

Table of Contents

CHAPTER 1: Economic Principles and Cycles

1

- I. ECONOMICS (p. 1)**
 - A. Real Estate Economics (p. 1)
 - B. Real Property (p. 4)
 - C. America's Economic History (p. 5)
 - D. National and Local Economies (p. 5)
 - E. Real Estate Economics (Analysis of Trends) (p. 5)
- II. SUPPLY AND DEMAND (p. 6)**
 - A. Law of Supply (p. 6)
 - B. Law of Demand (p. 7)
 - C. Equilibrium (Point and Price) (p. 9)
 - D. The Real Estate Market is an Imperfect Market (p. 10)
 - E. Elasticity of Supply and Demand (p. 11)
 - F. Real Estate Supply and Demand in the Market (p. 13)
 - G. Supply Side Economics (p. 14)
- III. INFLATION AND DEFLATION (p. 14)**
 - A. Deflation and Inflation in Real Estate (p. 14)
 - B. Stagflation (p. 16)
- IV. BASIC REAL ESTATE ECONOMIC THEORIES AND PRINCIPLES (p. 16)**
 - A. Leverage (p. 16)
 - B. Multiplier Effects (p. 17)
 - C. Marginal Propensity to Save (p. 18)
 - D. Marginal Propensity to Consume (p. 18)
 - E. Theory of Filtering Down (p. 18)
 - F. Economies of Scale (p. 19)
 - G. Law of Diminishing Returns (p. 19)
 - H. Economics of Subdividing (p. 19)
 - I. Economics of Assemblage (p. 20)
 - J. Economic Obsolescence and Economic Life (p. 20)
 - K. Principle of First Choice (p. 21)
 - L. Principle of Competition (p. 21)
 - M. Principle of Substitution (p. 22)
 - N. Principle of Change (p. 22)
 - O. Principle of Real Estate Cycles (p. 22)
 - P. Business Cycles (p. 22)
 - Q. Forecasting Real Estate Cycles (p. 23)
 - R. Recessions and Depressions (p. 27)
 - S. Government and Cycles (p. 27)
- V. CHAPTER SUMMARY (p. 28)**
- VI. GLOSSARY OF KEY TERMS (p. 30)**
- VII. CLASS DISCUSSION TOPICS (p. 31)**
- VIII. CHAPTER QUIZ (p. 32)**



CHAPTER 2: Economic Theories and Measurements

35

- I. ECONOMISTS (p. 35)**
 - A. Adam Smith (1723-1790) (p. 35)
 - B. Thomas Malthus (1766-1834) (p. 40)
 - C. John Maynard Keynes (1883-1946) (p. 41)
 - D. Milton Friedman (1912-2006) (p. 42)
 - E. Ben Barnanke (p. 42)
- II. ECONOMIC SYSTEMS (p. 42)**
 - A. Capitalism (p. 43)
 - B. Socialism (Government Ownership of the Means of Production) (p. 46)
- III. LAND AND THE REAL ESTATE MARKET (p. 47)**
 - A. The Broker in the Marketplace (p. 47)
 - B. The Internet and the Real Estate Marketplace (p. 48)
- IV. TYPES OF COMPETITION (p. 50)**
 - A. Perfect Competition (p. 50)
 - B. Imperfect Competition (p. 51)
- V. UNDERSTANDING VALUE (p. 54)**
 - A. Highest and Best Use (p. 55)
 - B. Value (p. 55)
 - C. Price (p. 56)
 - D. Rent (p. 57)
 - E. Profit (p. 58)
- VI. ECONOMIC MEASUREMENTS (TOOLS) (p. 58)**
 - A. Government Agencies Providing Economic Data (p. 58)
 - B. Standard Metropolitan Statistical Areas (SMSAs) (p. 60)
 - C. Indexes and Statistics (p. 60)
 - D. Leading and Lagging Indicators (p. 69)
 - E. Real Estate Oriented Indicators (p. 69)
- VII. REAL ESTATE AND THE ECONOMIC BUBBLE (p. 74)**
- VIII. THE BUBBLE BURST (p. 75)**
 - A. Exuberance (p. 75)
 - B. Speculators (p. 76)
 - C. Developers (p. 76)
 - D. New Loan Products (p. 77)
 - E. Subprime Loans (p. 77)
 - F. Refinancing (p. 77)
 - G. Optimistic Appraisals (p. 78)
 - H. Stock Market Drop (p. 78)
 - I. Spike in Oil Prices (p. 78)
 - J. Rising Unemployment (p. 78)
- IX. RECESSION 2007 – (p. 79)**
 - A. Change From Productive to Service Economy (p. 79)
 - B. Collapse in Home Prices (p. 79)
 - C. Commercial Real Estate Market (p. 79)
 - D. Deregulation and Bank Failure (p. 80)
 - E. Mortgage-Backed Securities (p. 80)

- F. Shadow Banking (p. 81)
- G. Tight Credit (p. 81)
- H. Problems in the Auto Industry (p. 81)
- X. ECONOMIC STIMULUS 2008 - (p. 81)**
 - A. President George W. Bush (p. 82)
 - B. President Barack H. Obama (p. 82)
 - C. Private Action (p. 83)
- XI. CHAPTER SUMMARY (p. 83)**
- XII. GLOSSARY OF KEY TERMS (p. 85)**
- XIII. CLASS DISCUSSION TOPICS (p. 87)**
- XIV. CHAPTER QUIZ (p. 88)**

CHAPTER 3: Money and Financing

91

- I. MONEY (p. 91)**
 - A. Money Defined (p. 91)
 - B. History of Money (p. 93)
 - C. Forgery (p. 94)
 - D. Noncash Transfers (p. 94)
 - E. Velocity of Money (p. 95)
 - F. U. S. Dollars Abroad (p. 95)
 - G. Money Saved or Spent (p. 96)
 - H. Money and Price (p. 96)
- II. THE FEDERAL RESERVE SYSTEM (FED): OUR INDEPENDENT CENTRAL BANK (p. 97)**
 - A. Interest Rates (p. 100)
 - B. Reserve Requirements (p. 101)
 - C. Open Market Operations (p. 101)
 - D. Expansionary Monetary Policy (Increases Money Supply) (p. 101)
 - E. Contractionary Monetary Policy (Decreases Money Supply) (p. 103)
- III. FISCAL POLICY (FEDERAL TAXING AND SPENDING) (p. 104)**
 - A. Expansionary and Contractionary Fiscal Policies (p. 104)
 - B. The Federal Budget Deficit (p. 105)
- IV. BALANCE OF TRADE (IMPORTS EQUALS EXPORTS) (p. 106)**
 - A. Exchange Rates (p. 107)
 - B. Foreign Investments in U.S. Real Estate (p. 108)
 - C. The Stock Market and Real Estate Market (p. 108)
- V. THE FEDERAL GOVERNMENT AND FINANCING (p. 109)**
 - A. National Housing Act of 1934 (p. 109)
 - B. VA Loans (p. 110)
 - C. Federal National Mortgage Association "Fannie Mae" (p. 110)
 - D. Federal Home Loan Mortgage Corporation "Freddie Mac" (p. 110)
 - E. Government National Mortgage Association "Ginnie Mae" (p. 111)
- VI. THE SECONDARY MORTGAGE MARKET (p. 111)**
 - A. Mortgage Warehousing (p. 112)
 - B. Foreign Investment in Mortgage-Backed Securities (p. 112)
- VII. CREDIT (p. 112)**
 - A. Interest (p. 113)



- B. Points (p. 113)
- C. Interest Barrier (p. 114)
- D. Effect of High Interest Rates on Relocation (p. 115)
- VIII. LOAN FUNDS (p. 115)**
 - A. Real Estate Investment Trusts (REITs) (p. 116)
 - B. Mortgage Brokers and Mortgage Bankers (p. 117)
 - C. The Role of the Internet in Loan Origination (p. 117)
 - D. Competition for Savings (p. 118)
 - E. Intermediation and Disintermediation (p. 118)
 - F. Assumability of Loans (Due on Sale Clause) (p. 118)
- IX. LENDER CRISIS (p. 118)**
 - A. Problems of Low Down Payments (p. 119)
 - B. Private Mortgage Insurance (PMI) (p. 120)
 - C. Loan-To-Value Ratio (LTV) (p. 120)
- X. OTHER FORMS OF LOANS AND FINANCING (p. 122)**
 - A. Other Equity Loans (p. 122)
 - B. Creative Financing (p. 122)
- XI. CHAPTER SUMMARY (p. 126)**
- XII. GLOSSARY OF KEY TERMS (p. 127)**
- XIII. CLASS DISCUSSION TOPICS (p. 129)**
- XIV. CHAPTER QUIZ (p. 130)**

CHAPTER 4: Cities: Their Origins and Growth

133

- I. CITIES (p. 133)**
 - A. Historical Basis (p. 135)
- II. LOCATION OF CITIES (p. 136)**
 - A. Meeting Necessities of Life (p. 136)
 - B. Defense (p. 136)
 - C. Commerce and Transportation (p. 137)
 - D. Harbors (p. 137)
 - E. Mining and Lumber (p. 137)
 - F. Industry (p. 137)
 - G. Religion (p. 138)
 - H. Recreation (p. 138)
 - I. Retirement (p. 138)
 - J. Agriculture (p. 139)
 - K. Promoters (p. 140)
 - L. Political Decree (p. 140)
- III. GROWTH OF MODERN CITIES (p. 140)**
 - A. Agricultural Revolution (p. 141)
 - B. Industrial Revolution (p. 141)
 - C. Transportation Improvements (p. 141)
 - D. Planning (p. 142)
- IV. GROWTH PATTERNS OF CITIES (p. 145)**
 - A. Concentric Circle Theory (p. 145)
 - B. Axial Theory of Growth (p. 147)

- C. Sector Theory of Growth (p. 148)
- D. Multiple Nuclei Theory of Growth (p. 149)
- E. Strip Developments (p. 149)
- F. Cluster Developments (p. 149)
- G. Finger Development (p. 149)
- H. Change in Growth Patterns (p. 150)
- V. HOW CITIES CONTINUE TO GROW (p. 150)**
 - A. Peripheral Growth (Annexation) (p. 150)
 - B. Up Growth (Additional Stories) (p. 150)
 - C. Filling In (Small Lot Development) (p. 150)
 - D. Air Space (Over and Under Structures) (p. 151)
 - E. Leap Frog Development (p. 151)
 - F. Public Use (p. 151)
 - G. City Population Migration (p. 152)
 - H. New Cities (p. 153)
 - I. Megalopolis (p. 153)
 - J. Neighborhoods (p. 153)
 - K. Cities as Economic Models (p. 155)
 - L. Economics of Use (p. 156)
- VI. CHAPTER SUMMARY (p. 157)**
- VII. GLOSSARY OF KEY TERMS (p. 158)**
- VIII. CLASS DISCUSSION TOPICS (p. 158)**
- IX. CHAPTER QUIZ (p. 160)**

CHAPTER 5: Problems of the Cities

163

- I. CITIES (p. 163)**
 - A. Urban (So-Called) White Flight (p. 163)
 - B. Sprawl (p. 167)
 - C. The Poor in the Cities (p. 168)
 - D. Immigration (p. 168)
 - E. The Homeless (p. 170)
- II. OTHER NEGATIVE FACTORS FACING CITIES (p. 171)**
 - A. Aging (p. 171)
 - B. Loss of Tax Base (p. 172)
 - C. Rent Control (p. 174)
 - D. Population Loss (p. 176)
 - E. Crime (p. 176)
 - F. Brownfields (p. 177)
 - G. Traffic Congestion and Parking Problems (p. 178)
 - H. Rail Lines (p. 180)
 - I. Urban Blight (p. 181)
 - J. Abandonment (p. 182)
- III. WHAT'S HAPPENING? (p. 183)**
 - A. Cleanup Campaigns (p. 184)
 - B. Rehabilitation (p. 184)
 - C. Slum Clearance (p. 185)



- D. Gentrification (p. 185)
- E. White Flight in Reverse (p. 186)
- F. Central Area Renaissance (p. 187)
- G. Choice of Solutions (p. 187)
- H. The Future (p. 187)

IV. CHAPTER SUMMARY (p. 188)

V. GLOSSARY OF KEY TERMS (p. 189)

VI. CLASS DISCUSSION TOPICS (p. 190)

VII. CHAPTER QUIZ (p. 190)

CHAPTER 6: Overcoming Problems of the Cities

193

I. OVERCOMING PROBLEMS OF THE CITIES (p. 193)

- A. Urban Flight (p. 193)
- B. Sprawl (p. 195)
- C. Crime Reduction (p. 197)
- D. Traffic Congestion (p. 199)
- E. The Homeless (p. 204)

II. ECONOMICS AND REVITALIZATION (p. 204)

- A. Tax Benefits of Owner-Occupants (p. 205)
- B. Incentives for Low-Income Housing (p. 206)
- C. Subsidies for Industrial Development (p. 206)
- D. Commercial Incentives (p. 207)
- E. In-Fill Developments (p. 208)

III. FIGHTING BLIGHT (p. 208)

- A. Taking Landlords to Court (p. 208)
- B. Demolition (p. 209)
- C. Use of Vacant Lots (p. 209)
- D. Brady Street (p. 209)
- E. Christmas in Action (Formerly Christmas in April) (p. 210)
- F. Community Development Corporations (CDCs) (p. 210)
- G. Community Development Block Grants (CDBGs) (p. 210)
- H. Empowerment Zones (EZs) (p. 211)
 - I. Enterprise Zones (p. 211)
 - J. The National Historic Preservation Act of 1966 (p. 211)
- K. Historic Districts (p. 211)
- L. Riverfront Development (p. 212)
- M. Brownfields (p. 212)
- N. Graffiti (p. 213)

IV. ASSISTANCE TO BUYERS (p. 213)

- A. Brokers Aiding Ownership (p. 214)
- B. Private Loan Funds (p. 214)
- C. Urban Homesteading (p. 215)
- D. The Nehemiah Plan (Down Payment Assistance) (p. 216)
- E. Habitat for Humanity® (p. 216)
- F. Census Figures (p. 217)

V. CHAPTER SUMMARY (p. 217)

- VI. GLOSSARY OF KEY TERMS (p. 218)
- VII. CLASS DISCUSSION TOPICS (p. 219)
- VIII. CHAPTER QUIZ (p. 220)

CHAPTER 7: The Suburbs and Beyond

223

- I. WHAT IS A SUBURB? (p. 223)**
 - A. Characteristics of Suburbs (p. 223)
 - B. Culture in the Suburbs (p. 225)
 - C. Suburban Price Escalation (p. 226)
- II. A HISTORY OF SUBURBAN GROWTH (p. 226)**
 - A. Earliest Suburbs (p. 226)
 - B. Transportation and Suburban Growth (p. 227)
 - C. World War II and Suburban Growth (p. 229)
- III. CONTINUED SUBURBAN GROWTH (p. 230)**
 - A. Areas of Greatest Growth (p. 230)
 - B. Growth Patterns and Phases (p. 230)
 - C. Other Growth Factors (p. 231)
- IV. SUBURBS AND MINORITIES (p. 231)**
 - A. Ethnic and Racial Separation (p. 233)
 - B. Economic Factors of Separation (p. 233)
 - C. Exclusion (p. 234)
 - D. Inclusionary Zoning (p. 234)
- V. TAXES AND THE SUBURBS (p. 235)**
- VI. NONRESIDENTIAL GROWTH (p. 236)**
- VII. PLANNED SUBURBS (p. 238)**
 - A. History of Planned Suburbs (p. 238)
 - B. Reston, Virginia (p. 239)
 - C. Other Planned Suburbs (p. 239)
 - D. New Communities Act (p. 240)
- VIII. NO GROWTH OR LIMITED GROWTH (p. 240)**
- IX. THE GRAYING OF THE SUBURBS (p. 241)**
- X. DETERIORATION OF THE SUBURBS (p. 242)**
- XI. TRANSPORTATION PROBLEMS OF THE SUBURBS (p. 243)**
- XII. REVITALIZATION OF THE SUBURBS (p. 245)**
- XIII. BOOMBURGS (p. 246)**
- XIV. EXURBIA (p. 246)**
- XV. CHAPTER SUMMARY (p. 248)**
- XVI. GLOSSARY OF KEY TERMS (p. 249)**
- XVII. CLASS DISCUSSION TOPICS (p. 250)**
- XVIII. CHAPTER QUIZ (p. 250)**

CHAPTER 8: Government Regulations and Taxes

253

- I. LOCAL, STATE, AND NATIONAL REGULATIONS (p. 253)**
 - A. Building Codes (p. 255)
 - B. Master Plan (p. 256)



- C. Environmental Control (p. 257)
- D. Hazardous Waste (p. 258)
- E. Occupational Safety and Health Administration (OSHA) (p. 258)
- F. Americans With Disabilities Act (p. 259)
- G. Landlord-Tenant Law (p. 260)
- H. Licensing Regulations (p. 260)
 - I. Disclosure Regulations (p. 260)
 - J. Zoning (p. 261)
- II. PUBLIC HOUSING (p. 261)**
 - A. Public Housing Equals Problem Housing (p. 262)
 - B. Public Housing Costs Too Much (p. 263)
 - C. Failure of Public Housing (p. 263)
- III. SUBSIDIZED HOUSING (p. 266)**
 - A. Project-Based Subsidies (p. 266)
 - B. Tenant-Based Subsidies (p. 267)
- IV. ANTITRUST LAWS (p. 268)**
- V. RENT CONTROL (p. 268)**
 - A. The History of Rent Control (p. 268)
 - B. Effects of Rent Control (p. 269)
 - C. Rent Control in Santa Monica, California (p. 271)
- VI. DEVELOPMENT SUBSIDIES AND FEES (p. 272)**
 - A. Subsidies (p. 272)
 - B. Development and Impact Fees (p. 273)
- VII. PROPERTY TAXES (CITY AND COUNTY TAXES) (p. 274)**
 - A. Property Taxation (City Taxes on Property) (p. 274)
 - B. Tax Exempt Property (Nonprofit Organizations) (p. 275)
 - C. Property Tax Exemptions (Special Cases) (p. 275)
 - D. Homeowner Tax Exemption (p. 276)
- VIII. AGRICULTURAL PROPERTY TAX REGULATIONS (SPECIAL TREATMENT) (p. 276)**
 - A. Buying Development Rights (p. 277)
 - B. Agricultural Production (p. 277)
 - C. Public Water Projects (p. 278)
- IX. INCOME TAXES (FEDERAL AND STATE) (p. 278)**
 - A. Capital Gains (p. 278)
 - B. Homeowner Exemption on Capital Gain (p. 278)
 - C. Deductions (p. 279)
 - D. Depreciation (p. 280)
 - E. Tax Shelters (p. 281)
 - F. Federal Tax Rates (Changes With Administration) (p. 281)
 - G. Accounting for the Sale of Real Estate (p. 282)
 - H. Tax Credits (Reductions From Taxes) (p. 282)
- X. INSTALLMENT SALES AND EXCHANGES (p. 283)**
 - A. Installment Sales (p. 283)
 - B. Tax-Deferred Exchanges (Federal and State) (Section 1031 of I.R.S. Code) (p. 283)
 - C. Delayed Exchanges (p. 284)
- XI. IS THE U.S. HEADING TOWARD LESS GOVERNMENT? (p. 284)**

- XII. CHAPTER SUMMARY (p. 285)
- XIII. GLOSSARY OF KEY TERMS (p. 286)
- XIV. CLASS DISCUSSION TOPICS (p. 287)
- XV. CHAPTER QUIZ (p. 288)

CHAPTER 9: Housing

291

- I. HOMEOWNERSHIP (p. 291)**
 - A. Homeownership Statistics (p. 293)
 - B. Benefits of Homeownership (p. 295)
- II. THE HOUSING MARKETPLACE (p. 296)**
 - A. Local Economic Conditions Affect Demand (p. 297)
 - B. Filtering Down in Action (p. 299)
 - C. Housing Demolitions (p. 301)
- III. THE RENTAL MARKETPLACE (p. 301)**
 - A. Rental Needs (p. 302)
 - B. Competition in the Rental Market (p. 303)
 - C. What Vacancy Rates Mean (p. 303)
 - D. Family Rentals (p. 304)
 - E. Present Rental Market (p. 305)
- IV. SPECIAL HOUSING MARKETS (p. 305)**
 - A. Central City Market (p. 306)
 - B. Unique Real Estate Marketplaces (p. 306)
 - C. For Sale By Owner Market (p. 306)
 - D. Illegal Alien Housing Market (p. 307)
 - E. The Auction Marketplace (p. 307)
 - F. Minorities in the Marketplace (p. 309)
 - G. Foreign Buyers in the Marketplace (p. 310)
 - H. Residential Lot Market (p. 311)
 - I. Fixer-Upper Marketplace (p. 312)
 - J. Condominium Marketplace (p. 312)
- V. FACTS ABOUT HOME BUYING (p. 314)**
 - A. Two-Income Families (p. 314)
 - B. First-Time Homebuyers (p. 315)
 - C. Low Down Payment Home Purchases (p. 316)
 - D. Housing Costs vs. Income (p. 317)
 - E. Down Payment Requirements (p. 318)
 - F. Size of Homes (p. 319)
 - G. Lot Size (p. 320)
- VI. NEW HOME SPECULATION (p. 322)**
- VII. CHAPTER SUMMARY (p. 323)**
- VIII. GLOSSARY OF KEY TERMS (p. 324)**
- IX. CLASS DISCUSSION TOPICS (p. 325)**
- X. CHAPTER QUIZ (p. 326)**

CHAPTER 10: Nontraditional Housing

329

- I. MANUFACTURED HOMES (p. 329)**



- II. MODULAR HOMES (p. 334)
- III. PREFABRICATED HOMES (p. 335)
- IV. PRECUT HOMES (p. 337)
- V. SHELL HOMES (p. 338)
- VI. GREEN HOMES (p. 339)
- VII. ACCESSORY DWELLING UNITS (ADUs) (GRANNY FLATS) (p. 339)
- VIII. ELDER COTTAGE HOUSING OPPORTUNITY (ECHO) (p. 341)
- IX. MULTIGENERATIONAL HOUSING (p. 341)
- X. CO-HOUSING (p. 342)
- XI. GROUP HOMES (p. 342)
- XII. LOFTS (p. 342)
- XIII. BUILD-UP UNITS (ADDING A SECOND FLOOR) (p. 343)
- XIV. SHARED HOUSING (p. 343)
- XV. SINGLE ROOM OCCUPANCY (SRO) (p. 344)
- XVI. RECREATIONAL VEHICLE HOMES (RVs) (p. 345)
- XVII. RENTAL ROOMS (p. 345)
 - A. College Housing (p. 346)
- XVIII. RETIREMENT HOUSING (p. 347)
- XIX. ASSISTED CARE FACILITIES (p. 348)
- XX. LIFE CARE FACILITIES (p. 348)
- XXI. VACATION HOMES (p. 349)
- XXII. CONDOTELS (p. 351)
- XXIII. TIMESHARES (p. 352)
- XXIV. MARINA LIVING (p. 353)
- XXV. CHAPTER SUMMARY (p. 354)
- XXVI. GLOSSARY OF KEY TERMS (p. 356)
- XXVII. CLASS DISCUSSION TOPICS (p. 357)
- XXVIII. CHAPTER QUIZ (p. 358)

CHAPTER 11: Farms and Land

361

- I. FARMLAND STATISTICS (p. 361)
- II. THE FARMLAND REAL ESTATE MARKET (p. 363)
 - A. Price of Farmland (p. 365)
 - B. Rate of Farm Transfers (p. 365)
- III. FARM TYPES (p. 366)
 - A. Larger Farms (Mega Farms) (p. 366)
 - B. Smaller Farms (p. 367)
 - C. The Family Farm (p. 367)
 - D. Corporate Farms (p. 368)
- IV. CHANGES IN AGRICULTURAL USE (p. 369)
 - A. Subsidized Production and Trade Barriers (p. 369)
 - B. Production Cycles (p. 371)
 - C. Government Encouragement of Farming (p. 374)
- V. THE FARM CRISIS OF THE '80s (p. 374)
 - A. Foreign Farm Investment (p. 376)
 - B. Speculators and the Market (p. 377)

- VI. MODERN THREATS TO AGRICULTURE (p. 377)**
 - A. Urban Threats to California Agriculture (p. 377)
 - B. Premature Subdivision (p. 378)
 - C. Immigrants and Farm Value (p. 379)
 - D. Tax Reform and Farming (p. 379)
- VII. LAND (p. 380)**
 - A. Fallow and Raw Land (p. 380)
 - B. Recreation Land (p. 380)
 - C. Oil Land (p. 381)
 - D. Forest Land (p. 381)
 - E. Residential Development of Farmland (Lots) (p. 382)
 - F. Contaminated Land (p. 382)
- VIII. CHAPTER SUMMARY (p. 384)**
- IX. GLOSSARY OF KEY TERMS (p. 384)**
- X. CLASS DISCUSSION TOPICS (p. 385)**
- XI. CHAPTER QUIZ (p. 386)**

CHAPTER 12: Nonresidential Real Estate

389

- I. THE ECONOMY AND VALUE (p. 389)**
- II. LOCATION ANALYSIS (p. 393)**
 - A. One Hundred Percent Location (p. 393)
 - B. Bargain Locations (p. 396)
 - C. Shopping Streets (p. 396)
- III. TYPES OF LEASES (p. 397)**
 - A. Flat Lease (p. 397)
 - B. Triple Net Lease (Net, Net, Net) (p. 399)
 - C. Percentage Lease (p. 399)
 - D. Rents Are Going Down (p. 400)
 - E. Setting Rents (p. 401)
 - F. Rent Concessions (p. 402)
 - G. Startup Companies (p. 403)
 - H. Tenant Partners (p. 404)
 - I. Parking (p. 404)
- IV. HIGH-RISES (p. 404)**
 - A. The Edifice Complex (p. 405)
- V. OFFICE BUILDINGS (p. 405)**
 - A. Sale of Office Buildings (p. 405)
 - B. Overbuilding (Recent History) (p. 406)
 - C. Smaller Office Buildings (p. 408)
 - D. Image Structures (p. 408)
 - E. Smart Buildings (p. 408)
 - F. Office Automation (p. 408)
 - G. Specialized Buildings (p. 409)
 - H. The Ripple Effect (p. 409)
 - I. Older Office Buildings (p. 409)
- VI. HOTELS (p. 410)**



VII. RETAIL SPACE (p. 411)

- A. Online Shopping (p. 412)
- B. Shopping Centers and Malls (p. 412)
- C. The Mega Mall (p. 414)
- D. Mini-Malls (p. 415)
- E. Urban Pedestrian Malls (p. 416)
- F. Freestanding Retail Developments (p. 416)
- G. The Retail Crisis (p. 417)

VIII. INDUSTRIAL PROPERTY (p. 418)

- A. Industrial Site Selection (p. 418)
- B. Research and Development (R&D) (p. 419)
- C. High Technology (p. 419)
- D. Wholesale and Warehouse Areas (p. 419)
- E. Self-Storage Space (Mini-Warehouses) (p. 420)

IX. CHANGES IN USE (p. 421)

- A. Razing for Parking (p. 423)

X. NONRESIDENTIAL INVESTORS (p. 423)

- A. Syndicates (General and Limited Partnerships) (p. 423)
- B. Real Estate Investment Trusts (REITs) (p. 424)
- C. Pension Funds (p. 425)
- D. Insurance Companies (p. 425)
- E. Foreign Investment (Recent History) (p. 425)

XI. ASBESTOS AFFECTS SALABILITY (p. 427)

XII. CHAPTER SUMMARY (p. 428)

XIII. GLOSSARY OF KEY TERMS (p. 429)

XIV. CLASS DISCUSSION TOPICS (p. 431)

XV. CHAPTER QUIZ (p. 432)

CHAPTER 13: Planning and Land Use Control

435

I. CITY AND COUNTY PLANNING (p. 435)

- A. History of Planning (p. 435)
- B. Why Planning? (p. 438)
- C. The Libertarian Viewpoint as to Planning (p. 439)
- D. Criticism of City Planning (p. 440)
- E. Fragmented Planning (Problems of Coordination) (p. 440)
- F. Transportation and Planning (p. 442)
- G. Master Plan (p. 443)
- H. Consistency Doctrine (p. 443)

II. ENVIRONMENTAL PROBLEMS (p. 443)

- A. Environmental Protection (p. 443)
- B. Environmental Impact Reports (EIRs) (p. 444)
- C. Mineral King (Walt Disney's Failed Mountain Project) (p. 444)
- D. Hammock Dunes (p. 444)
- E. Arctic National Wildlife Refuge (p. 445)
- F. Contamination (p. 445)
- G. Archeological Remains (p. 446)

- III. ZONING AND PLANNING (p. 446)**
 - A. History of Zoning (p. 446)
 - B. Inclusionary Zoning (“Including”) (p. 447)
 - C. Exclusionary Zoning (“Excluding”) (p. 447)
 - D. Agriculture Only Zoning (Conservation) (p. 448)
 - E. Incentive Zoning (p. 448)
 - F. Cumulative and Noncumulative Zoning (p. 449)
 - G. Bulk Zoning (p. 449)
 - H. View Zoning (p. 449)
 - I. Aesthetic Zoning (p. 450)
 - J. Cluster Zoning (p. 450)
 - K. Spot Zoning (p. 450)
 - L. Buffer Zones (p. 450)
 - M. Upzoning (p. 450)
 - N. Downzoning (p. 451)
 - O. Rezoning and Zoning Variance (p. 451)
 - P. Nonconforming Use (p. 451)
 - Q. Air Development Rights (p. 451)
 - R. Zoning and the Tax Base (p. 452)
 - S. Zoning and Value (p. 452)
 - T. Indian (Native American) Land (p. 452)
- IV. OTHER PLANNING AND LAND ISSUES (p. 453)**
 - A. Private Restrictions (p. 453)
 - B. Building Codes and Regulations (p. 453)
 - C. Cutting the Red Tape of Approvals (p. 453)
 - D. Construction Inspections (p. 454)
 - E. Cost of Code Compliance Recent History) (p. 454)
 - F. Premature Subdivisions (p. 455)
 - G. Opposition to Development (p. 455)
 - H. Voter Planning Initiatives (p. 457)
 - I. Smart Growth (p. 459)
 - J. Annexation (Adding Areas to the City) (p. 460)
- V. CHAPTER SUMMARY (p. 460)**
- VI. GLOSSARY OF KEY TERMS (p. 461)**
- VII. CLASS DISCUSSION TOPICS (p. 462)**
- VIII. CHAPTER QUIZ (p. 462)**

CHAPTER 14: The Economics of Development

465

- I. BASICS OF PROPERTY DEVELOPMENT (p. 465)**
 - A. Categories of Development (p. 467)
 - B. Redevelopment (Old Uses to New Uses) (p. 467)
 - C. Growth Affects Development (p. 468)
 - D. Development and the Economy (p. 468)
- II. THE DEVELOPMENT INDUSTRY (p. 468)**
 - A. Small Developers (p. 468)
 - B. Giant Developers (p. 470)



C. Risks of Development (p. 471)	
D. Taxes and Land (p. 474)	
E. Community Tax Benefits of New Developments (p. 475)	
III. THE DEVELOPMENT ENTREPRENEUR (p. 475)	
IV. DANGERS OF GROWTH LIMITATIONS (p. 476)	
V. BILLBOARDS AND DEVELOPMENT (p. 476)	
VI. SPECULATOR'S RISK AND DEVELOPMENT (p. 477)	
VII. PROFIT (p. 478)	
A. Markup (p. 479)	
B. Time and Money (p. 479)	
C. Labor (p. 479)	
D. Land Costs (p. 480)	
E. Site Selection (p. 481)	
F. Bargain Lots (p. 482)	
G. The Principle of Contribution (p. 482)	
H. Who to Target (p. 482)	
I. Design Decisions (p. 483)	
J. Feasibility Studies (p. 483)	
VIII. FINANCING THE DEVELOPMENT (p. 484)	
A. Credit (p. 484)	
B. Cash Flow Analysis (p. 484)	
C. Project Financing (p. 485)	
D. Packages for Development (p. 485)	
IX. RECREATIONAL DEVELOPMENTS (p. 485)	
X. CHAPTER SUMMARY (p. 487)	
XI. GLOSSARY OF KEY TERMS (p. 487)	
XII. CLASS DISCUSSION TOPICS (p. 488)	
XIII. CHAPTER QUIZ (p. 488)	
CHAPTER 15: Economic Decision Making and Fair Housing	491
I. FINANCIAL FORECASTING (p. 491)	
A. Market Forecasts (p. 491)	
B. Break-Even Analysis (p. 493)	
C. Implicit Costs (Opportunity Costs) (p. 495)	
D. Risk in Investment Decisions (p. 495)	
E. Unstable Interest Rates (p. 495)	
F. Use of Leverage (Borrowing) (p. 496)	
G. Leverage For Homebuyers (p. 497)	
II. INVESTMENT ALTERNATIVES (p. 497)	
III. PRICING (SETTING PRICES)(p. 498)	
A. Pricing Structure (Setting Prices) (p. 498)	
B. Price vs. Financing (p. 498)	
C. Price vs. Interest Rate (p. 499)	
D. Exchange Decisions (IRS Section 1030) (p. 499)	
E. Gift Decisions (p. 500)	
IV. RENTAL DECISIONS (p. 500)	

- A. Setting Rents (p. 500)
- B. Rent Concessions vs. Price (p. 501)
- C. Length of Lease (p. 501)
- D. Rent or Buy Decisions (p. 502)
- E. Leasing Land (p. 502)
- F. Sale-Leaseback Decisions (p. 503)
- V. HOUSING DEVELOPMENT DECISIONS (p. 504)**
 - A. Design Decisions (p. 504)
 - B. Quality of Construction (p. 505)
 - C. Evaluating Amenities (p. 505)
 - D. Redevelopment or Demolition? (p. 506)
 - E. Efficiencies of Development and Operation (p. 506)
 - F. Employees or Independent Contractors (p. 507)
 - G. Building for Speculation (p. 507)
 - H. Principle of Competitive Advantage (p. 507)
- VI. FINANCING DECISIONS (p. 508)**
 - A. Evaluating Loans (p. 508)
 - B. Adjustable Loans (p. 509)
 - C. Permanent Financing (p. 509)
 - D. Refinancing (p. 509)
 - E. Refinance or Equity Loan (p. 511)
 - F. Seller Points (p. 511)
 - G. Subordination Decisions (p. 512)
 - H. Arbitrage (p. 512)
 - I. Trading on Equity (p. 512)
- VII. OTHER ECONOMIC DECISIONS (p. 512)**
 - A. When to Sell (p. 513)
 - B. Dealing with Purchase Offers (p. 513)
 - C. Pay or Walk (p. 514)
- VIII. NONECONOMIC DECISIONS (p. 515)**
- IX. FAIR HOUSING (p. 515)**
 - A. Fair Housing Laws (p. 516)
 - B. "NAR" Also Enforces Anti-Discrimination (p. 519)
- X. CHAPTER SUMMARY (p. 520)**
- XI. GLOSSARY OF KEY TERMS (p. 521)**
- XII. CLASS DISCUSSION TOPICS (p. 522)**
- XIII. CHAPTER QUIZ (p. 522)**

Glossary

525

Index

545

Great Books From ETC

556