

The rising rents of unfurnished accommodation have been a source of concern for t...

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The rising rents of unfurnished accommodation have been a source of concern for the government. It proposes to introduce a ceiling on rents. Examine how this might affect the accommodation markets.

Graph 01: Nationwide UK Average House Prices Adjusted for Inflation

Source: (Housepricecrash. co. uk, 2014)

In the above graph, real house (accommodation) prices have been increasing since 1975 and substantial rise has been seen for last 10 years, reflecting that overall UK accommodation cost has experienced rise in demand in the recent years.

In 1975, average UK house price was £58, 000. And this price increased substantially till the end of 1990 by reaching £118, 000. However, till the end of 2000, this price rise by and large remained stable and stagnant. However, after the end of 2000 and till 2009, this price rise experienced substantial rise when annual house price touched the mark of £218, 000. In the recent years particularly after 2013, housing and accommodation cost are again rising and this rise is causing problem for the UK government.

For substitute goods, if the price of one substitute is increasing; ultimate the demand for other alternative will also increase (Sloman et al., 2010). Within the UK, cost of both furnished and unfurnished accommodation is increasing. Within this context, the UK government is going to introduce and implement rent ceiling which will affect both landlords and tenants. For the landlords, the ceiling imposition will put negative impact on their income as they will no more remain in strong bargaining position. On the other hand, for tenants, the implementation of rent ceiling will put positive effect on their standard of

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living. For example, after the imposition of rent ceiling, the tenants will be in a position to control their cost of accommodation and this will enable them to provide more money to their other expenditures.

#### Reference

Housepricecrash, (2014), Nationwide UK average house prices adjusted for inflation, available: <http://www.housepricecrash.co.uk/indices-nationwide-national-inflation.php> s accessed: 15 May, 2014

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