Daily Exercise Solution





$$Q^{D} = Q^{S}$$

$$P^{D} = P^{S} = P_{1}$$

$$1200 - 2P_{1} = 2P_{1}$$

$$P_{1} = 300$$

$$Q_{1} = Q^{D} = 1200 - 2(300) = 600$$

$$Q_{1} = Q^{S} = 2(300) = 600$$

Finding the new Q under the policy:



Calculating the impacts on tenants:

$$P_2 = 200$$

 $Q_2 = Q^S = 2(200) = 400$



A = 100*400 = 40,000

$$X = WTP(400) = 600 - 0.5(400)$$

X = 400

C = 0.5*(100)*200 = 10,000

 Gain to stayers = A:
 \$40,000

 Loss to leavers = -C:
 -\$10,000