Question:

suppose the market demand and market supply for apartments in the city of Edmonton are given by the following functions:

$Qd = 5000 - 3p$
$Qs = 1000 + p$

a) at what price does the market for apartments in the city clear? how many apartments are rented   at   this   price?
b) suppose the city sets a maximum rent at Rm 1,200. iilustrates the rent control in a supply and demand diagram.   Is there   a   shortage?   if   so,   what   is   the   excess   demand?
c) at what price does the market for apartments in the city clear? how many apartments are rented at the price?
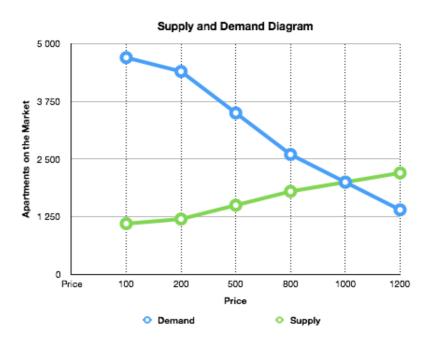
Solution:

a) at what price does the market for apartments in the city clear? how many apartments are rented at this price?

$5000 - 3p = 1000 + p$
$p + 3p = 5000 - 1000$
$4p = 4000$
$p = 1000$
$Q = 5000 - 3*1000 = 2000$

Answer: the market for apartments in the city clear at price 1000. Quantity of apartments rented at this price is 2000.

b)

Supply and Demand Diagram

Answer: at price of Rm 1200 there is no shortage of apartments. At this price Qs=2200, Qd=1400.

Question (c) repeats the question (a).

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