

## The Economic Impact of an Existing Home Purchase:

The National Association of Realtors® estimates that each home sale at the median generates \$63,289 of economic impact (2008).

### Impact of Single Existing Home Purchase

<b>Median Price</b>	<b>\$198,100</b>				
Real Estate Industries	Furniture	Multiplier	New Housing	Total	
\$ 17,829	\$ 5,331	\$ 11,117	\$ 29,013	\$ 63,289	

#### Real Estate Industries:

We assume that commissions, fees, and moving expenses, or income to real estate industries, associated directly with the purchase are about 9 percent of the median home price<sup>1</sup>.

#### Furniture:

Furniture and remodeling expenses are a little more than \$5,000 based on a Harvard Joint Center for Housing Studies figure.<sup>2</sup>

#### Multiplier Effect:

The multiplier effect accounts for the fact that income earned in other sectors of the economy as a result of a home sale is then re-circulated into the economy. The National Association of Realtors®'s macroeconomic modeling suggests that the multiplier is between 1.34 and 1.62 in the first year or two after an autonomous increase in spending. This means that each dollar increase in direct housing activity will increase the overall GDP by \$1.34 to \$1.62.

#### New Housing:

Because existing home sales have historically been associated with new construction at a ratio of eight to one, we add in one-eighth of the new home price<sup>3</sup> to approximate the value of this construction being added to GDP. The existing home price is not directly added to the economy because the home was produced or constructed in the past. Only the value-added service related to the sale of an existing home is included. When a new home is constructed, the entire price is added to the value of GDP because it is new production.

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<sup>1</sup> An annual price is used to avoid seasonal fluctuation in home prices. 2008 Median Home Price is \$198,100.

<sup>2</sup> Improving America's Housing 2003. [Measuring the Benefits of Home Remodeling](#). Harvard Joint Center for Housing Studies Report: R03-1

<sup>3</sup> 2008 Median New Home Price is \$232,100 per the Census Bureau.