

# HOUSE PRICE AND AFFORDABILITY IN REGIONS OF ENGLAND AND WALES

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## 1. INTRODUCTION

House price has changes dramatically over the past few years. Such changes are drawing attentions as they are leading to housing affordability issues. For example, house price in London increased drastically these years, as a result, house price is becoming unaffordable to most of the residents. Analysis of how the house price changed and to what extent the affordability is affected by that changes is provided.

This paper is intend to explore this issue based data about house prices and affordability measurements. In general, there are four sections, Initial Question, Data Processing, Information Visualisation and Evaluation. In Initial Questions section, issues related to house prices will be discussed therefore research questions will be proposed. As for Data Processing part, information about dataset used in this paper will be briefly introduced and how it was processed and data cleaning and transformation process will be explained. Visualisation strategies will be discussed in Information Visualisation section alongside visual encoding. As for the Evaluation part, justifications of choice of visual encodings and stragies will be provided and also the general reflection of development process.

## 2. INITIAL QUESTIONS

As mentioned above, the increase of house price lead affordability concerns. A better understanding of the house market, and affordability of the locals are necessary to study this issue. For instance, how the house price changed and to what extent that change has influenced affordability. Hence the research questions are proposed as follow.

1. How the mean house price across the regions changed from 2000 onward and Which region has cheapest house.
2. How the ratio of house price to workplace-based earnings changed from 2000 onward and which region has the most affordable houses.
3. How the house price and affordability was affected by the economy crisis in 2008.

## 3. DATA PROCESSING

The dataset, obtained from office for national statistics, contains annual data from 1997 to 2018 about the median house price across regions of England and Wales, the median gross annual earnings based on working place associated with different regions and the ratio of median house price to median gross annual earnings.[1] [2] In each part, only annual data is provided.

The data is grouped by regions, counties and local authorities. Data of median house price, median affordability ratio and lower quartile house price is provided for each group. The affordability ratio refers to the ratio of house price to annual gross earnings. In this case the Affordability ratio was calculated as the ratio of median house price to annual gross workplace-based earnings. (work-based earnings refers the earnings based on where a person work and does not necessarily reveal the earnings of the local residents.)

Data cleaning and filtering process is essential for the project as the dataset has quite a few garbage data. As those initial questions suggest, data from 2000 to 2018 will be preserved and analysed, therefore, data out of this rage will be purged. As the data provided is completed so the missing data problem does not need to deal with. Since the data is also consistant, the entity resolution will not be a problem.

Type conversion is an issue specifically related to the R programming language. The original data came in xls form with the correct type for each category of data. But when loading those data into R, the default data type was character. This issue may cause severe problem whrm performing numeric analysis and visualisation. Therefore, data of house price, affordability ratio and data indicating time need to be converted into numeric type.

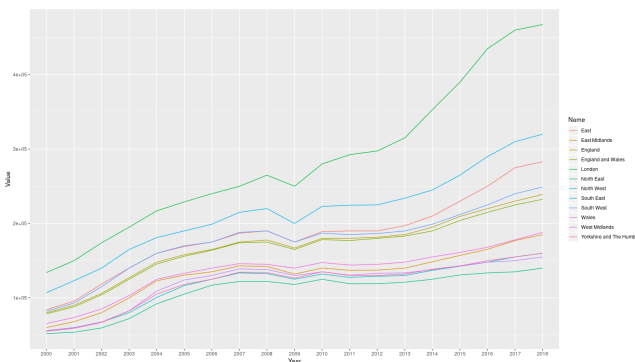
As the the annual data is presented seperately in different columns, transformation is needed for further data analysis. The original data was put seperately in columns by each year, which would be difficult to analyse changes based on timeline. Hence, the data was trnasformed into three-column form. Name of region, year, and the actual values of price (or earnings, or ratios) were in three individual column.

## 4. INFORMATION VISUALISATION

In this section, all three initial question proposed earlier will be discussed with visualisation. For each question, visualisation strategies and visual encoding will be explained in detail and critical discussions of visualisation design will be included in this section. After the three initial questions were explored, exploratory process of proposing new question and visualisation of that question will be explored.

### 4.1. House Price Visualisation

As mentioned earlier, the first question is intend to examine how the house price changed from 2000 to 2018 and to further probe which region has the lowest house price. As data processing operations described above. The first graph can be obtained.

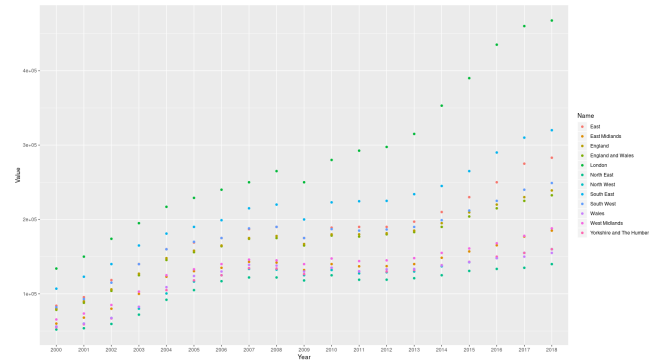


Question 1: Result 1

This line graph illustrate the median house prices in nine regions of England and Wales from 2000 to 2018. England and Wales are also treated as regions and also England and Wales combined. Therefore, there 12 lines in the graph that represent 12 regions individually.

The overall tendency of change for all regions is quite similar. Although fluctuated for a few years around 2009, the median house price in 12 regions was all increased from 2000 to 2018. Starting from 2000, median house price in most region rose steadily until 2014. From 2004 to 2008, for all the regions, the increase of median house price was slowing down comparing to the increase from 2000 to 2004. For the first time from 2000, median house price in all regions suddenly dropped to the level of two years before. Then in 2009, the median house price in all regions bounced back to the highest level from 2000. From 2010 onward, the median house price was almost fixed for 3 years. Starting from 2013, the median house price started increasing steadily for most regions but London. Median house price in London experienced a sharp increase from 2013 to 2017, as the result, the median house price increased by 1/3 compare to the data in 2013. From 2017 onward, the increase was slowing down again.

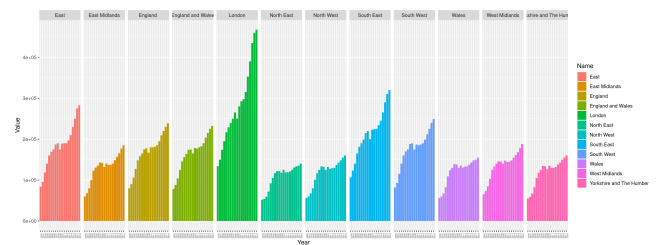
This line graph as an example is expressive and efficient when representing time-series data or the changing of quantitative during a continuous period of time. But sometimes, it is not appropriate for conducting comparison. Therefore, the second graph was obtained using the same median house price data.



Question 1: Result 2

This dot plot shows the same information as the line graph before but using a different representation. By using dot to exhibit the median house price for each region, the comparison of price between different region is quite obvious compare to the line graph due to overlap of line can be observed in line graph which caused difficulty to do the comparison.

Based on the dot plot, it is self-evident that the north east region has houses with the lowest median price from 2000 to 2018 while London has the most expensive houses.



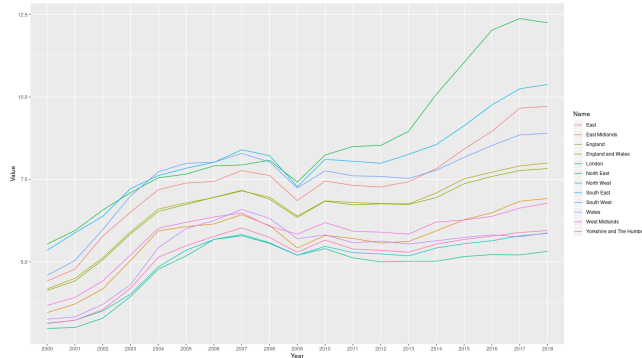
Question 1: Result 3

The last graph for the house price visualisation part is a bar chart which was gained using the same median house price data. This bar chart illustrates median house price of 12 regions from 2000 to 2018 grouped by region. This graph has advantage over the line graph and dot plot when studying the changes of median house price of individual regions as it combines the benefit of those two while makes data related to individual region evident.

### 4.2. Affordability Visualisation

Stated in the initial question section, the second question is intend to examine how the affordability ratio changed from

2000 to 2018 and to further probe which region has the most affordable house. Due to the similar nature of the question, similar approaches for house price visualisation can be applied here. As data processing operations described above. The first graph can be obtained.

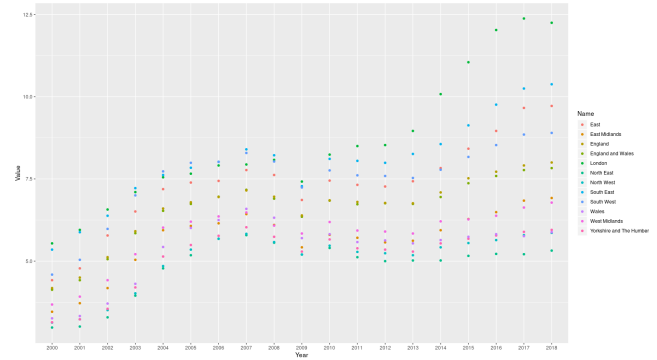


Question 2: Result 1

This line graph illustrates the affordability ratio in nine regions of England and Wales from 2000 to 2018. England and Wales are also treated as regions and also England and Wales combined. Therefore, there are 12 lines in the graph that represent 12 regions individually. As the name suggested, the affordability ratio is the ratio of median house price to the median workplace-based earnings. Therefore, the lower the ratio, the more affordable the houses are in a region.

The general trend of change for all regions is identical. Although fluctuated for a few years around 2009, the affordability ratio in 12 regions was all increased from 2000 to 2018. Starting from 2000, the affordability ratio in most regions rose steadily until 2001 and then continued to increase with a faster velocity until 2004. From 2004 to 2008, for all regions, the increase of the affordability ratio was almost static for most of the regions compared to the increase from 2000 to 2004. For the first time from 2000, the affordability ratio in all regions suddenly dropped to the level of four years before. Then in 2010, the affordability ratio in all regions bounced back, and from 2010 onward, the affordability ratio was almost fixed for 4 years. Starting from 2013, the affordability ratio started increasing steadily for most regions except London. The affordability ratio in London started growing from 2010 and experienced a sharp upward trend that last four years and it still increased in 2018, as the result, the affordability ratio increased by more than 1/3 compared to the data in 2013. Starting from 2013, for most regions, the affordability ratio started going upwards steadily until 2018.

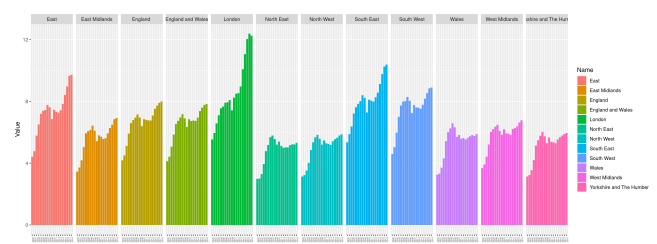
This line graph as an example is expressive and efficient when representing time-series data or the changing of quantitative data during a continuous period of time. But sometimes, it is not appropriate for conducting comparison. Therefore, the second graph was generated using the same affordability ratio data.



Question 2: Result 2

This dot plot shows the same information as the line graph before but using a different representation. By using dots to exhibit the affordability ratio for each region, the comparison of the ratio between different regions is quite obvious compared to the line graph due to the overlap of lines which caused difficulty to do the comparison.

Based on the dot plot, it is self-evident that the North East region has the most affordable houses from 2000 to 2018. As for the least affordable houses, the results are interesting compared to the house price. As demonstrated in the house price visualisation part, houses in London always have the highest price from 2000 to 2018. But the affordability ratio data suggests that from 2000 to late 2002, the affordability ratio in London was the lowest across the regions but later on the affordability ratio of South West and South East surpassed the value of London. London did not possess the highest value of affordability ratio until late 2018, maintaining its status until 2018.

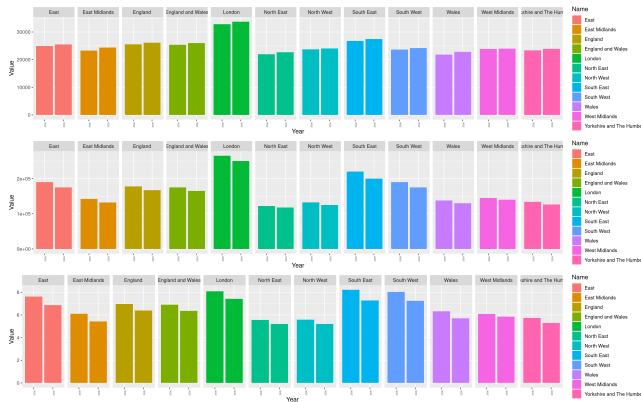


Question 2: Result 3

The last graph for the affordability ratio visualisation part is a bar chart which was generated using the same affordability ratio data. This bar chart illustrates the affordability ratio of 12 regions from 2000 to 2018 grouped by region. This graph has an advantage over the line graph and dot plot when studying the changes of the affordability ratio of individual regions as it combines the benefit of both while making data related to individual regions evident.

### 4.3. Impact of Economy Crisis

The last of initial question is to audit the impact the economy crisis has on house price and affordability in 12 regions. In this case, the data need to be processed further. As the economy crisis happened in 2018, the comparison of the data in 2008 and 2009 would depict the immediate impact of the economy crisis. By taking in consideration of median house price, annual earnings and affordability ratio, the bar chart can be gained.



Question 3: Result

This bar chart combines the data of median house price, median annual gross workplace-based earnings and affordability ratio from 2008 to 2009. This chart is intended to show the immediate impact of the economy crisis in 2008. As the graph shows, the first two indicate the annual earnings data, the second row represents the median house price data and the last row suggests the affordability ratio.

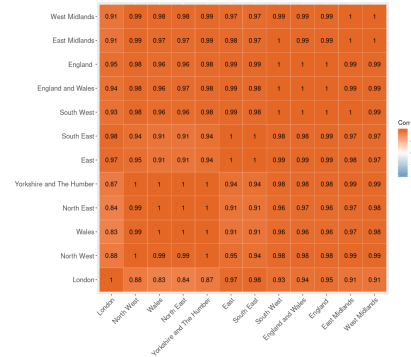
As the graph demonstrated, the economy crisis did not seem to have served its impact on annual earnings as the annual earnings did not experience any regression in any region. In contrast, the impact of the economy crisis was obvious, for the house price decreased in all 12 regions. By combining these data, the annual earnings increased slightly while the house price decreased, as a result, the affordability ratio decreased. The diminishment of the affordability ratio suggested that the houses in all 12 regions became more affordable as an impact of the economy crisis.

### 4.4. Correlation Coefficients of House Price

As the graphs shown in house price visualisation and affordability ratio visualisation section, the general tendency in those regions was quite akin. So that result led to another question, whether the house prices in those regions were related and if they were related how closely they are related to each other.

In search of this question, further data transformation is needed. The column in the dataset which identifies time can be

omitted. Furthermore, each region was put in a separate column with all of the data related to the region sorted by time. The correlation coefficient is a numerical measure that can reveal how different entities are related to each other. After this transformation, the correlation coefficients can be calculated. Hence, the heat map containing correlation coefficients can be obtained.



Correlation Coefficients: Result

As the heatmap shows, the correlation coefficients scale from 1 to -1. The closer the correlation coefficients to 1, the more they are related and vice versa.

## 5. EVALUATION

## References

- [1] N. Henretty, *Housing affordability in england and wales: 2018*, Mar. 2019. [Online]. Available: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2018>.
- [2] —, *Dataset:house price to workplace-based earnings ratio*, Mar. 2019. [Online]. Available: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>.