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How Spending and Savings Affect the Real Estate Market

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How Spending and Savings Affect the Real Estate Market

Spending and saving activities have a significant impact on the housing business. An increase or decrease in spending and savings will influence the demand and ability to own real estate. Further, the residential real estate market will depend on the economic growth of the given residential area. For instance, having more cash will facilitate the purchase of houses such as retail shops, reducing savings. Therefore, the expenditure and savings patterns influence the real estate market.

The cost of houses will determine how the consumers will spend their incomes, which influences the savings. For instance, an increase in the real estate business cost results in a decreased demand for houses. When the demand decrease, the prices will automatically reduce to attract new buyers (Cox et al., 2020). The reduction of household disposable income and the high cost of owning houses negatively impact the savings. The real estate will be eventually negatively impacted where the buyers will automatically take off the market hence increasing the supply of homes with the decreased prices. Therefore, an increase in the cost of houses reduces expenditure and enhances more saving hence, negative impact on the real estate market.

Economic growth will impact the demand in the real estate market. For instance, a significant change in the economy will result in the acquisition of new jobs and incidences such as increased demand for office spaces. Moreover, an increase in personal income will increase the expenditure and demand for homes and office spaces (Agarwal et al., 2015). People who are fond of investing will demand retail places hence, positive impact on the real estate market. Besides, individuals in the employment sector are capable of purchasing homes and residential needs.

A sudden rise in house prices will eventually decrease consumer expenditure. Hence, to enhance the houses' affordability, the government can provide more finances to increase consumer spending (Cox et al., 2020). The financing criteria by the government facilitate more purchasing of the mortgage, which will eventually reduce savings. Moreover, the government policy has a future implication on the monetary policy in the given household balance sheets and real estate market. Thus, availability of cash facilitates houses' affordability, hence impacting the real estate market.

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