**Factors that influence residential home prices across the United States**

**Factors that influence property sales:**

**The economy:**

When the economy is unstable people worry about salaries, prices, and panic about losing their jobs which means they will worry about losing their houses.

If the economy is strong people will be filled with confidence then they will be able to buy houses without worries

Employment:

* Job growth: With a strong economy, people are confident about their jobs and may even look for a better job with confidence.
* Unemployment: When the economy is unstable people worry about losing their job and they will not be thinking about buying new houses.

Affordability index: This index measures median household income relative to the income needed to purchase a median-priced house.

* If the income needed to purchase a house is greater than household income then people can’t buy houses.
* If the income needed to purchase a house is less than household income then people buy houses.

Consumer Confidence: Its the measure of how optimistic or pessimistic consumers/people are regarding their financial situation.

**Inventory levels:**

The measure of calculating how long it will take to sell out all houses. For example, 150 houses sell out every month and there are 900 homes this equals six months of supply of inventory.

In most markets, six months supply is considered a balanced inventory level.

High inventory levels: Having a large supply means more houses which leads to less demand of required houses, less demand leads to lower house prices.

Low inventory levels: Low supply of houses means more demand for required houses, leading to an increase in house prices.

Days on Market: When a house is on market for a long time price is decreased in order to help it sell.

**Market cycles and consumer behaviour:**

Market trends also help us predict the future of houses pricing.

For example when house prices start to fall, many buyers wait out the market, watching these price going down, down.

Historical trend: Median sales price of houses sold in US in past. Trend is constantly going up with few downfalls.

House price Index: The House Price Index (HPI) is a broad measure of the movement of single-family property prices in the United States. Aside from serving as an [indicator](https://www.investopedia.com/terms/i/indicator.asp) of house price trends, it also functions as an analytical tool for estimating changes in the rates of [mortgage](https://www.investopedia.com/terms/m/mortgage.asp) defaults, prepayments, and housing affordability.

**Interest rates:**

Many people think mortgage interest rates only ,atter when buying a house but Interest rates also impact home values.

High Intrest rates: When interest rates increases, number of people who want to buy cheaper houses may opt fo rent option.

Lower Intrest rates: Lower interest rates means buyers may put more monthly to go towards the principle, that means they can afford to buy a higher value house

For example: A family can afford $500,000 house at a 4% interest rate, if only they can get a mortgage rate of 5%, then $50000 will be taken as interest, So family can only go for a house of $450000 at 5% rate

In this way if Intrest rate increases(high interest rate) then houses price limit is beyond what family can afford, then they opt for rent or cheaper houses.

**Investor activity:**

Investors who invest cash in houses keep a close eye on all above factors.

Income approach: Investors vigilantly investigate how much property will cost and how much it will generate.

If income approach is low then few investors, high inventory level, lower house prices.

Example: Investor only invest in a house if it is making more in rent per month than mortgage payment, only then they will buy.

**Factors that influence property value:**

**Comps:**

Comparable sales:Buyers are willing to pay money for the property that gives them satisfaction and worth their money, thats why comps focus on sold homes not on the prices set by competitors.

Similar home that got sold within a last sixmoths

Comparative market analysis: This helps in setting right price for property.

**Location:**

Neighboorhood : Buyers are willing to buy houses in areas with near amenities, like schools, shopping malls, service centers, entertainment.

Low crime rate: No family wants to live in areas with higher crime rates.

**Property attributes:**

Size: Includes Square footage, number of baths nad bedrooms, parking size, back yard size.

Age: If a property is old then its value will be decreased unless it has a history to it.

Layout: These include trendy floor plan, root patterns, space occupied. Most buyers dont want a hassle of renovating newly bought houses.

**Property condition:**

Upgrades: Security of the property, Outer walls/fences, new appliances in kitchen and bathroom, remote control appliances like mood lights, A/C etc,.

Maintenance: if property on market is not properly maintained like checking floor and roof conditions or leaks in basement, it wont make good buck in market. Buyers will not be interested in rundown property.