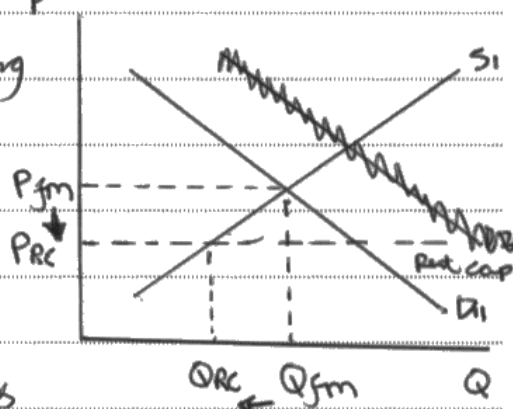


(c) Using a suitable diagram, assess the effectiveness of a rent cap in solving the problems of the London housing market.

(12)

The purpose of the rent cap is to prevent prices from increasing extortionately which causes market abuse of consumer rights. Tenants often face rises of between 10 and 30%, therefore the rent cap prevents increases exceeding the free market level.



This could mean that rent prices in London are lower, this could cause an increased demand because rent prices have become more affordable. Landlords may have to improve the qualities of properties and the services they provide in order to be competitive in this highly demanded market meaning tenants get better services.

However, the rent cap may cause a reduction in the number of properties on the market. Many landlords own rental properties in London because of the higher prices that are often charged. Making it compulsory to charge cheaper prices than the free market level may create less of an incentive to provide this service. Therefore, the number of rental properties could fall. This could then cause housing issues in the area.



which could lead to poverty in some areas.
It all depends on the extent to which the
net cap limits prices. Too much regulation
could cause loss of providers. Too little regulation
could lead to abuse of pricing and consumers.



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