

Ch 7 Single family Housing pricing investment

* Institutions →

Institution supported the growth in the housing industry:

1. Financial Institution → المؤسسات المالية
2. Developers and Builders → المطورين والبنائين
3. Real stat brokers → لسانسة العقارات
4. Property Insurance → تأمين الملكية
5. Government providing deductibility of mortgage investment. → الحكومة توفر خصم من الاستثمار العقاري

→ Houses Prices العوامل التي تؤثر على

1. Population growth → النمو السكاني
2. House hold formulation → عدد الأسرة
3. Employment → توظيف
4. House hold Income → دخل الفرد / الأسرة
5. Interest rate → الفائدة
6. Tax → الضرائب
7. Cost of renting → الإيجار

* Important and industry data indicates:

1. First-time home purchasers 28-32 years age
2. Household tend to sell their first home and purchase different one age 40.
3. Potential purchase of second home age 48-52.

* Important item to remember:

1. Quality and nature of employment and salary earned.
2. employment growth.
3. Housing for a investment.

* When Rent is better than owning:

1. expected Rent to decline.
2. non-tax deductible housing expense.
3. Increase of Interest rate.

* Analyzing Expected House Prices (EA HP)

Expected Rate of Appreciation - in house price

$$* \left\{ EA HP = \frac{HP_1 - HP_0}{HP_0} \right\} *$$

$HP_1 \rightarrow$ House Price $\hookrightarrow$ 2011

$HP_0 \rightarrow$ House price $\hookrightarrow$ 2001

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example: $HP_0 = \$100000$
 $HP_1 = \$103000$

answer:
$$EAHP = \frac{103000 - 100000}{100000}$$
$$= 0.03 \times 100$$
$$= 3\%$$

* Expected APPreciation rate on home equity (EAHE)

$$EAHE = \frac{HP_1 - HP_0}{HP_0 (1 - \frac{L}{V})} \rightarrow \text{Loan to value}$$

example: Assuming 3% house appreciation Rate and 80% loan to value rate. What is the annual equity appreciation rate expect for 1 year.
 $HP_1 = 103000$, $HP_0 = 100000$

answer:

$$EAHP = \frac{103000 - 100000}{100000(1 - 80\%)} = \frac{3000}{20000} = 0.15 \times 100 = 15\%$$

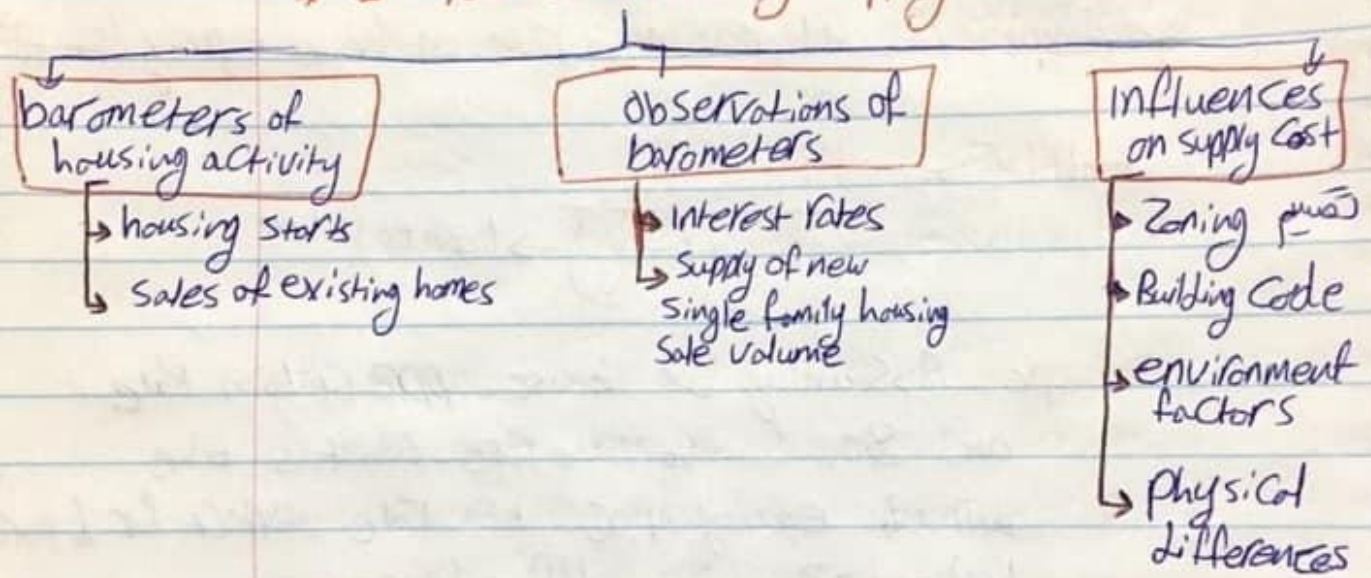
* Regional Economics

- Influences on Property Values.

* Housing supply : The supply of housing is determined by the relative.

1. Cost of Land
2. Labor
3. Capital
4. Raw material

* 3 Types of Housing supply



* Many analysts make estimate of current housing supply asset

1. Construction permit approve.
2. The number of permits actually strategies.
3. unit under construction.
4. Completions.

* Pricing Property in Specific Location :

1. Competitive prices
2. buyers one to be sure that they are not over price
3. sellers one to sale with high prices.

* Independent fee appraisal appraisal → specialize in performing prices.

* objective of appraisal establish market value (Probable Price)

* Estimate of value by Appraisal 7 to 10

1. Employment
2. Computation
3. Income level
4. Interest rates
5. Economic Conditions
6. Current market- Conditions in the housing market (6 to 10)
 - ↓
 - 1. housing units
 - 2. Rental Vacancies
 - 3. Trends in rents
 - 4. Interest rate
 - 5. Identify the real relevant location
 - Retail
 - Education
 - Regions
 - Police
 - Libraries
 - 6. Estimate the value by appraisal realies on approaches
 - market Approach
 - Cost approach
 - Income approach

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1. Market Approach : (Sales Comparison Approach)

* Subject value estimate

$$[] = \text{Comparable Sale Price} \pm \text{Feature}$$

2. Cost Approach :

$$\text{* Subject Value estimate} = \boxed{\begin{array}{l} \text{Cost new} \\ - \text{Depreciation} \\ + \text{Land Value} \end{array}}$$

* Gross Rent multiplier (GRM)

$$\text{Subject Value estimate} = \text{GRM} \times \text{Rental Income}$$

example : Consider the following property :

- 2000 sq foot, \$100 per square foot new
- 10% of total effective 100 year life span is depreciation estimate
- Land value is estimated at \$30000

$$\begin{aligned} &= \text{Cost new} - \text{depreciation} + \text{Land Value} \\ &\quad \frac{(2000 \times 100)}{200000} - \frac{200000 \times 10\%}{\text{Cost new}} + 30000 \\ &= \$210000 \end{aligned}$$

$$\text{GRM} = 4$$

$$\begin{aligned} &= 210000 \times 4 \\ &= \$840000 \end{aligned}$$

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