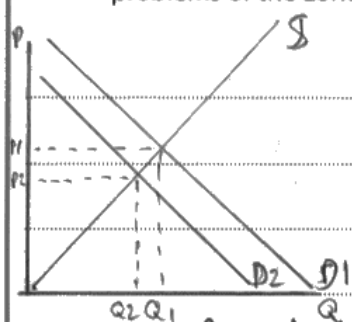


(c) Using a suitable diagram, assess the effectiveness of a rent cap in solving the problems of the London housing market.

(12)



A rent cap in could be effective in solving problems in the London housing market as it will not see a yearly rise in rent making it more affordable, as seen on the supply and demand diagram as P_1 falls to P_2 . This will make demand increase which could act as an incentive for more building by private renters as there is a demand for what they're offering because it is affordable. This can solve the London housing market problem as there could be a reduction in people moving out of London and a reduction to homelessness as more citizens are more likely to afford housing whilst renters are still earning revenue.

On the other hand, Brandon Lewis' view of 'excessive regulation would destroy investment in new housing' could be and that it makes it "harder for people to rent" could be supported by the supply and demand diagram because quantity falls from Q_1 to Q_2 meaning that the supply of housing is likely to reduce because there is no financial incentive for private renter to invest in new housing as



there is no certainty of a return on investment.



P 5 2 1 4 1 A 0 2 1 2 4