

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /  
Or Sponsoring Organization Is Missing

5. Market Analysis/Urban Economics/Real Estate  
Process

- e. "Real Estate Economics - The Next 25  
Years", no date

## Real Estate Economics - The Next 25 Years

- I. The real estate process involves land (a public exhaustible resource) manufactured improvement (private capital and expertise), and needs (cultural preferences of individual consumers). A synthesis occurs at a point at which each of these three interest groups can remain solvent in terms of their cash resources in the short and long run.
  - A. The decision process requires:
    1. Definition of alternative courses of action in both space-time units and money-time units
    2. Definition of values and objectives for each viewpoint
    3. Conversion of objectives to operational selection criteria systems
  - B. Real estate enterprise enters the next 25 years with both questions and solutions undefined but infinite opportunity for innovation and expertise. Alternative courses of action are undefined because:
    1. Population pressure
    2. Urban construction technology bottlenecks
    3. The money constraint on capital intensive solutions
  - C. A decade of values in transition to be followed by a decade of political action.
    1. Land use control through regional and local action
    2. Construction controls reflecting a consensus on physical environment
    3. The silent majority - the key factor in seeking solutions
    4. A trial of the democratic process versus autocratic systems engineering
- II. Ambiguous alternative futures and technical constraints
  - A. Population pressure indicated by estimates of 250 million persons by 1990 and 300 million by 2015 and 85% of increase will live in metropolitan areas:
    1. Rising population requires increasing economic base for jobs, increasing productivity as percentage of population at working age decline, and a further productivity increase if standard of living is to rise.
    2. Increasing size of metropolitan areas reduced opportunity for citizen to participate in land use and other development decisions.
    3. Increasing interdependency of real estate decisions means a shift from returns to entrepreneurial innovation to managerial efficiency.
  - B. Technical constraints on engineering
    1. Inadequate water resources to operate existing sewage systems but there is no acceptable engineering alternative presently operational for widespread adaptation.
    2. Urban technology relies primarily on fossil fuels for private transportation, heating, industry, and electric production. Technology of cheap power has no operational alternative for utilizing solar energy, hydrogen, or geothermal heat.

3. Solid waste disposal problems of industrial urban society not only limits the use of atomic power but requires restructuring of production and distribution systems. While energy conservation may suggest further population concentration environmental conservation may require industrial and social dispersion with resulting shifts in the economic base for historic urban areas.
  4. Urban construction materials are finite and therefore land use succession must also consider recycling of existing structures.
  5. Cities to house an industrial society are eventually contradictory to neo-malthusian economics as they involve increasing resource consumption per capita and an increasing number of capitas.
- C. Technological innovation which may be available will be subject to a severe money constraint, both private and public.
1. Household income is not rising as quickly as food, shelter, transportation, and medical costs.
  2. Local public budgets increase as ongoing city and governmental services suffer diseconomies of scale as population concentrates but density per city acre declines.
  3. Since both private and public incomes are hard pressed to maintain existing operating expenditures there is little savings with which to fund public capital investments in:
    - a. Research and development of new urban technologies
    - b. Investment in new utility infrastructure
    - c. Correction of obsolete or inequitable urban hardware distributions
  4. Monetary disequilibrium which discourages savings through inflation or investment due to high interest as a result of long term flight from a dollar.
- III. Assuming adequate technology and capital could be generated if urban residents chose to readjust their value systems, the basic constraint is the willingness of citizens to participate knowledgeably through the urban political structure.
- A. Political action of any sort is presently stymied by the division between groups defined by Robert Wood as pro-urbanites and non-urbanites.
1. The pro-urbanites are those actively engaged in developing a community life, ironically the rich elite and the underprivileged minority.
  2. The non-urbanite is the city dweller who is essentially disengaged and alienated from the process of creating a sense of community. This group is preoccupied by the insecurities of job, family, and home.
- B. This working American in the \$6,000 to \$10,000 income group involves 20,000,000 American families and is the dominant political force in the center city.
1. Job, family, and home are principal preoccupations.
  2. Job security threatened by layoff, strike, plant relocation, technical unemployment and government sponsored alternatives to unionism for upward mobility of the young or the unskilled.

3. New urban systems means obsolescence and excessive carrying cost via the real estate tax not to mention his need to relocate for job stability.
4. His sense of family is threatened by his ties to neighborhood, his peer group at work, and what the media tell him about the urban inner core and the generation gap.

C. Robert Wood further expressed this problem as follows:

"The future of city-building in modern America, turns less on the indignation of the disprivileged or the conscience of the exceptional than commonly supposed. The issue becomes increasingly how to dispose the working American to reorient his life from one of relative isolation and alienation and to find real aspirations in participation in a genuine community. How does he find new satisfaction in a modern metropolitan area akin to the old town atmosphere of mixed population - where butcher, blacksmith, baker, give life and character to the community."

D. Before a rational and systematic synthesis of land use and the real estate process can take place through wise enterprise administration and technical innovation, it is necessary to provide a base for rational political science by creating more involved and intelligent pro-urbanites to overcome political apathy.

1. Apathy is a response to anxieties or fears about problems which seem too big to cope with and therefore real estate depends on a reduction of the insecurities which lead to emotional and irrational selection of alternatives. Probably essential to good real estate are:

1. Job security and guaranteed income
2. Reduction of barriers to vocational skill, mobility, and job accessibility through land use heterogeneity and cheap public transportation.
3. Insure home owner equities (as well as mortgages) to protect citizen savings from short run or long run property value cycle.
4. More honest government preparation for change to reduce future shock.

2. Rational community decisions are a product of self identification with a community and participation which may be generated by means of:

- a. The subsidy of community heroes, etc. via profession sports
- b. Physical structuring of community to reduce scale of participation to affected groups - the Columbia plan and the Neighborhood Association.
- c. Heterogeneous schools and neighborhoods through land planning
- d. More dependence on pedestrian and public transportation
- e. Better financing for individual aspirations to have a small shop, family business, adult education to support the realization that individual fantasy can generate realizable goals and that to strive is to succeed.

- IV. The facts in this course will quickly be obsolete but the functional systems will continue to evolve. The first objective of the course is to recruit you as a pro-urbanite.
- A. The business of real estate involves the services necessary to deliver our own environment - of building and servicing our own aquarium.
  - B. Social progress is a degree to which we can control and establish equilibrium in our urban aquarium - a space capsule.
  - C. Real estate enterprise administration can provide private and public career opportunities at the cutting edge of our only frontier - the urban space age.