

Prepared by Dr. Rana Maya

REA617

Real Estate & Urban Economics

Introduction



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lecture

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Abstract



This lecture introduces course description, objectives, contents, and learning outcomes with some case studies.





- 1.Course Description
2. Course Objectives
3. Textbook
4. Topics to be covered
5. Learning Outcomes

Learning outcomes



By the end of the lecture, you will be able to:

1. Understand urban economics and its role
2. Know about objective of Real Estate & Urban Economics course
3. Learn about course text book and contents
4. Recognize the course learning outcomes

1.Course Description?

This course explores the intersection of real estate markets and urban economic theory to understand how land, property, and space are developed, used, priced, and regulated in urban environments.

Students will gain insights into the economic forces shaping cities, housing affordability, commercial development, land use patterns, and policy interventions.



The course integrates real-world applications with theoretical foundations, offering practical tools for analyzing urban growth, property investment, market cycles, and sustainability within the context of real estate economics.

1.Course description -Urban economists' role?

Explore what are the benefits and costs of urban living?

How does one's location play a causal role in determining one's comfort, productivity and happiness?

Given that all 8 billion people on the planet must live somewhere, how do we organize ourselves?



1. Course description - what is urban economics?

Urban economics studies how economic forces shape the size, structure, performance, and evolution of cities.

It explains :

- why households and firm's cluster
- how land and housing markets allocate scarce urban space
- how transportation, regulation, and technology shift urban form.

Real estate economics applies these ideas to assets— land and buildings—linking space markets (rents, vacancy) to investment, prices, and risk.



1. Course description- Example of urban economics application?

👉 Congestion Pricing in London

Urban economics principles were applied when London introduced the **Congestion Charge Zone** in 2003.

The policy was based on the idea of **internalizing externalities**: traffic congestion imposes costs on society (time delays, pollution, fuel waste), which are not reflected in drivers' private costs. By charging vehicles a fee to enter central London during peak hours, the city reduced traffic volume, improved air quality, and increased public transit use.

This shows how urban economics tools help design **efficient policies** that balance demand for road space with social and environmental goals.



1. Course description Example of urban economics application?

👉 Inclusionary Zoning in New York City

New York applied urban economics principles through **inclusionary zoning policies**, which require or incentivize real estate developers to include a percentage of affordable housing units in new residential projects.

The economic rationale is to address **market failures** where private housing markets often undersupply affordable units.

By linking real estate development to social goals, the policy balances profitability for developers with broader urban equity.

This demonstrates how **urban economics tools** (incentives, regulation, and land value capture) directly influence real estate markets and shape the spatial and social structure of cities.



2. Course Objectives:



By the end of this course, you will be able to:

1. Understand the economic principles underlying urban land use and real estate markets.
2. Analyze how supply and demand dynamics affect property values and urban development.
3. Evaluate the impacts of government policy, zoning, taxation, and regulation on urban economies and real estate decisions.
4. Interpret data and models used to assess housing markets, commercial property trends, and urban growth.
5. Apply economic reasoning to real estate investment, development decisions, and urban planning.

3.Textbook

- Credit Hours: 3 credit hours**

- The main material and reference for each course will be the textbook mentioned in the course specifications. Lecture notes and slides are additional resources that are prepared by the professor.

- Required Textbook:**

- An Introduction to Urban Economics, Matthew E. Kahn, University of Southern California August ,2024



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4. Topics to be covered

Introduction to Urban Economics and Real Estate Markets

Urban economics examines how cities form, grow, and function as centers of economic activity.

It explains land use patterns, housing demand, and the role of location in shaping urban spatial structures.

Real estate markets connect supply, demand, and prices of land and property within cities.

The Topic highlights classical urban models, policy impacts, and market dynamics influencing development.

It provides case studies and examples to show how theory applies to real-world urban challenges.



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4. Topics to be covered:

Land Use Regulations, Urban Spatial Structure and Location Theory

Land use regulations guide how land is allocated, balancing economic, social, and environmental goals.

Urban spatial structure explains the distribution of activities, housing, and businesses within cities.

Location theory explores how accessibility, transportation, and costs shape land values and urban form.

The Topic links policies such as zoning and density controls to urban growth and development patterns.

Case studies illustrate how regulations and location dynamics influence real estate markets and city planning.



Housing Market Economics and Affordability

The housing market reflects the interaction of supply, demand, and financing in shaping prices and availability.

Affordability is influenced by income levels, construction costs, mortgage access, and government policies.

Case studies such as **London's housing crisis** and **Berlin's rent cap** highlight policy challenges and outcomes.

Examples from **Dubai's rapid real estate** growth show how speculation and regulation affect market stability.

The Topic emphasizes tools like subsidies, rent control, and social housing to improve affordability.



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4. Topics to be covered

Commercial Real Estate Economics

Commercial real estate focuses on office, retail, industrial, and mixed-use properties as key drivers of urban economies. Its value is shaped by demand from businesses, location advantages, and macroeconomic trends.

The topic explains rental structures, capitalization rates, and investment decision-making in real estate markets.

Case studies such as New York's office sector and Dubai's retail hubs illustrate global market dynamics. It also highlights risks, cycles, and policy factors influencing long-term commercial real estate performance.



4. Topics to be covered

Urban Growth, Migration, and Regional Development

Urban growth is driven by population increase, economic opportunities, and infrastructure expansion.

Migration—both rural-to-urban and international—reshapes labor markets, housing demand, and city dynamics.

The topic links regional development to urbanization, showing how cities act as engines of growth.

Case studies such as **rapid urbanization in Gulf cities and European regional integration** highlight contrasts.

It also examines policies to manage growth sustainably and reduce regional inequalities.



Real Estate Investment and Market Cycles

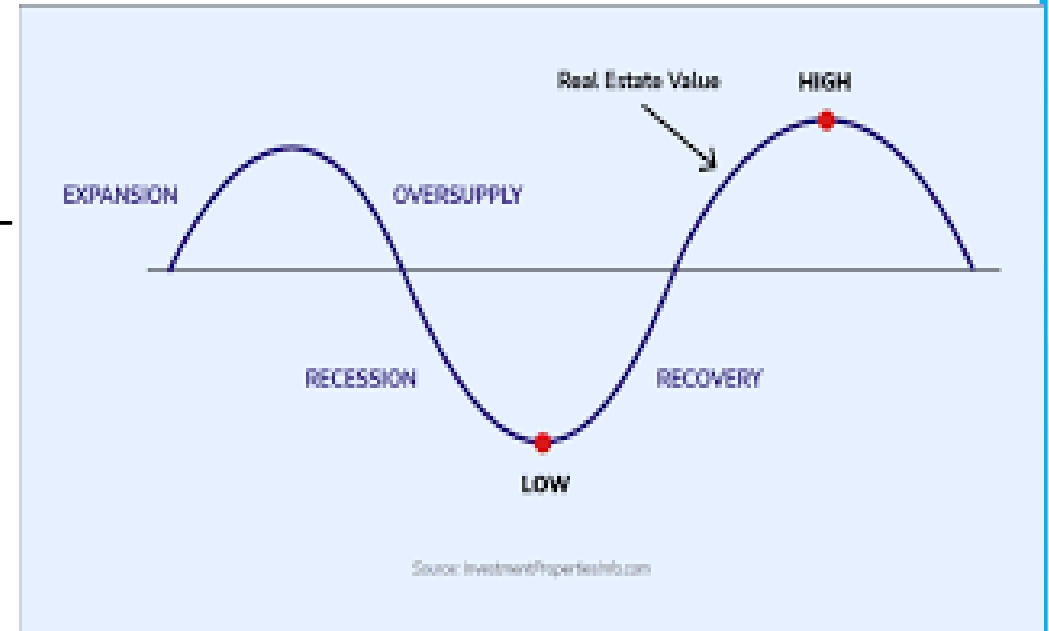
Real estate investment provides income, capital gains, and portfolio diversification for individuals and institutions.

Market cycles—boom, peak, downturn, and recovery—strongly influence property values and returns.

The topic explains drivers of cycles such as interest rates, credit availability, and economic growth.

Case studies like the **2008 global financial crisis and Dubai's property** cycle illustrate risks and lessons.

It emphasizes strategies for managing investment risk and timing decisions across market phases.



4. Topics to be covered

Public Finance and Infrastructure in Urban Settings

Public finance shapes how cities mobilize resources to fund infrastructure and essential services.

The topic explores revenue tools such as taxes, fees, and public–private partnerships.

Efficient infrastructure investment drives urban growth, productivity, and quality of life.

Case studies like **Hong Kong’s transit-oriented financing** and **Dubai’s mega-projects** illustrate global approaches.

It highlights the balance between fiscal sustainability, equity, and long-term urban development.



4. Topics to be covered

Transportation Economics and Urban Mobility

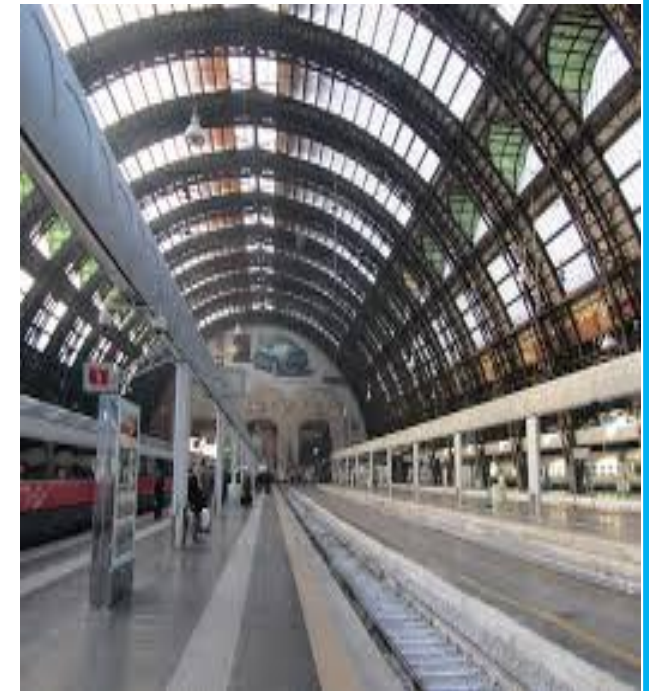
Transportation economics analyzes how mobility systems shape urban efficiency, accessibility, and growth.

The topic examines costs, demand, and externalities of road, rail, and public transit networks.

Efficient mobility reduces congestion, pollution, and inequality in access to opportunities.

Case studies like **London's congestion charge** and **Dubai Metro** expansion illustrate policy impacts.

It emphasizes sustainable transport planning as a foundation for livable and competitive cities.



4. Topics to be covered

Environmental and Sustainability Issues in Urban Development

Urban development creates economic opportunities but also generates pollution, resource depletion, and ecological stress.

The chapter explores concepts of sustainable cities, green buildings, and low-carbon urban planning.

Balancing growth with environmental protection is vital for resilience and long-term prosperity.

Case studies such as **Copenhagen's green city model** and **Masdar City in Abu Dhabi** highlight global practices.

It emphasizes policies and innovations that integrate sustainability into urban development strategies.



4. Topics to be covered

Smart Cities, Technology, and Urban Innovation

Smart cities use digital technologies, data, and IoT to improve urban services and decision-making.

The topic explores applications in mobility, energy, governance, and citizen engagement.

Technology-driven innovation enhances efficiency, sustainability, and quality of urban life.

Case studies such as **Singapore's Smart Nation and Dubai Smart City initiatives** illustrate global leadership.

It highlights challenges of equity, privacy, and governance in building inclusive smart cities.





5. Learning Outcomes:

Upon successful completion of this course, students will be able to:

- A deep understanding of urban economics and its interaction with real estate planning
- Analyze factors influencing property values, rent levels, and development decisions.
- Evaluate the role of government policy in shaping housing supply, urban growth, and spatial equity.
- Use economic models to assess market outcomes and predict responses to policy changes.
- Critically assess real-world urban and real estate challenges using both qualitative and quantitative tools.
- Design recommendations for real estate development, investment, or public policy based on sound economic analysis.

5. Learning Outcomes: case study



Case Study: Berlin's Rent Cap Policy (Mietendeckel, 2020–2021)

Background:

Berlin experienced rapid population growth and rising demand for housing, leading to sharp increases in rents. By 2019, average rents had nearly doubled compared to a decade earlier, creating affordability challenges.

Policy Intervention:

The Berlin government introduced a rent **cap law (Mietendeckel)** in 2020, freezing rents for five years and setting limits on new contracts. The policy aimed to protect tenants from excessive rent hikes and maintain affordability.



5. Learning Outcomes: case study

Urban Economics Application:

Supply and Demand: The rent cap reduced price pressures for tenants but discouraged new private investment in rental housing, lowering supply incentives.

Externalities: Rising rents created negative social externalities (displacement, inequality), which the policy tried to mitigate.

Market Structure: By capping prices below equilibrium, the policy created mismatches between demand (high) and supply (low).



5. Learning Outcomes: case study

Outcomes:

Short-term relief for tenants in capped units.

Decline in new housing construction and investment activity.

In 2021, Germany's Federal Constitutional Court overturned the law, arguing that rent regulation is under federal jurisdiction.

Key Lesson:

This case shows how **urban economics tools**—analyzing supply-demand balance, market incentives, and externalities—are essential for designing real estate policies that balance affordability with sustainable development.

Conclusion

Real estate and urban economics together explain how land use, property values, and urban growth are shaped by market forces and policies.

They highlight the balance between private investment and public regulation in creating efficient and sustainable cities.

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Ultimately, the field provides essential tools for shaping resilient, livable, and economically vibrant urban spaces.



Thank You