

# Determinants of factors of housing demand economics essay

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**INTRODUCTION** London is a city of over three million dwellings. Its stock of housing is made up of a wide variety of different types. Flats, houses, maisonettes, bungalows and of tenures – owner, owner occupied, shared ownership, privately rented, socially rented. Its stock is relatively old the majority of London's housing having been built before the Second World War. Indeed, the market for the purchase of property is almost entirely second hand one the amount of recently built home in London in any one year represent a small amount of the total stock. ( less than half a percent ) London is also a very varied city when you buy a property you are also buying its location in terms of the quality of its immediate environment, access to public transport and local services. It is generally the most expensive purchase an individual will make during their lifetime and therefore entails borrowing a large sum of money. As consequence the market for housing is inextricably connected to the market for finance rates of interest play an important role. In addition, unlike most purchase people in London make, price are to a certain extent negotiated. Yet properties, as well as being place to live are also seen as investments. In recent times house have increased rapidly, performance better than equity markets.

**LITERATURE REVIEW** Demand Demand means when the customers need or want to a lot of a certain product. Demand is not only in single unit, it can be a good, service or in other form. There is also a graphical representation of the Demand in economic. Here price is on vertical axis and quantity is on Horizontal axis. Law of Demand : previous things remain the same, the higher the cost of a product, the smaller is the quantity demanded. Demand Factors The price of the product The price of related product Income Expected

future price  
 Population Preferences  
 Supply  
 Supply is a schedule showing the amount of a product that producers are willing and able to make available for sale at each of a series of possible prices during a specific period means

A graph showing the relationship between the price of a good and the quantity of the good supplied over a given period of time. Law of Supply:

Other effects remain the equal, the higher the cost of a good quality, the

greater is the amount supplied. Supply factors

The price of the product  
 The price of factors of production  
 The price of related products  
 Expected future

price  
 The number of suppliers  
 Technology  
 Monopolies

(Economics / fourth edition / Michael Parkin, Melaine Powell, Kent Matthews / 1998 / England / A

Pearson Education Company)

DETERMINANTS OF FACTORS OF HOUSING DEMAND  
 Interest Rates  
 Interest rates have an effect on the price of paying for a finance. Interest = rates are very main as finance repayments are

generally the largest part of a house owner's monthly spend. - Here in the UK the

majority of house owners have a variable finance = hence income an increase

in rates will result in the price of finance to increase = entering public to

purchase. - public to permanent price mortgages will be insulated since

fluctuating = later than 2 to 10 years. for that reason modify in interest

charge. - It is also significant to think about true interest charge (interest

charge increase) D: ushar. jpg - Mortgage: Most important point of Interest

rate - A fixed monthly rent - If you take a loan any bank interest rate of house

not return payment for fixed time therefore could lose the house. - Your

monthly repayments should be a delivery lower reason you are not paying

any added contribution to the mortgage equality. (www. mortgageguideuk.

co.uk/mortgage/interest) - While the standard rate has previously been bargain

considerably, to support home buyers back to the market these cuts need to be accepted on to borrowers instantly and funds made presented if we are to see an development in doings - " With recession now in front us increase is no longer a major fear for the MPC and the agency will carry on to focus its hard work on following the accommodation bazaar and wider economy. I assume interest charge to have appear down another time by jump 2009 and as it could change at this stage. I make not be expediting the base rate to exceed its present level at any point during 2009 "- As the margin is failing, innovative homes are still individual market at a high cost than re-sale assets and carry on to demand a payment from buyers who are eager to get reward of the outstanding incentives developers are at present offering to get public affecting.-Though the require of finance ease of use continues to strangle the on the whole bazaar , require for fresh homes remains tough , by our guide viewing that , above the final small months , developers advertising prices have fallen in row with require cost used for the first moment in time.-" Our most recent fresh Homes guide shows that recent home prices have decreased with 10% while the height experienced in July 2007. Though , the require of supply will batter home sure areas in 2009 and as I wait for a constant reject above a lot of then time. I do not suppose recent house prices to go down a lot further than 18% starting their July 2007 tip"(www. mortgageintroducer. com/mortgage/Daily\_new/2009. uk, 10th feb, 2010 )Expected Future Price 2010 to 2012http://www. marketoracle. co. uk/images/2009/Aug/uk-house-prices-summer-bounce-2009-july. gifhttp://www. marketoracle. co. uk/Article8080. html-House cost will ending 2009 , 2% high than at the begin off the year, with the

improvement person led as of London and southern England.-The recent out-performance of the most important London country house markets will go on with price increase progressing next years.-The majority UK market is possible to see modest cost falls in 2010 , before a partial grow in 2011 and a more concerted improvement in 2012.-There are excellent reason why we have to suppose a slow down in cost increase with prices still decreasing in 2010. On the other offer we think that this problem will fallow a added kindly state, relatively than a added cataclysmic another. A weak economy will supply during to lesser household wealth and equally the capacity and willingness to offer up house prices. Regular increase in unemployment, related to wage freezes and tax rise in normal mortgage rates will force a total of sales which, in the lack of better strength of demand , will see prices slipping back.-However we trust that cost falls will be capped at approximately 3% in 2010. It would be incorrect to expect a carry-over of the present fast improvement in the housing market , the economy is not in a situation to allow this in the small period. Equally, it would be incorrect to expect carnage. True demand is strong, supply in the wider market and the new-build area is very low down and we are unlikely to observe a rapid move away from a low down interest price environment.-However, the Central London market will not totally escape the future uncertainly we are forecasting for the normal UK market and current strong cost increase is not likely to be keep up. though the helpful factors supporting the capital's major market should serve up to make sure to cost falls are let alone after that duration. Our guess points to annually increase of 3% in middle London cost in 2010 by a permanent add to in this price to 9% in 2011. The whole add to

we are forecasting for mid London in the five years to 2014 is 38%, compared to 19% for the UK popular market. - The recession in the house - building segment means that a major undersupply of housing is up-and-coming across the total of the UK ; but now here is this extra evident than in the Central London boroughs , everywhere accommodation starts include collapsed by above 50% since 2007. Our skills in this area confirms so as to London's developers are production significant hard work to try to take new schemes forward to capitalise on fixed provide in the bazaar and to confine upcoming cost increase. ( www. soldout. online. co. uk/views.

news )UnemploymentWhen unemployment is increasing demand for selling a house will fall. If persons are unemployed they will be not capable to have enough money mortgage payments But also, if people fear person complete unemployed, they will keep away from taking on the risk of a mortgage.

Unemployment is presently short but many expect drop in economic situation.(www. mortgageguideuk. co. uk/housing . market/unemployment and the housing market)-Economy in particular the labour market, will also be unsupportive to house prices already increased from 4. 7% to 7. 8% on the ILO definition and our forecast shows it peaking at 8. 8% or 2. 76 million next spring. Thought this is some what lower than the massive drop in out put over the past years had suggested might be the case, this is largely because the flexibility of the labour market has ensured that some of the pain has been shared in earning rather than just employment levels. And earnings growth is likely to remain subdued, given the likelihood of a prolonged period of below target inflation.-The combination of increasing unemployment and weak income increase is bad reports in favour of the

housing bazaar. The risk of joblessness encourages customers to keep extra and to pay losing balance, relatively than put in to their live strouble. The doubtfully too discourages customers starting committing to huge decision such as buying a house.-The house price to income ratio now stands at 5. 0, below the peak of 2007 but still substantially higher than the average of the past twenty years which stands at 4. 4. Indeed, our assessment of the ' fair value' for house prices. Which takes into account variables such as unemployment and housing supply suggests that prices are now just 5% undervalued . Thought this compares with an overvaluation of 12% at the beginning of last year, it does suggest that there is less scope for a bargain than there had been at the bottom at the previous house price cycle.( [www.ey.com/ITEM.club\\_club\\_special.report\\_09\\_2009](http://www.ey.com/ITEM.club_club_special.report_09_2009) )IncomeIncome of people in one of the most affecting factor of influencing the house and payments of mortgage interests so will the demand increase and definitely will the price of houses will increase. Similarly if the income goes down as for instance taking current situation into consideration, where no job security and high unemployment and low income people would not prefer to take risk in buying the house and block their resources. But this is the theory as per which income do affect on short term basis, while in practise the picture is bit different. Mortgage : [D: uk-mortgages-approved-nov08. gif](http://D:uk-mortgages-approved-nov08.gif)