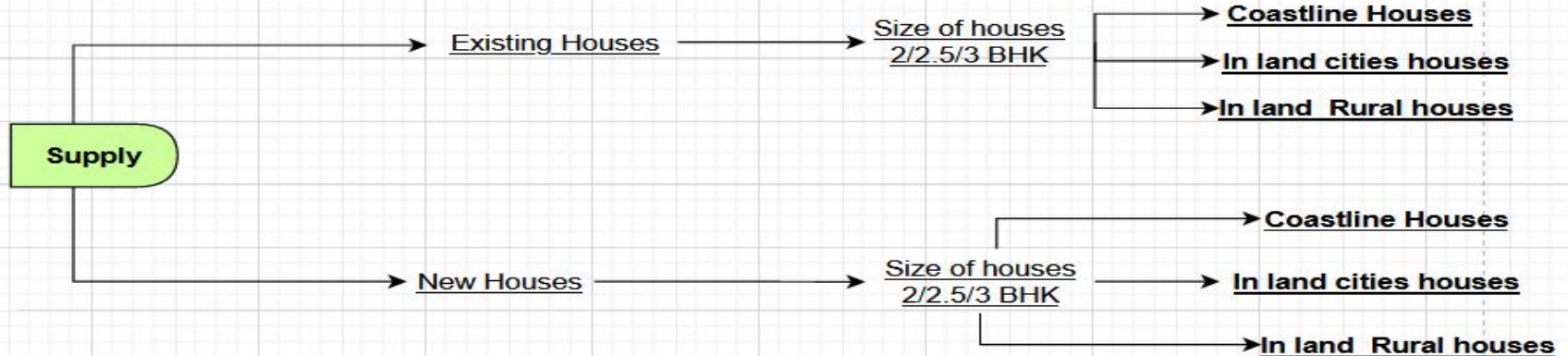
Catrina Davies, Homesick: Why I live in Shed

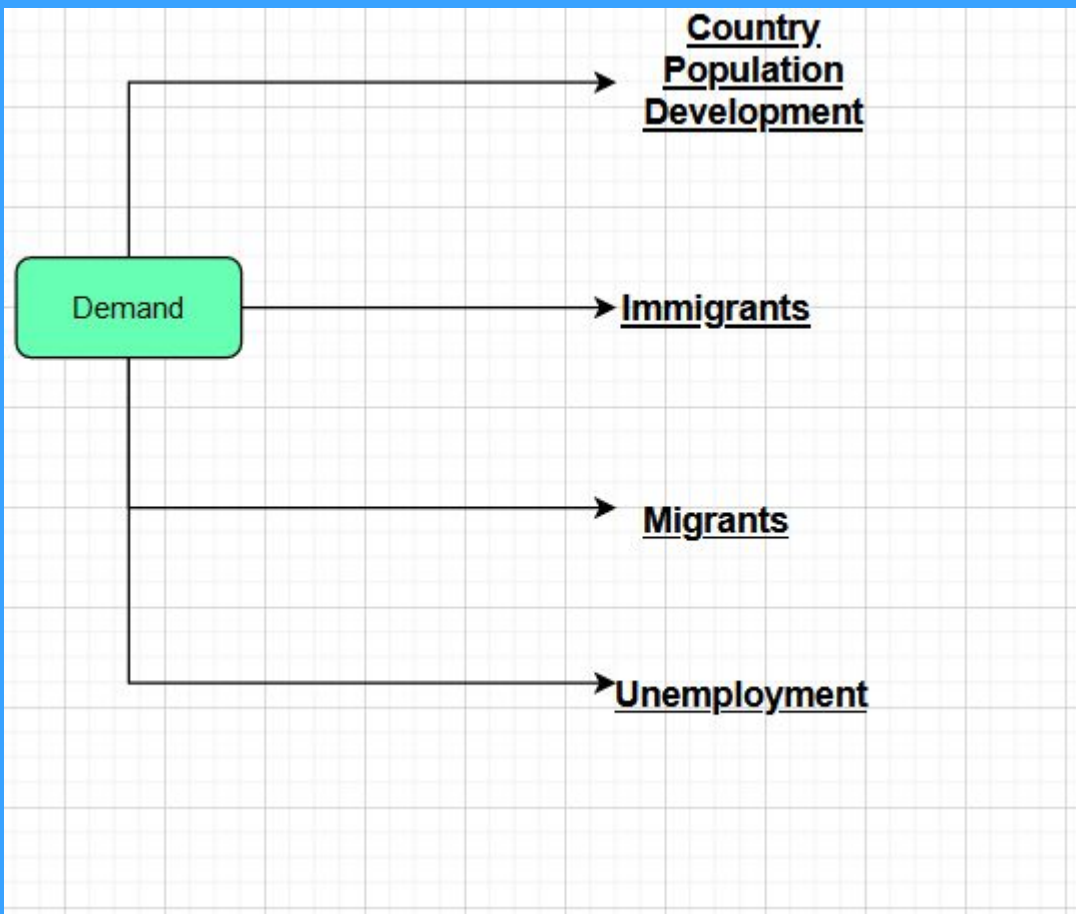


Analysis

- The factors like supply & demand, the impact of government policies on those economies, social status and economic status of the US citizens. Gross Domestic Product (GDP), Consumer Price Index (CPI).

Effect on Housing Prices due to Supply and Demand





- From the figure in the previous slide it can be understood that for analysing the problem statement the first factor we have considered is supply..As supply and demand are mutually exhaustive.

The relation between the resident house prices ,supply and demand can be given by the Law of Supply and Demand .

1. **The law of demand** states that quantity purchased varies inversely with price. In other words, the higher the price, the lower the quantity demanded.**So the same trend will be followed with the residential house prices as well.**As in the previous slides
2. **The law of supply** is the microeconomic law that states that, all other factors being equal, as the price of a good or service increases, the quantity of goods or services that suppliers offer will increase, and vice versa. The law of supply says that as the price of an item goes up, suppliers will attempt to maximize their profits by increasing the quantity offered for sale.

Demand:

(i) Country Population Development--

- To understand the effect on demand due to population increase can be analyzed through the following graphs.

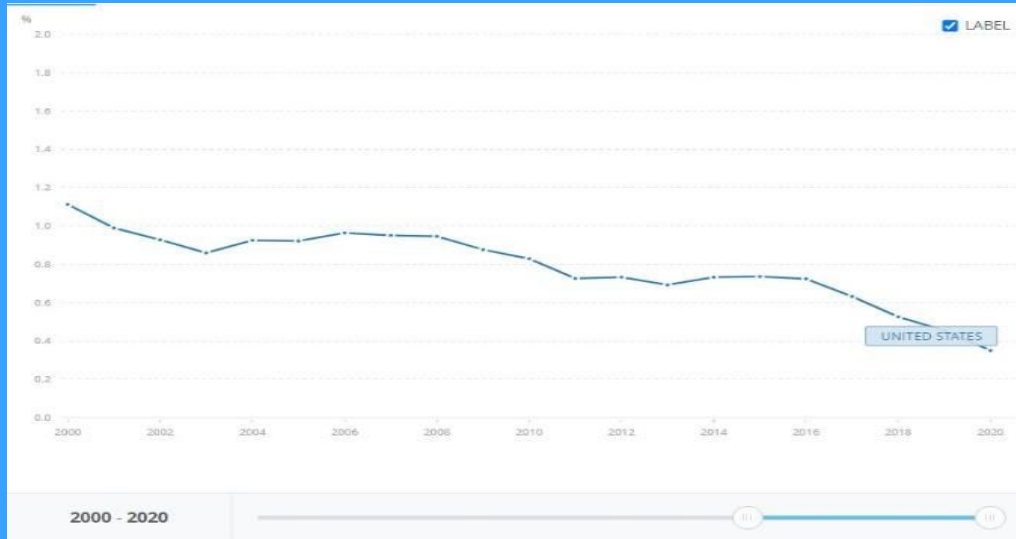
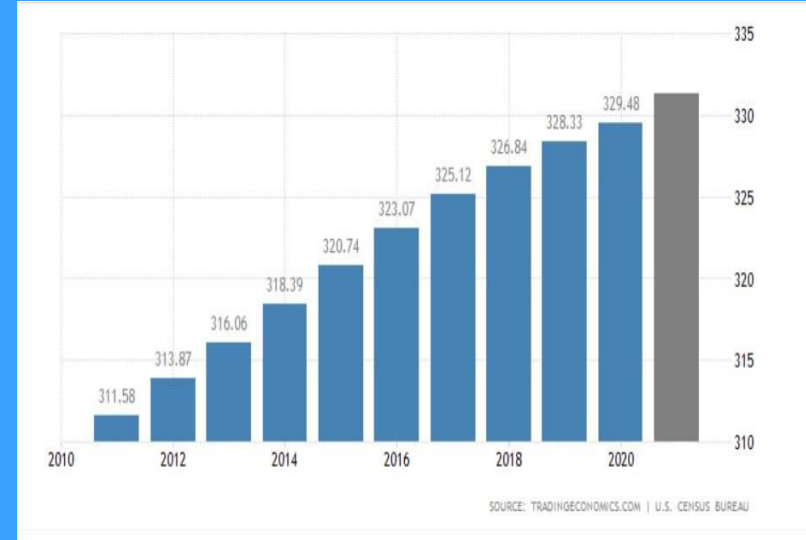


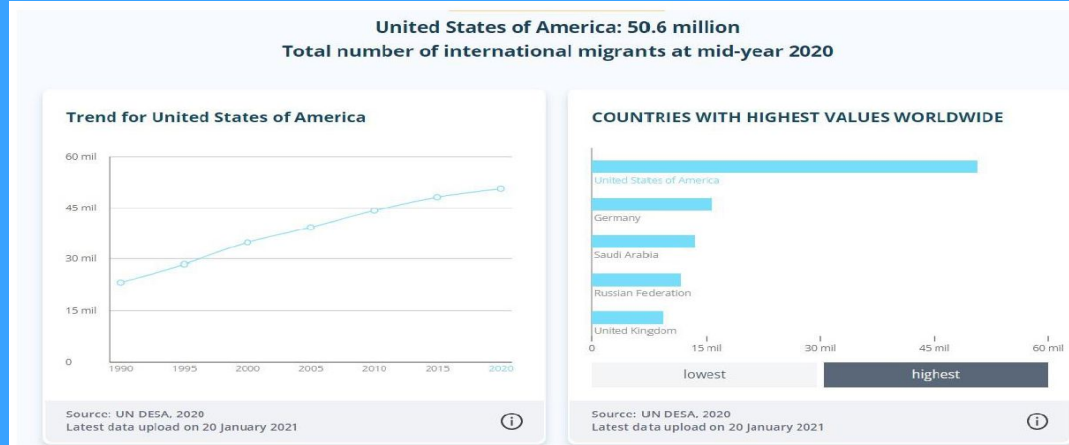
Fig. 2 Annual Population Growth Rate 2000-2020



Population Graph 2010-2020

- From the annual population growth rate, population growth rate is declining from 2000 to 2020, this implies that the population increase has been declining over the years.
- If this trend follows for next 10 years, then we can say that the population increase will not play a major role in determining the prices of residential housing prices. As per data the growth rate of US was 0.351 in 2020.

(ii) Migrants

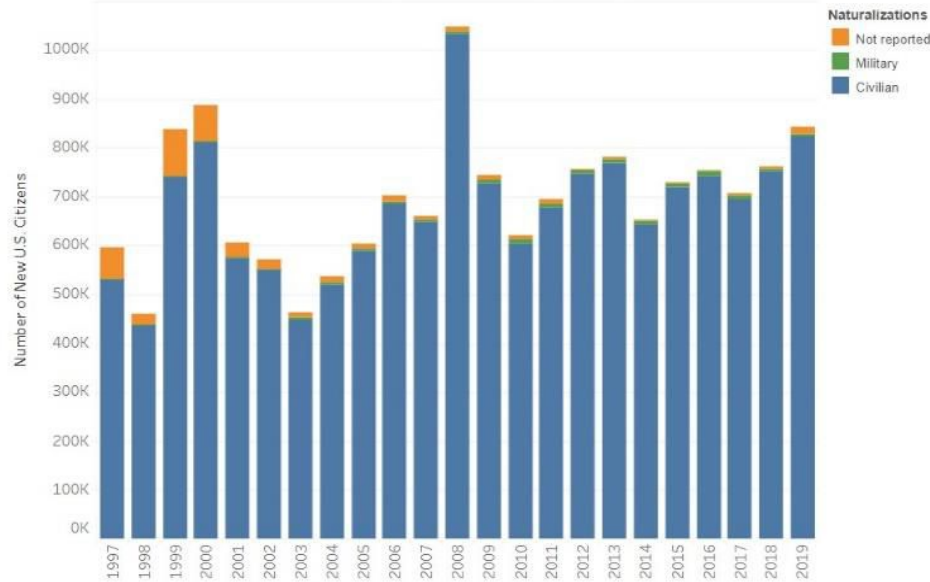


- From the data It can be observed that every year, around 1 million migrants join the overall population of US. Also, the increase in migrant's growth rate also being positive increases the overall population of US

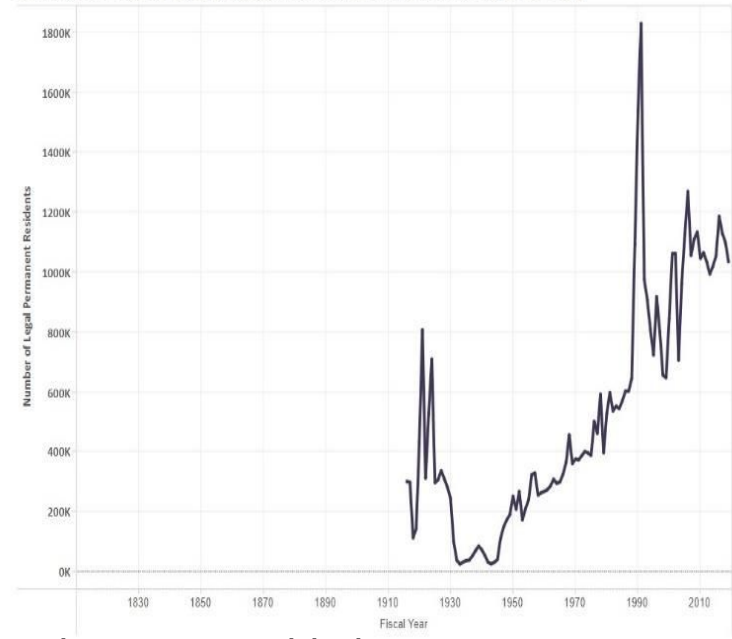
(iii).Immigrant

S

Annual Number of New U.S. Citizens, Fiscal Years 1910-2019



Annual Number of U.S. Legal Permanent Residents, Fiscal Years 1820-2019



- From the above data every year around 1 million new residents were added.
- The overall effect of population on demand can be interpreted with the help of total overall population growth due to the above-mentioned categories.
- Combining all the elements to 1 population, there is a significant increase in the population of US.

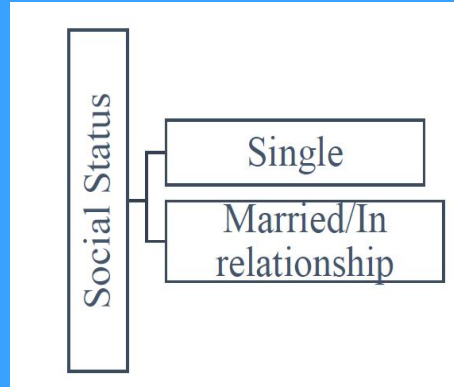
Supply--

(i) New Houses Built every year

Average Sales Price of New Manufactured Homes Sold or Intended for Sale by Size of Home by State 2014 - 2020																					
(Dollars)																					
Region, Divison, and State	2020			2019			2018			2017			2016			2015			2014		
	Total ¹	Single	Double	Total ¹	Single	Double	Total ¹	Single	Double	Total ¹	Single	Double	Total ¹	Single	Double	Total ¹	Single	Double	Total ¹	Single	Double
United States	87,000	57,300	108,500	81,900	53,200	104,000	78,500	52,400	99,500	71,900	48,300	92,800	70,600	46,700	89,500	68,000	45,600	86,700	65,300	45,000	82,000

- US Manufactured Housing Survey prices of newly built house irrespective of their **region are increasing every year with the demand factors.**
- **Resources being limited and constant increase of population at a constant rate (with decreasing growth rate % and a about constant population growth), the prices of homes irrespective of their location and increasing.**

Social Status:



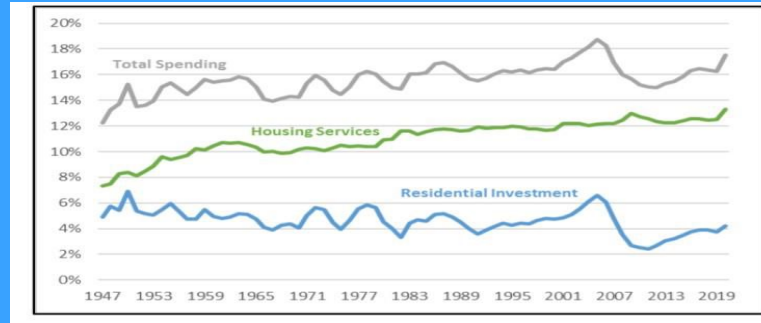
An economic perspective-

1. Married couples have greater financial capability.
2. Couples save more than single individual and are more likely to have higher level of net worth.
3. Marriage can be positively associated with social capital, the accumulation of which can result in opportunities that lead to savings.
4. Married couples commonly have access to benefits like health and life insurance, that promote savings and enable them to consider home ownership.

These economic considerations lead us to expect that marriage can help potential home owners overcome borrowing constraints that limit ownership opportunities. We therefore expect marriage will be found to increase the rate of home ownership.

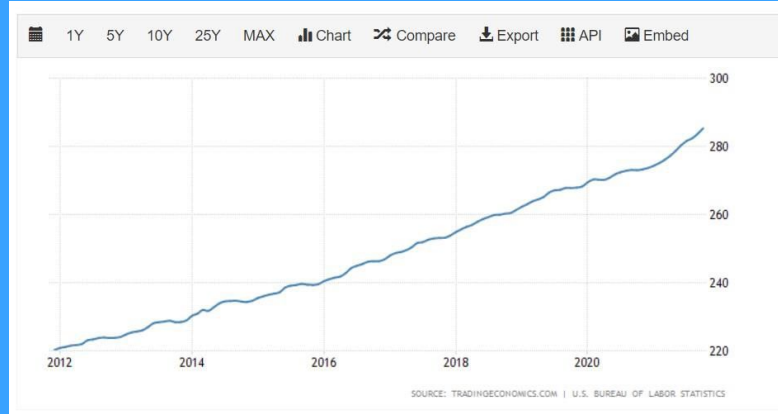
External Factors

1. GDP(Gross domestic Product)--



- Residential investment (averaging roughly 3-5% of GDP), which includes construction of new single-family and multifamily structures, residential remodeling, production of manufactured homes, and brokers' fees.
- As in the graph it can be seen that the residential investment is increasing still it has not reached the peak of 2005.
- **Between 2000 and 2005, residential investment grew rapidly before declining even more rapidly as the housing bubble burst residential investment has remained well below its peak both in real terms and as a percentage of GDP.**

2.CPI-(Customer price index)--



- CPI is continuously increasing. CPI is used for predatory analysis of housing prices.
- As in the graph it is clearly visible that CPI is increasing, which means that the purchasing power of the client will increase. So the housing prices will increase.

3. Mortgages- If we talk about the current scenario, the mortgage rates have risen by 2.5 %. So it will decrease the chances of people buying the houses. Which is visible in the US market.

4..Lending Standards & Availability of Credit

Conclusion

- 1.As seeing the current scenario after a year of skyrocketing demand and sky rocketing of prices the housing market.It is looking like to be cooling down means going toward a balanced condition.
- 2.**Some of the factors have changed like mortgage rate and it is expected that it will increase to 6.5 %in 2023 .**
3. **The other factor discussed like overall population growth will follow the same trend .Due to recession which is coming in the IT market will have a less effect on the housing prices .**
4. Government policies will also have a major effect on the housing prices

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Thank you

