

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

House Prices Coursework

ECONOMICS

BY SHERYAR

MAJID

Contents

<u>Item Name</u>	<u>Page</u>
Introduction	1
What Affects House Prices (Unemployment)	2
What Affects House Prices (Location, Income, Interest Rates)	3
What Affects House Prices (Interest Rates)	4
What Affects House Prices (Supply Factors, Crime Rate)	5
Major Factor Affecting House Prices, Unemployment	6, 7, 8
Statistics And Graphs About The Major Factor Affecting House Prices, Unemployment	9, 10, 11,12, 13, 14, 15, 16
Comparing Two Houses In Two Areas, And Looking At What Affects The Houses Price	17, 18, 19, 20, 21, 22
Conclusion	23
Bibliography	24
Appendix	25 onwards

Introduction

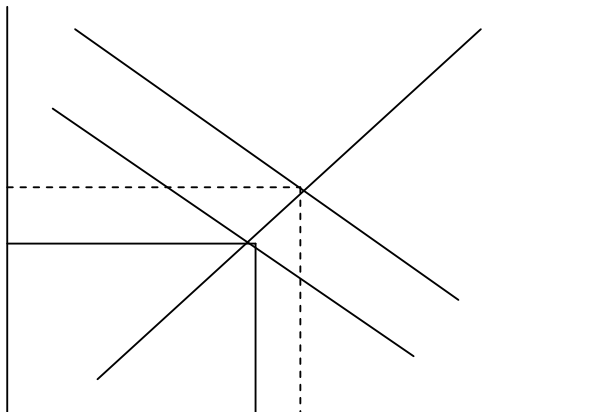
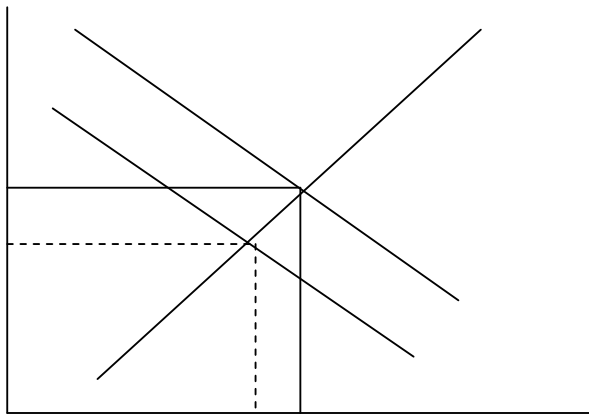
There are many things that affect house prices. Some things have a short-term affect such as interest rates and unemployment rate, but others have long term affects such as Location of the house and access to basic amenities.

I will be exploring all the things that affect house prices as well as comparing two areas in Redbridge and comparing the price of houses in these areas along with the cost of living in these areas. I will also look and compare all the following things which I think affect house prices, these things can affect house prices in many ways and sometimes have knock on effects, for example interest rates go both ways, they can increase and decrease the price of houses as I will explain. Then I am going to concentrate on what affect unemployment has on house prices, because **I think the major factor affecting house prices is Unemployment.**

The main things that affect the price of a house are:

Unemployment

This affects the price of a house because as unemployment rises then less people will have the money to buy houses and therefore the demand for the house will be lower and the equilibrium price will fall. Also if there is an area with low unemployment then people will be attracted to the area because of the jobs, and therefore demand will rise and so will the equilibrium price.



Location

This affects the price of a house because if you for example take 2 houses in Ilford, both with 3 bedrooms and compare their prices, they can be different. For example house A costs £103,000 and has basic amenities nearby, house B also in Ilford but a little further away costs £133,00 and has a park, train station and local amenities very close to it. Why is there such a big difference in price? Because of house B being in a better location and having much better amenities.

Income

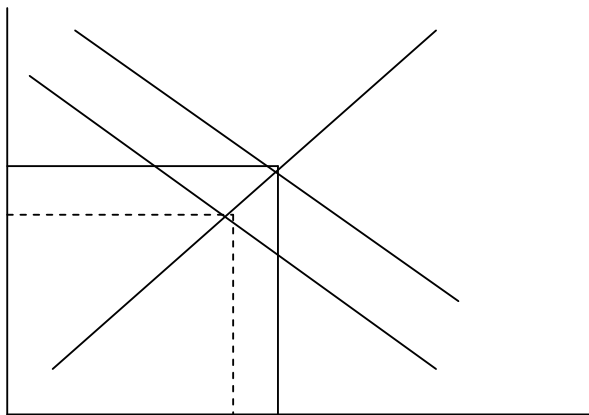
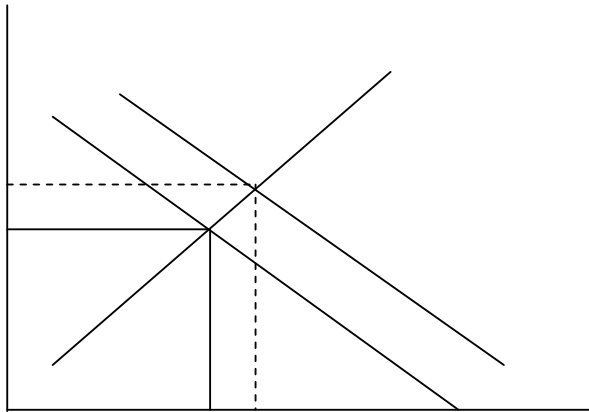
This affects the price of a house because it has the opposite affect of what unemployment does. If more people are earning more money and have more to spend they will want to buy houses therefore the demand for houses would get higher and therefore the equilibrium price for houses would get higher.

Interest Rates

Interest rates are the amount of every £100 that one must pay for the use of another person's money. If interest rates are high, then this means that building societies and banks will be giving lots of profits for borrowing their customer's money. This affects the price of a house because as the person gets more money they can in some cases be saving up for houses and therefore this raises the demand of houses and raises the equilibrium price. But on the other hand because banks have higher interest rates on loans than savings, then the person will have to pay more interest on

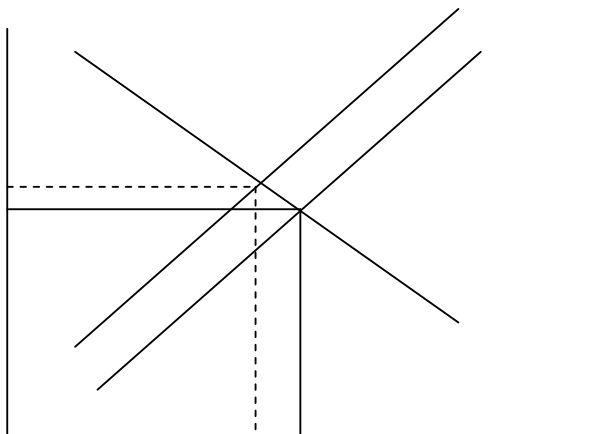
Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

his/her mortgage, meaning people might be discouraged to buy houses because they will have to pay more money and to compensate for this the equilibrium price will fall and therefore meaning people, even though interest rates have risen, price of houses has gone down meaning people will pay the same as they would have before.



Supply Factors

This affects the price of a house because if there is little supply and the demand stays the same then less people can buy the good and so those people would be willing to pay more for the good and therefore the price would rise.



Crime Rate

This affects the price of a house because less people want to live in an area with a high crime rate as their home is at risk, meaning there is less demand for houses and therefore to clear the market the equilibrium price is pushed down.

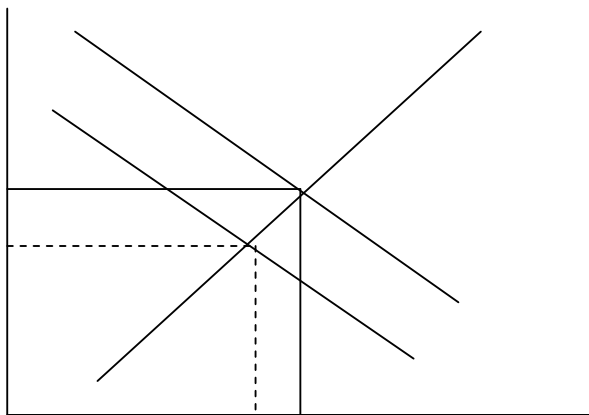
So these are the main things that affect the price of a house, but I think that unemployment is the major factor affecting the price of a house. I will now talk about why I think unemployment is the main thing that affects house prices, I will compare the price of house with the unemployment rate in general and how it they both change together, i.e., as the unemployment rate lowers the house prices higher, and vice-versa.

Unemployment

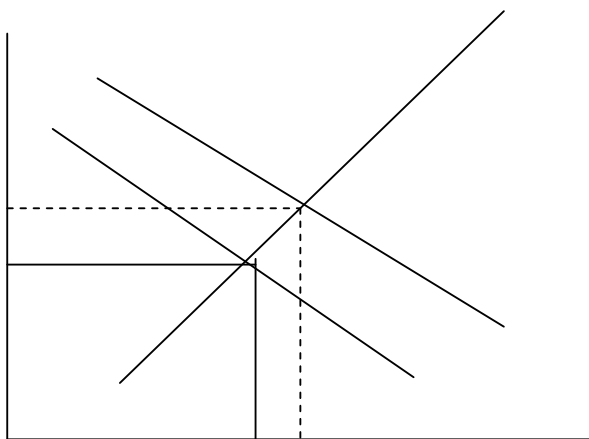
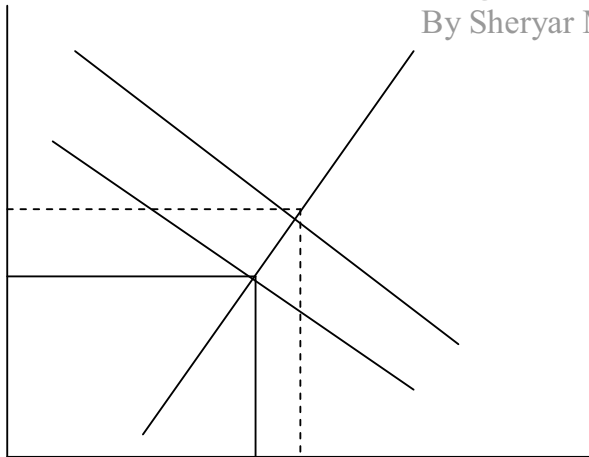
Unemployment affects the price of a house in three different ways; number one is as unemployment rises there will be more people who will be unable to afford to buy a house. This means that there will be less demand for houses if not as many people can buy one as before.

Therefore demand for houses will fall and consequently the equilibrium price for houses will fall in general, whatever the type of house. Also if unemployment is low, then the price of certain types of housing might rise, for example more people will be willing to live in a flat and there will be more demand for flats and the equilibrium price for flats will rise.

Also the third way that unemployment affects house prices is that an area with low unemployment will attract people to it, meaning that people will move to that area, and there will be high demand for these houses and consequently the equilibrium price of house in that area will rise.



Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid



One can prove these 3 scenarios with statistics, if you look at the tables on the following pages you will see the house prices in different regions of the United Kingdom and then you can compare them with the unemployment rates in these regions of the United Kingdom. There is another table showing how in general across the country how when the unemployment fell the price of houses went up.

After this on the next few pages, you will see graphs comparing the unemployment rates with the house prices, on the graph you will see more clearly how when the unemployment rate changes then the price of houses changes.

All the data is from the year 1998.

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

From these statistics one can prove that unemployment is a major factor affecting house prices. Using these graphs we can see how across the country the unemployment affects house prices. The graphs show us that no matter what area you live in your house prices are still affected by the rate of unemployment, which shows how major unemployment is a factor in determining the price of a house.

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Now that I have compared across the country , I am now going to compare two identical houses in terms of size of the house and garden etc. but the two houses will be in two different areas in Lodon. I will look at and explore all the things about these houses and especially I will talk about all the things which I said affect house prices including unemployment and then try to explain why I think th at the price of the two houses, even though they will are identical in the size, will be very different.

This prove my statistics as well as show how two identical houses get affected in terms of price and then put that back to the big scale and see that each and every house in the United Kingdom is affected by house prices.

First I will describe the two houses I have chosen and tell you about the amenities and services they have and other good things about them, then after I have described both houses I will explain why there is a difference in price.

The two areas I have chosen are Hackney in London.

Hackney, London

Price: £279,000

Property Eleanor Rd

Address: Hackney,
London E8
1DN
England

Summary

Bedrooms: 3 **Laundry:** In unit **Building:** Terrace

Bathrooms: 1 **Cooking:** Electric

Sq Metres: **Parking:** Street

Features & Amenities (denoted by check marks)

✓ Front Garden	✓ Rear Garden	✓ Suitable for Pets
✓ Near Train Station	✓ Near School	✓ Near Shops
Balcony/Patio	Basement	Loft/Attic
Cable/Satellite TV	Dishwasher	Furnished
✓ Fireplace	Double Glazed	Alarm

Description

Attractive, three storey, flat fronted Victorian terraced house (1870's) in a desirable street very close to London Fields, and within 10mins of Hackney Central station. It has many original features, central heating, and a new slate roof. There is a small front garden and a 30ft walled west-facing rear garden.

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

The ground floor has a 25ft through living room with original working fireplaces, sash windows, cornices and shutters. This leads into a sunny kitchen/diner with period French doors (with stained glass), opening out into the back garden. The garden is peaceful and pretty with trees at the end giving it a calm and secluded atmosphere.

The first floor has the main double bedroom at the front (15' x 12'), enjoying the sun in the morning, and a fully-equipped spacious carpeted bathroom (12' x 10').

On the top floor are two further bedrooms of the same dimensions and a landing giving access to the loft.

Local amenities include London Fields with an excellent pub and boule pitch, good local Primary School, Hackney Empire Theatre, many local restaurants - all within five minutes walk. A short drive takes you to Islington, Stoke Newington and the City.

And Barnes in London.

Barnes, London

Price: £315,000

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Property 70 Nowell Road
Address: Barnes, London SW13
9BS
United Kingdom

Summary

Bedrooms: 3 **Laundry:** In unit **Building:** Semi-Detached
Bathrooms: 1 **Cooking:** Electric
Sq Metres: 103 **Parking:** Street

Features & Amenities (denoted by check marks)

✓ Front Garden	✓ Rear Garden	✓ Suitable for Pets
✓ Near Train Station	✓ Near School	✓ Near Shops
✓ Balcony/Patio	Basement	✓ Loft/Attic
✓ Cable/Satellite TV	✓ Dishwasher	Furnished
✓ Fireplace	Double Glazed	Alarm

Description

Barnes-London-Beautiful 3 bedroom, 1 bath brick family home with charming gardens,cotswold patios and gazebo. Brilliant location-halfway between inner London and Heathrow. 20 minute commute into central London on Picadilly line.

Neighborhood parking permits assure plenty of

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

parking-always spare parking on this quiet street.

Completely rennovated in 1996, this home is immaculate. Top of the line Bosch 350 combi heating system.

Spacious,light,reception rooms with lovely gas fireplace, bay windows, modern kitchen. Large glass doors out to patio and rear garden. Entry way has large storage areas. Upstairs there are 3 bedrooms and bath. Two bedrooms have built in closets. The bathroom is beautifully designed with power shower and plenty of storage.

These are the two houses that I am going to compare, they are both in London and they both have identical size i.e. three bedrooms and one bathroom each.

The first house in hackney costs **£279,000** and has good local facilities, as well as being attractive and compatible with pets, and on the other hand

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

the second house in Barnes costs **£315,000** and has equally good facilities, amenities and is equally attractive as the one in Hackney. But why is there such a big price difference, this because of the reasons I said affect house prices. Firstly unemployment, the unemployment rate in Hackney is very high and this is one of the main reasons people want to move out as well as one other main reason, crime rate, crime is enormous in Hackney and therefore people are scared and want to move out, therefore they want to get rid of their houses quickly for a lower price even, but also because of these things people are not wanting to live in Hackney pushing the demand for housing down and with it the equilibrium price of the house. The only reason that price of housing in Hackney is not very low is because of the good transport links it has with the centre of London.

On the other hand Barnes has a better unemployment rate than Hackney and has a lower crime rate and also the location of the housing and transport links to the centre of town are also good.

This shows how unemployment, amenities, crime rate etc. affect the price of a house no matter what area it's in. It shows that each and every house price in the United Kingdom is affected by these things and therefore these are the main reasons which affect house prices.

Conclusion

I want to make clear that in my investigation If I said houses or house that meant every type of house in the spectrum e.g. flats, terraced, bungalow, unless I specifically mentioned a name e.g. flats. This is because I made my investigation in such a way that I was not singling out any house and trying to show that all types of housing are affected.

The overall outcome of my whole investigation proves from my research and my statistics which I have stated in my graphs it shows that many things such as crime rate, interest rate and unemployment affect house prices, but as I said at the beginning and after this investigation I am more sure of it now, I think that unemployment is still a major factor affecting house prices.

I have come to this conclusion, because of the amount of houses unemployment affects. OK that interest rates, location of house are major factors too but they don't affect every house in the country in the same way that unemployment does, unemployment affects each and every house in the United Kingdom, and not only that, but it can affect houses two or three different ways. The other factors don't affect other types of housing e.g. flats or rented property, but unemployment still does because the same rules apply for these properties as they do for houses when they are affected by unemployment i.e. people want to move to an area with low unemployment either to a flat or a house, either rented or to buy, but demand for both these things go up and consequently the price. But for things like interest rates, only the houses and flats on sale are affected as houses and flats on rent don't have mortgages and things so interest rates does not affect their rental price.

Bibliography

- Modern Economics (Book)
- Economics For G.C.S.E (Book)
- Economics- An Introduction For Students Of Business And Accounting (Book)
- The Economics Of Urban Areas (Book)
- Urban Economics (Book)
- The Halifax House Price Index (Literature)
- WWW.HALIFAX.CO.UK (Internet)
- WWW.NATIONWIDE.CO.UK (Internet)
- WWW.HOUSEWEB.CO.UK (Internet)
- WWW.WOOLWICH.CO.UK (Internet)
- WWW.LANDREGISTRY.CO.UK (Internet)
- WWW.BIZED.COM (Internet)
- WWW.UPMYSTREET.CO.UK (Internet)
- WWW.DOLLARBANK.COM (Internet)
- T.V
- Newspapers
- Teletext And Fasttext
- Estate Agents
- Family And Friends

Economics Coursework- Investigate What Affects The Price Of A House-
By Sheryar Majid

Appendix