## Daily Exercise Solution

Finding the BAU equilibrium:

$$
\begin{aligned}
& \$ \\
& Q_{1} \quad \begin{array}{l}
Q^{D}=Q^{S} \\
P^{D}=P^{S}=P_{1} \\
1200-2 P_{1}=2 P_{1} \\
P_{1}=300
\end{array} \\
& Q_{1} \omega T A \quad \begin{array}{l}
Q_{1}=Q^{D}=1200-2(300)=600 \\
Q_{1}=Q^{S}=2(300)=600
\end{array}
\end{aligned}
$$

Finding the new $Q$ under the policy:


Calculating the impacts on tenants:


Gain to stayers $=\mathrm{A}$ :
Loss to leavers =-C: $\quad-\$ 10,000$
$A=100 * 400=40,000$

$$
\begin{aligned}
& X=W T P(400)=600-0.5(400) \\
& X=400 \\
& C=0.5^{*}(100)^{*} 200=10,000
\end{aligned}
$$

