Statistics

[Business](#)

Effects of the Changes of the GDP on Housing Sales Objective of the Research Over decades, the economic performance of the industrial sector has been on the rise. The GDP of the United States has been on the positive side and the impact of this improved economic performance of the U. S has affected other sector of the economy. The rise in the GDP was attributed to the general improvement of the economy as large. The housing and real estate sector of the economy is one of the industries that immensely contribute to the GDP. The housing and real estate investment sector accounting for 14% of the U. S economy, which is reflected in the GDP (N. A. H. B, 2010). However, in 2008-2009 during the global economic contagion, the housing sector reported a significant decline in demand and sales, a crisis that was described by economic expert as “ housing bubble” (Baker, 2007). The demand for housing and residential property significantly declined and this was followed a drastic fall in the real estate investments during the same period. After the global economic recovery in late 2009 and early 2010, housing sector posted a boost in returns. This raises the question on the effects of the GDP on the real estate investments and the sales of the houses in the United States. Although empirical studies early conducted by professional indicate that these two variables are related, such findings are insufficient in addressing the effects of predictable change in the GDP on sales and demand of house, particularly in the U. S. This research paper therefore aims at establishing the relationships between the changes in the GDP and house sales. In determining such relationships, this research paper will focus on literature material and the statistical inferences.

Resources

The link between GDP and the change in the sales of the housing and real

estate units is evidenced by the data on the performance if these two variable over time. The data from the department of labor and economics show that these two variables have a strong positive relationship. This is evidenced by the great global economic and financial crisis of 2009 that negatively affected the housing and real estate sector through the housing bubbles. These changes in the GDP and the general economic performance had an adverse effect on the volume of sales in the housing sector. A research study by Baker (2007) established that a predicted decline in GDP is reflected in the housing sector by a fall in the volume of house sales. This explained by the fact a fall the GDP is characterized a significant fall the marginal propensity to invests or save out of any additional income. Besides, a predicted fall in the GDP will lead to speculation in the economy with consumer and investor would opt for hoarding of the resource so as to await promising economic performance (Seyfried, 2009). During low economic performance, higher proportion of consumer income is spent on consumption and recurrent expenditures, thus leaving little resource to invest in houses. On the other hand, speculated increases in the GDP over time boost the investment and demand of real estates because of more resources in excess of the consumption capacity. Higher GDP results into increased marginal propensity to invest and save, thereby a rise in the housing sales (IMF, 2008).

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