

SA422: HOUSING ECONOMICS AND FINANCE 2008/2009
Prerequisite Class Problem Set 2
Week 3, Thursday 23 October 2008, 9:00 – 10:00

1. Explain what happens to equilibrium price and quantity of housing if incomes rise across the whole population.
2. What happens if the (same) income rise is concentrated among richer households? [Clue: Split market into two closely related markets and work through the impact of the income shift.]
3. What changes in other variables will result in a rise in both equilibrium price and quantity?
4. What happens if the price of water/heating/local taxes and other services associated with the quantity of housing consumed rise very significantly?
5.
 - (a) What is the effect on the supply of private rented housing of increased taxation of private landlords?
 - (b) What then happens to the supply of owner-occupied housing? to the total supply of housing?
6. Why is it not possible to expand total housing supply very rapidly?
7. What might you do to make it easier to adjust supply more quickly?