

Demand for housing

The main determinants of the demand for housing are demographic. But other factors, like income, price of housing, cost and availability of credit, consumer preferences, investor preferences, price of substitutes, and price of complements, all play a role.

The core demographic variables/factors are;

- 1) Population size and population growth: the more people in the economy, the greater the demand for housing. But this is an oversimplification. It is necessary to consider family size, the age composition of the family, the number of first and second children, net migration (immigration minus emigration), and non-family household formation, the number of double-family households, death rates, divorce rates, and marriages.
- 2) Income is the main reason influence the demand of housing. When consumer's incomes increase, they will buy more of most goods and also consider to buying a house. When their income decrease, consumers will buy less of most goods and would not be consider to buy a new house.
- 3) The price of housing is also an important factor. The lesser the price the greater the demand and easily buyable by the people of different income groups.

Supply of housing

Housing supply is produced using land, labor, and various inputs, such as electricity and building materials. The quantity of new supply is determined by the cost of these inputs, the price of the existing stock of houses, and the technology of production. As for the supply, in this housing demand the main factors are the price of factors of production. If the factors of production included the material cost, wages, rent and interest drop off, it means that production cost drop off. If the price of goods remaining the same, the producer will increase the supply because of the profit increase. On the contrary, the producer will decrease the supply because of reduce of the profit.