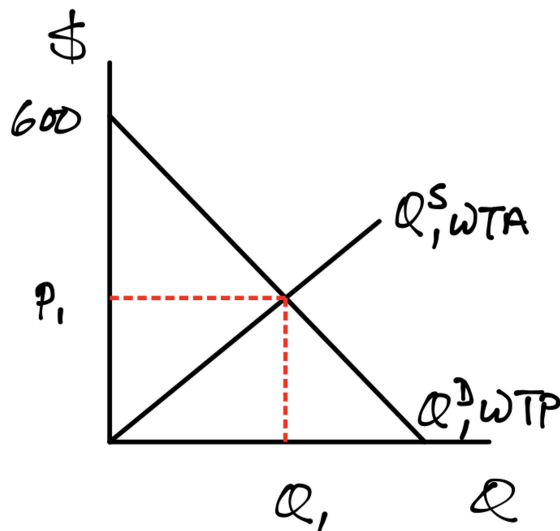# Daily Exercise Solution

Finding the BAU equilibrium:
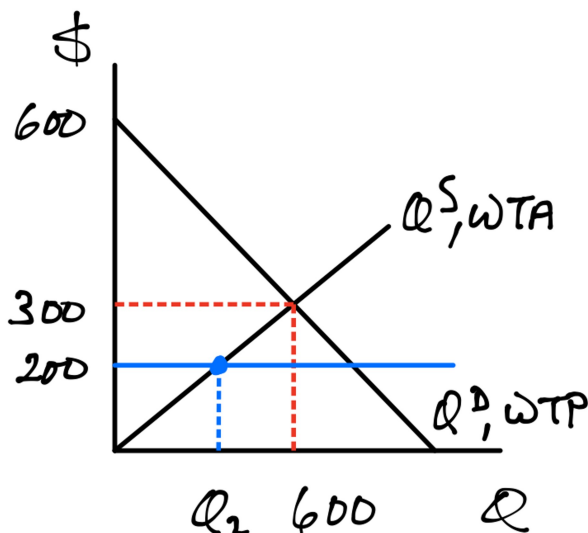

$$Q^D = Q^S$$
$$P^D = P^S = P_1$$

$$1200 - 2P_1 = 2P_1$$
$$P_1 = \boxed{300}$$

$$Q_1 = Q^D = 1200 - 2(300) = \boxed{600}$$
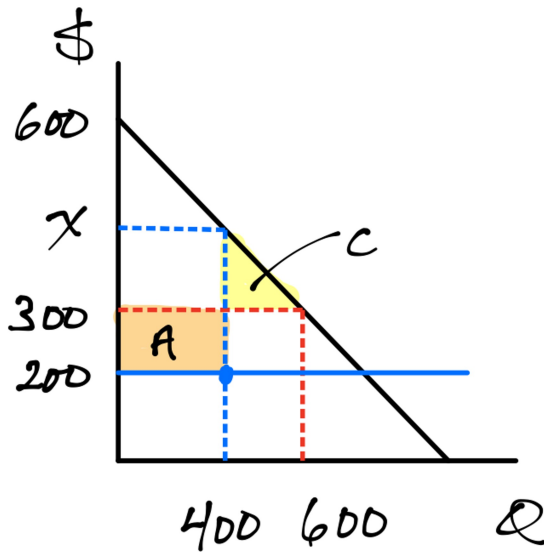$$Q_1 = Q^S = 2(300) = 600$$

Finding the new Q under the policy:

$$P_2 = 200$$

$$Q_2 = Q^S = 2(200) = \boxed{400}$$

Calculating the impacts on tenants:

$A = 100*400 = 40{,}000$

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

$C = 0.5*(100)*200 = 10{,}000$

Gain to stayers = A: $40,000

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