

Economics at Becket Sixth Form

The purpose of the BBC News article below and the tasks is to start getting you to 'think like an economist' and apply your new found knowledge of this subject to the world around you. This task should take you no more than one hour, and it will give me an idea of your writing, arithmetic, research and reasoning skills. See you in September 2023! Mr Bestwick.

Rent: 'We've got £1,750 a month and can't find anywhere' BBC News, 20th June 2023

The average UK tenant now spends more than 28% of their pay before tax on rent, figures shared with the BBC show. It means people are spending more of their wages on rent than at any other time in the last 10 years, according to property portal Zoopla.



Average rents for new property lets have also risen, jumping 10.4% in a year making it harder for people to afford places. Chris Ward and his girlfriend said they were struggling to find a rental in London despite a £1,750 a month budget. "I don't have a car, I don't go on vacations, I can't save for property," the 31-year-old told the BBC. "There is necessary support for the poorest but young workers are also struggling now." Richard Donnell, executive director at Zoopla, said there was signs of financial "stress" for tenants, particularly those on low incomes.

Rents have been growing faster than wages in the UK for nearly two years. That has meant in the majority of the UK, affordability of renting has been at its worst for a decade. Rent now typically accounts for 28.3% of income, compared with 27% on average for the past 10 years. A small rise in percentage terms can still have a significant effect on people's finances.

The chunk of income taken up by rent varies in different regions. Even in London, where rent has previously taken up a bigger proportion of wages, the cost still accounts for 40% of gross earnings - the highest in the UK. Rents have been rising significantly for the last year. Although those on a fixed rent would not have seen a difference, those signing up to new contracts, or moving to a different property are likely to have seen big increases.

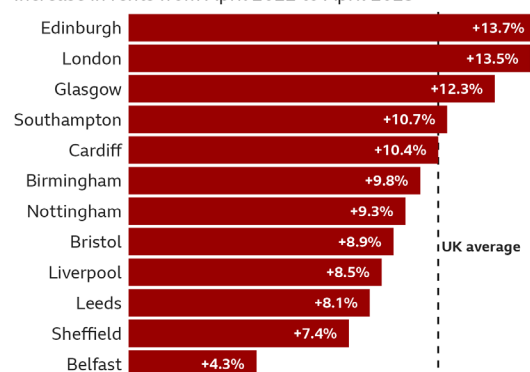
The pressure of rising mortgage rates faced by landlords, as well as higher demand for properties than the number made available, have combined to raise the costs for tenants.

Mr Ward is among those renters feeling the squeeze, even though he is in a relatively well-paid job. He said he and his girlfriend's £1,750 a month budget was regarded as low by agents, so they felt they were being priced out of London. He said that the situation was all the more "absurd" because of the competition for properties. The couple are now considering getting a visa to work overseas, for a better quality of life.

One of the major reasons for higher rents is that there are lots of tenants chasing a smaller number of properties to rent. Zoopla said that there are 20% to 40% fewer homes to rent in most regions than there were before the pandemic. Meanwhile there are many more tenants than has been seen on average over the last five years.

Rental inflation is running high

Increase in rents from April 2022 to April 2023



Source: Zoopla

BBC

Tasks on the next page

Your name: _____

Once you have read the article on rising cost of rent, answer the questions below in the space provided. Some questions will require you to undertake your own research.

Q1 What will you learn about in A Level Economics? (Use the Edexcel website)

Q2 The average income of a full-time employee in London is £37000. Based upon the data in the article, how much will they spend on rent *per month*? Show your working out.

Q3 a) The average property to rent in Edinburgh was £1214 per month in 2022. What would be the average rent in 2023? (show your working out)

b) in Nottingham, average rents reached £851 per calendar month in 2023. What would have been the average rent in 2022? (show your working out)

Q4 Explain ONE potential reason why people do not move from an area of high rents, to an area of low rents.

Q5 As a result of rising rents, explain one potential impact on Tui (www.tui.co.uk) that sells flights and holiday packages.

Q6 Mr Ward and his girlfriend are now considering getting a visa to work overseas, for a better quality of life. Explain one potential impact of this on the UK if more people took this action (you might want to consider the housing market, the labour market, the economy or anything else that would be appropriate).

Q6 Advise ONE way the UK government could assist with the rising rents. In doing so, put forward one argument *for* your suggestion and one argument *against* your suggestion.