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Posted on October 10, 2019

Introduction

Considering a decrease in down payment on conventional loans and an increase in investors in secondary markets and flexible mortgage ratios, the housing industry is likely to continue to grow in 2018, based on a survey conducted across several countries in America. This is happening despite the increase in the FED rate, which is set to affect long-term rates, although it will likely have little effect on the housing industry. The primary reason for the growth is due to the increase in demand for housing due to the increase in population (Mercier and Sperber, 2017). The population in the United States is expected to grow in 2018, and therefore, the demand for housing is also likely to increase. A lower down payment means that most Americans will afford to acquire a property due to affordable bank loans. It is, therefore, evident that the housing industry is likely to grow, and property developers will be working on their strategic plan to increase the delivery of housing to meet the expected demand (Haurin & Rosenthal, 2009).

The housing industry has a perfect market due to the increased growth in 2017; several investors are willing to enter the housing industry in 2018 (Severino, 2017). The housing industry in 2017 witnessed several property developers building homes to meet the increase in demand. And therefore, it is expected that the same trend will continue in 2018, and many people are going to enter the housing industry. According to Jones (2017), the market is likely to expand, and other factors are likely to play a big role, including technology. Technology and the use of big data are likely to determine the type of houses being developed by real estate investors. This means that clients' taste is likely to play a major role in the design and construction of houses.

Demand for both commercial and residential properties is likely to increase. This is due to the increase in the population and the likelihood that many people will be able to acquire loans to purchase properties in 2018. It is also expected that prices will remain stable because the market will have many developers. Competition among developers will contribute to stable prices and provide customers with more options.

Economic Outlook

The U.S. economy is also likely to influence the housing industry. When the economy grows, employment and household income normally increase. This gives more people the financial confidence to rent or purchase homes. Economic growth can also encourage businesses to acquire more commercial space. However, slower economic performance can reduce housing demand, particularly if unemployment rises or household income stagnates.

Interest rates are another important factor. Higher mortgage rates increase the monthly cost of buying a home and may reduce affordability. Although the increase in the federal funds rate may not immediately cause a major decline in the housing market, continued rate increases could slow demand. First-time buyers are particularly sensitive to mortgage costs because they usually have smaller savings and lower incomes than existing homeowners.

The supply of housing is also important. In several metropolitan areas, housing construction has not kept pace with population and employment growth. Limited supply may cause prices and rents to increase. Builders face challenges such as expensive land, construction labor shortages, material costs, and zoning restrictions. These factors may prevent developers from producing enough affordable homes.

Housing affordability is likely to remain a concern. Even if down payments are reduced, borrowers must still qualify for loans and make monthly payments. High prices may force households to rent for longer periods. In some cities, rents also consume a large share of income. Policymakers and developers therefore need to consider affordable housing rather than focusing only on luxury development.

Millennials are expected to influence housing demand. Many members of this generation delayed homeownership because of student debt, employment uncertainty, and high property prices. As they age, form families, and improve their incomes, more may enter the housing market. Their preferences may include smaller homes, access to public transport, energy efficiency, and proximity to employment and services.

Technology is transforming the housing industry. Buyers can search for properties online, take virtual tours, compare mortgage offers, and communicate with agents through digital platforms. Real estate companies can use data analytics to evaluate market demand and identify investment opportunities. Smart-home systems and energy-efficient technologies may also affect property values.

Challenges and Risks

Despite the positive outlook, the housing industry faces risks. Excessive lending or weak mortgage standards could create financial instability. The experience of the 2008 financial crisis shows the dangers of lending to borrowers who cannot repay loans. Banks and regulators must balance access to credit with responsible underwriting.

Natural disasters and climate change may also influence housing markets. Floods, hurricanes, wildfires, and rising sea levels can damage properties and increase insurance costs. Buyers and investors may become more cautious about purchasing property in high-risk areas. Building codes and land-use policies should consider environmental hazards.

Another risk is regional inequality. Housing conditions vary significantly across the United States.

Some cities experience rapid price growth and shortages, while other regions have slow demand and declining populations. National trends therefore do not apply equally to every local market. Investors should study employment, demographics, infrastructure, and supply conditions in specific locations.

Conclusion and Recommendations

In conclusion, the housing industry is expected to continue growing due to population growth, demand for property, more flexible mortgage conditions, and investment in residential and commercial development. However, interest rates, affordability, construction costs, and limited supply may slow this growth in some markets.

Developers should use market research and technology to understand changing consumer preferences. They should consider building a range of housing types, including affordable units. Financial institutions should maintain responsible lending standards while providing suitable mortgage products for qualified buyers. Governments can support housing supply by improving approval processes, investing in infrastructure, and reviewing zoning restrictions.

Investors should avoid relying only on national forecasts and analyze local economic conditions carefully. They should also consider environmental risks, insurance costs, and long-term demographic changes. A balanced approach can support growth while reducing the possibility of another housing crisis.

References

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