

Urban Land Economics

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URBAN LAND ECONOMICS

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PREFACE

Urban land economics deals with the processes and patterns of land utilization where man and his artifacts are assembled in communities. The subject matter is embraced within the framework of general land economics, which covers the utilization of the entire earth's surface and "the natural forces and productive powers above or below that space over which the owner has property rights."¹ In turn, land economics is but a branch of general economics; economics is a study of the wealth-getting and wealth-spending activities of man and is therefore a study of human behavior. When such behavior is consistent and predictable, hypotheses and principles are derived which are the foundations of the science of economics.

The subject matter of economics has become highly specialized as various economists have refined our understanding of particular areas of economic behavior. Thus we have such branches as agricultural economics, finance, international trade, labor economics, and land economics. These several branches of economics are not to be viewed as separate building blocks assembled to create a general economic science. The branches are overlapping and intermingled in content. They are integrated through the agency of a set of general principles that comprise "economic theory." This conceptual framework of theory is the starting point for inquiry in all the branches of economics; explorations in any one of the branches may lead to modifications and revisions of this framework.

There has long been a need for an organized body of knowledge as a guide for individual business decisions and public-policy determinations affecting urban land utilization. The aggregate of attention to urban land economics within the last thirty years is small, so that we are still at an early stage in the development of this branch of economics. Enough of fact and understanding has accumulated, however, so that the framework or rationale may be discerned and so that there is some

¹Ely, R. T., and G. S. Wehrwein, *Land Economics* (New York: The Macmillan Company, 1940), p. vi.

meat on the bones. This volume is an attempt at a basic statement; in a field that is immature it can hardly be a final statement.

Our purpose is to present an orderly body of facts and principles that have more or less direct application to the utilization of urban land. Because the processes of land use are essentially economic processes, the subject matter is properly classified as economics. Most of the principles to be discussed are drawn from the general framework of economic theory but are presented here in their special application to land utilization. The very organization of the book is derived from the fundamental economic concept of the market.

The thesis of this volume is that the determination of urban land use is a market process. The use that is made of each parcel is the result of economic competition among alternative uses. Thus the processes of city growth are economic processes and the pattern of land use is the product of the urban land market. Accordingly, the major divisions of the primary subject matter in this book are demand, supply, and market interactions.

The first chapter deals with the commodity that is traded in the market—rights in land. The discussion is placed within an institutional context because an understanding of the institution of private property and its dynamic nature is essential to an understanding of economic processes in the urban land market, where institutional factors are of such great influence.

The next group of chapters presents the demand factors in the urban land market. The underlying forces of urbanism are described and are found to be economic in character. The city is analyzed as a social organism; the noneconomic aspects of demand for the services of land are considered. The special nature of the demand for various types of land use is analyzed with particular attention to the demand for housing.

In the presentation of the supply side of the market, there are descriptive and analytical discussions of the construction industry and the building process. The importance of urban land credit in the operations of the real estate market is recognized in the chapters on real estate finance. Special attention is given to the home mortgage market and to the growth and repercussions of federal intervention.

The culminating subject matter in the consideration of the urban land market first covers an analysis of market functions and organization, with a separate chapter on the housing market. Land income and value are next discussed as intermediate products of market forces, for it is the comparative productivity of alternative forms of land use that is the primary determinant of the final employment of each parcel. Finally,

we consider the evolution and pattern of the urban land use structure as a product of urban land market forces and functions.

A final group of three chapters presents the economic aspects of urban land policy. Housing policy is the subject matter of the last two chapters, where the housing problem is analyzed from an economic viewpoint and three central housing objectives are considered—the control of instability in the housing market, the reduction of the costs of shelter, and the abatement of antisocial housing conditions.

The author's collaborators in this work have been legion, some unwitting, but all willing. There are the scholars who have gone on before, and the contemporaries who have shared in these later years of exploration. Let special credit be accorded to Paul E. Stark, realtor-statesman, who first revealed to me the challenge of the field; to Professor Ernest M. Fisher, now at Columbia University, who was a friend and mentor during the days of graduate study and later as director of the Division of Economics and Statistics of the Federal Housing Administration; and finally, to the young men of the coming generation, particularly Herman G. Berkman, University of Wisconsin, who have contributed greatly to the development of certain chapters.

RICHARD U. RAYCLIFF

MAMSON, Wis.
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CONTENTS

| | |
|--|----|
| PREFACE | v |
| CHAPTER 1. THE INSTITUTIONAL ASPECTS OF REAL PROPERTY | 1 |
| Urban Land Defined. Physical Characteristics of Urban Land. Space. Immobility. Indestructibility. Heterogeneity. The Public Domain. Land Measurement and Description. The Institution of Property. Feudal Tenure. Realty, Personalty, and Fixtures. Forms of Ownership. Fee Simple Estate. Life Estate. Estates Pur Autre Vie. Dower and Curtesy. Homestead. Estate for Years. Tenancy at Will. Tenancy by Sufferance. Tenancy from Year to Year. Present and Future Rights. Multiple Ownership. Incorporeal Rights. Liens. Transfer of Title. Public Records of Ownership. Limitations on Private Property. Police Power. Eminent Domain. Taxation. | |
| CHAPTER 2. THE ECONOMICS OF URBANIZATION | 19 |
| The Functional Basis of the Urban Economy. Early Urban Forms. Exchange as an Urbanizing Force. Manufacturing and Urbanism. Steam and Transportation. Ancillary Urban Activities. Finance. Other Business Functions. Services. Recreational, Political, and Religious Activities. Agricultural Surplus. Sanitation. Location of Cities. Location of Industry. Functional Variation among Cities. The Economic Base. Forces of Change. Diversification. Changing Factors of Urbanization. Defense. Religion. Political Power. Agriculture. Trade. Manufacturing. Urbanism in the United States. Metropolitanism. | |
| CHAPTER 3. THE CITY AS A SOCIAL COMPLEX | 60 |
| Sources of Urban Population. Natural Increase. Foreign Immigration. Negroes in American Cities. Rural-urban Migration. Population Characteristics. Sex. Age. Marital Status. Family Composition. Educational Status. Occupations. Social Variations among Cities. Dynamics of Population. The Urban Way of Life. Social Characteristics and the Demand for Land. | |
| CHAPTER 4. DEMAND FOR HOUSING | 87 |
| The Quantity of Demand for Housing. Marriages. Death and Divorce. Migration. Sharing of Dwellings. Population and Demand. Elasticity. | |

of Demand. Measuring the Quantity of Demand. Qualitative Aspects of Demand. Tenure. Recent History of Home Ownership. Basic Forces Affecting Tenure. Custom. Occupation. Age and Family Status. Financial Status. Relative Costs. Other Forms of Tenure. Type and Size. Style. Location. Price and Rent. Testing the Quality of Demand. Housing for Unattached Adults.

CHAPTER 5. DEMAND FOR NONRESIDENTIAL SPACE 123

Demand for Retail Space. Quantitative Demand for Retail Space. Quality of Demand for Retail Space. Location. Site-selection Practice among the Chains. Variety. Women's Dresses. Drugs. Restaurants. Haberdashery. Shoes. Groceries. Shape of Parcel. Demand for Office Space. Demand for Wholesale Space. Demand for Industrial Space. Land for Public and Semipublic Uses.

CHAPTER 6. THE CONSTRUCTION INDUSTRY 146

General Nature of the Industry. Productivity. Importance in the National Economy. Cyclical Movements. Amplitude and Length of Cycles. Cyclical Sequence of Events. Cyclical Factors. Cycle History, 1918 to 1946.

CHAPTER 7. THE BUILDING PROCESS 164

Land Development. Land Subdividing in the Production Process. The Process of Land Development. Land Planning. Social Controls. Private Restrictions. Installation of Improvements. Financing. Commercial and Apartment Sites. Conclusions on Land Development. Production of Structures. Nature of the Construction Operation. The Design Function. The Building Process. Competitive Bidding. Functions of the General Contractor. Characteristics of Builders. Residential Builders. Working Capital. Building Materials. Building Labor. Obstacles to Rationalization. Prefabrication.

CHAPTER 8. URBAN LAND CREDIT 207

Functions of Land Credit. Forms of Land Credit. Mortgage Financing. Junior Mortgages. Land Contract. Long-term Lease. Home Financing. Financing Construction. Ground-rent Financing. Refinancing. Lending Terms. Loan Servicing. Pattern of Mortgage Lending. Mortgage Risk Analysis. Financing Income Properties.

CHAPTER 9. THE HOME MORTGAGE MARKET 233

Organization of the Market. Mortgage Lenders. Individuals. Savings and Loan Associations. Banks and Trust Companies. Mutual Savings Banks. Life Insurance Companies. Other Lending Agencies. Background of Federal Intervention. Federal Home Loan Bank System. Federal Savings and Loan Associations. Federal Savings and Loan Insurance

Corporation. Home Owners' Loan Corporation. Federal Housing Administration. Title I: Property Improvement Loans. Title II: Mutual Mortgage Insurance. Title VI: War Housing Insurance. Evaluation: Insurance of Home Mortgages (Secs. 203 and 603). Rental Housing: Secs. 207, 210, and 608. Title III: Federal National Mortgage Associations. Secondary Market for FHA-Insured Mortgages. Guaranty of Home Loans to Veterans.

CHAPTER 10. URBAN LAND MARKET FUNCTIONS AND ORGANIZATION 280

The Market Concept. The Commodity. Market Functions. Distributing Existing Space. Adjusting the Supply of Space. Price Determination. Timing of Land Improvement. Determining the Amount of Capital Improvement. Determining Land Use. Market Organization. The Sellers. The Buyers. The Broker. The Transaction. Submarkets. Local Nature of the Market. Market Imperfections.

CHAPTER 11. THE HOUSING MARKET 302

The Housing Stock. The Market for Building Lots. Rental Market. Existing Stock of Rental Units. Marketing Rental Dwellings. Rental Housing Origins. Market for Homes. Value Stratification and Filtering. Surplus as a Requisite. Change in Quality. Need for New Construction. Surplus as a Check on Production. Surplus at the Bottom. Accelerated Depreciation. Time Dimension in Filtering. Market Experience with Filtering. Long-run Possibilities. Filtering Cannot be Forced. Conclusions on Filtering. Cyclical Fluctuations. Market Indicators. Seasonal Fluctuations. Cyclical Sequence. Recent Housing Market History. Manifestations of Instability.

CHAPTER 12. LAND INCOME AND VALUE 346

Gross Income. Land Utilization Costs. Differential Returns and Capital-cost Combinations. Value and Valuation. Land Return and Economic Rent. Land and Capital. Rent as Unearned. Rent as a Monopoly Return. Rent and Price.

CHAPTER 13. CITY GROWTH AND STRUCTURE 368

Basic Theory of Land Use Structure. Competition of Uses. Minimizing the Costs of Friction. Location or Situs. Retail Location Characteristics and Buying Habits. Purchaser. Postponability. Selection. Frequency. Convenience-desirability. Analysis of Retail Structure in Terms of Buying Behavior. Market Forces and City Planning. Internal Arrangement of Land Uses. Retail Structure. Wholesale and Industrial Areas. Residential Areas. City Growth. Lateral Expansion. Internal Shifts. Movement of Residential Areas. Economics of Succession.

CHAPTER 14. URBAN LAND POLICIES 406

Nature of Social Control. City Planning. The Planning Process. Zoning. Subdivision Control. Taxation of Real Property. Incidence of Taxation. Tax Administration. Deficiencies of the Property Tax. Directing Investment through Tax Policy. Urban Redevelopment. Inhibitors of Succession. Resistance of Net Revenue to Decline. Withholding for a Future Higher Use. Diversity in Economic Expectancy. Inefficient City Structure. Redevelopment Legislation.

CHAPTER 15. THE ECONOMICS OF HOUSING POLICY 434

Part I. The Nature of the Housing Problem. Imbalances and Rigidities in the Postwar Housing Market. Origins of Postwar Rigidities. Long-term Implications. The Legacies of Prewar Confusion. Basic Housing Issues. Housing Objectives. *Part II. The Control of Instability.* Modifying the Imperfections. Changing the Commodity. Relaxing Institutional Limitations. Sensitizing Supply. Rationalizing the Building Industry. Stabilizing Demand. Stability through Social Control. Stabilizing Prices. Controlling Production. Stabilization through Mortgage Credit. Stabilization through Understanding. Conclusions on Instability. *Part III. Reducing the Costs of Shelter.* Significance of Housing Costs. Cost Defined. Differential Importance of Costs. Capital Costs: Implications of Reduction. Capital Costs: Reduction Potentials. Building Land. Labor Costs. Technological Advance. Costs of Industrial Disorganization. Product Design. Cost of Money. Property Taxes. Maintenance. Depreciation. Price Levels. Conclusions on Housing Costs.

CHAPTER 16. THE ECONOMICS OF HOUSING POLICY (*Continued*) 487

Part IV. The Regulation of Substandard Housing Conditions. The Problem. What Is Substandard Housing? Why Has Police-power Regulation Failed? Administrative Deficiencies. Lack of Alternative Accommodations. Regulation of Overcrowding. Control of Substandard Environment. Prevention of Substandard Housing. Conclusions on Police-power Regulation. *Part V. The Relief of Substandard Housing Conditions by Unaided Private Capital.* Direct Private Construction. Reconditioning. Conversion. New Construction. Filtering Down. *Part VI. Subsidy Devices for Relieving Substandard Housing Conditions.* The Rent Certificate Scheme. Results with Supply Constant. Integration with Police-power Controls. Influence on Rent Levels. Long-run Effects. Conclusions on Rent Certificates. Subsidy to Private Building Operations. The Planning Function. Risk Taking. Borrowing. Contracting. Management. The Public-housing Formula. Competition with Private Capital. Failure to Pay Taxes. Other Alternatives. Conclusions on the Abatement of Substandard Housing Conditions.

INDEX

A

Agricultural surplus and urbanism, 30-32
Amortization, 224
Assessed values, 424-425

B

Banks and trust companies, 246-247
Bidding, competitive, 179-180
Bonds, collateral trust, 231
 mortgage, 230
Brokers, real estate, 291-293
Builders, characteristics of, 182-187
Building (*see* Construction)
Building and loan associations, 241-246
Building industry (*see* Construction industry)
Building labor, 189-199
Building land, cost reduction, 473-475
Building lots, excess subdivision, 307-308
 history of subdividing, 306-311
 lack of controls, 309
 market, 306-312
 present tendencies, 311-312
Buildings, construction of, 175-206
 types of, 303
Business centers, outlying, 389-391
Business district, central, 387-388
Business thoroughfare, 388, 392-393
Buyers in the market, 291
Buying habits, relation to retail location, 377-379

C

Capacity, 354
Capital, working, 187, 209
Capital-cost combinations, 353-355
Capital costs, land utilization, 350
 reduction, 468-478

Capital improvement, determination, 289
Central business district, 387-388
Changing factors of urbanization, 46-51
Cities, early forms, 21-24
 economic base of, 42-46
 functional variation, 39-41
 future growth, 55, 56
 location of, 33-34
 population by city size groups, 54
 United States, 51-56
 variations in social characteristics, 76-78
City growth, 397-405
 economics of succession, 403-405
 internal shifts, 399-400
 lateral expansion, 398-399
 residential areas, 400-403
City planning, 409-413
 relation to market forces, 384-386
City structure, 386-397
Collateral trust bonds, 231
Community business areas, 389-391
Competition of land uses, 370-371
Construction, nature of operation, 175-176
Construction financing, 222
Construction industry, 146-163
 cycle history, 1918-1946, 159-163
 cyclical characteristics, 154-155
 cyclical factors, 156-159
 cyclical movements, 153-154
 cyclical sequence, 155-156
 general nature, 146-147
 importance in national economy, 149-153
 prefabrication, 203-206
 rationalization of housebuilding, 199-203
Construction labor (*see* Labor, construction)
Construction materials, 187-189

- Construction process, 179-187
 characteristics of builders, 182-187
 competitive bidding, 179-180
 general contractor, functions, 180-182
 residential builders, 185-187
 working capital, 187, 209
 Convenience-desirability, relation to re-
 tail location, 379-381
 Conversion, 504-505
 Conveyance of title, 14-15
 Cooperatives, 109-110
 Costs of friction, 371-373
 Costs, housing (*see* Housing costs)
 land utilization, 349-353
 capital costs, 350
 costs during construction, 350
 depreciation, 352-353
 operating costs, 352
 ripening costs, 350-351
 Credit, demand, 233-235
 forms, 210-221
 functions, 207-210
 sources, 234-237
 working capital, 209
 Cyclical aspects, construction industry,
 153-163
 Cyclical fluctuations, housing market,
 334-345
 cyclical sequence, 338-341
 instability, 343-345
 market indicators, 335-337
 recent history, 341-345
- D**
- Debt, mortgage, 238-240
 Deed restrictions, 169
 Demand, for housing, quality, 97-122
 quantity, 88-96
 for industrial space, 139-143
 for land, relationships to social charac-
 teristics, 85-86
 for office space, 133-136
 for public and semipublic use, 143-145
 for retail space, 123-133
 for wholesale space, 137-138
 Depreciation, 352-353, 481-484
 Description, land, 5-6
 Design function, construction operations,
 176-179
- Deterioration, 482
 Detroit plan, 433
 Differential returns, 353-355
 Direct investment, 232, 250
 Direct-reduction plan, 242
 Doubling up, 92-93
- E**
- Economic base of cities, 42-46
 diversification, 45-46
 forces of change, 43-45
 Economic characteristics, urban land,
 281-284
 Economic rent, 362-363
 Efficiency in development costs, 354
 Eminent domain, 17-18
 Entrepreneurial calculation, 355-362
 Environment, control, 499-500
 Environmental change, 483
 Equity, 210
 of redemption, 213
 Excess subdivision, 307-308
 Existing space, distribution, 284-286
 Exterior material, 313
- F**
- Facilities, plumbing, 304
 Farm population, 53, 70-71
 Farm Security Administration, 444
 Federation Home Loan Bank System,
 187, 209, 254-257, 443, 444, 446, 458
 accomplishments, 257
 advances, 256
 functions, 255
 growth, 256
 membership, 255
 organization, 255
 origins, 254
 Federal Housing Administration, 119,
 167, 187, 208, 209, 218, 224, 225, 227,
 243, 247, 249, 250, 262-277, 309, 443,
 444, 446, 457-459, 479, 481
 eligibility for insurance, 265-266
 evaluation, Sections 203, 603, 270-273
 mortgage risk rating, 267-268
 National Housing Act, 263
 nature of mortgage insurance, 267
 origins, 262-263

- Federal Housing Administration, rental housing, Sections 207, 210, 608, 273-275
- RFC Mortgage Company, 275, 276
- scheme of operation, 265-266
- secondary market, 275-277
- Section 203, 265, 270
- Section 207, 265, 273
- Section 603, 269, 270
- Section 608, 274-275
- Title I, property improvement loans, 263-265
- Title II, mutual mortgage insurance, 265-268
- Title III, Federal National Mortgage Associations, 275
- Title VI, war housing insurance, 269-270
- Federal intervention, mortgage market, 251-254
- Federal National Mortgage Association, 272-275
- Federal Public Housing Authority, 444, 492
- Federal savings and loan associations, 244, 257-258
- Federal Savings and Loan Insurance Corporation, 244, 258-259
- Feudal tenure, 8
- Filtering, 321-334
- accelerated depreciation, 327-328
- conclusions, 333-334
- definition, 320-321
- impossibility of forcing, 332-333
- long-run view, 331
- market experience, 329-331
- quality change, 325
- role of new construction, 325-326
- surplus, at bottom, 327
- as check on production, 326-327
- as requisite, 323-325
- time dimension, 328-329
- Financial Survey of Urban Housing, 227
- Financing, ground rent, 223
- home, 221-228
- income properties, 228-232
- Fisher, Ernest M., 446
- Fixity of investment, 370
- of supply, urban land, 282
- Fixtures, realty and personalty compared, 8-10
- Fluidity of population, 83
- Foreclosure rate, 253
- Foreign immigration, 63-65
- Friction, costs of, 371-373
- Functional variation among cities, 39-41
- Functions, markets, 284-289
- G
- General contractor, 180-182
- George, Henry, 426
- Griffin, Clare E., 362
- Gross income, 347-349
- Ground rent, 223
- Guaranty, Veterans Administration, 277-279
- H
- Haig, Robert Murray, 371, 372
- Heterogeneity of supply, urban land, 283
- Highest and best use, 356
- Home Owners Loan Corporation, 259-262, 443, 457, 504
- accomplishments, 260-262
- functions, 259-260
- liquidation, 261-262
- origins, 259
- Home ownership, stock, 321-323
- (See also Tenure)
- Housebuilding, prefabrication, 203-206
- Housing, extent of land use, 87
- for unattached adults, 122
- Housing costs, 461-486
- building land-reduction potentials, 473-475
- capital costs, implications of reduction, 468-473
- reduction potentials, 473-478
- conclusions, 484-486
- cost of money, 478-480
- costs of industrial disorganization, 477-478
- definition, 464-466
- depreciation, 481-484
- deterioration, 482
- differential importance of the several costs, 466-468
- effect of reductions, 467-468

- Housing costs, environmental change, 483
 labor cost reduction, 475-476
 maintenance, 481
 obsolescence, 483
 price instability, 484
 property taxes, 480-481
 reduction, through product design, 478
 through technological advance, 476-477
 significance, 462-464
- Housing demand, quality, 97-122
 location, 113-114
 price and rent, 114-120
 style, 112-113
 tenure (*see* Tenure)
 testing quality, 120-122
 type and size, 110-112
- quantity, 88-96
 death and divorce, 90-91
 definition of demand, 88-89
 elasticity, 94-95
 marriages, 89-90
 measurement, 95-96
 migration, 91-92
 population change, 93-94
 sharing of dwellings, 92-93
 unit of demand, 88
- Housing industry (*see* Construction industry)
- Housing issues, 444-446
- Housing market, cyclical fluctuations, 334-345
 history, 341-343
 instability, 450-461
 postwar, 434-442
 imbalances and rigidities, 434-436
 long-term implications, 441-442
 origins of rigidities, 436-441
 prewar, 442-444
- Housing objectives, 446-450
- Housing standards, minimum, 490-494
- Housing stock, 302-306
 age, 303
 exterior material, 303
 number of rooms, 305
 occupancy, 305-306
 rental value, 305
 sanitary facilities, 304
 state of repair, 304
- Housing stock, tenure, 304-305
 type of structure, 303
- Hoyt, Homer, 386, 401
- I
- Immigration, foreign, 53, 63-65
- Immobility of supply, urban land, 283
- Imperfections, market, 296-301, 451-456
- Incidence, taxation, 422-423
- Income, gross, 347-349
- Income properties, financing, 228-232
- Indestructibility, urban land, 3
- Industrial areas, 395
- Industrial disorganization, 477-478
- Industrial space, demand for, 139-143
 changes in, 139-140
 industrial districts, 143
 localational considerations, 140-143
 space needs, 139
- Industry, location, 34-39
- Instability, in housing market, 343-345, 450-461
 changing the commodity, 451-452
 conclusions, 460-461
 control, 450-451
 modifying the market imperfections, 451-456
 rationalizing building industry, 454
 relaxing institutional limitations, 452
 sensitizing supply, 453-454
 stability through social control, 456-459
 stabilizing, of demand, 454-456
 through mortgage credit, 458-459
 of prices, 457-458
 through understanding, 459-460
 price, 484
- Institutional limitations, modifications, 452
- Interest rate, 224, 236-237
- Investment, direct, 232, 250
- Investment trust, 231
- Issues, housing, 444-446
- J
- Johnston, Eric A., 449
- Jurisdictional disputes, 195-197

L

- Labor, construction, 189-199
 - basic union objectives, 198-199
 - crafts, 191-192
 - full crews, 197
 - guaranteed annual earnings, 194-195
 - insecurity of employment, 194
 - jurisdictional disputes, 195-197
 - level of employment, 190-191
 - limitation of output, 197
 - postwar problems, 199
 - ratio of labor costs, 190
 - restrictions on union membership, 197-198
 - wage rates, 192-194
- Labor cost reduction, 475-476
- Land, as capital, 363-364
 - as fixed factor of production, 359-360
- Land contract, 219-220
- Land credit, functions of, 207-210
- Land description, 5-6
- Land development (*see* Subdividing)
- Land income, gross, 347-349
- Land policies, urban, definition of, 406-407
- Land return, 362-363
- Land use, competition of, 370-371
 - controls, 408
 - determination, 289
 - pattern, urban, 386-397
 - structure, basic theory of, 368-369
- Land utilization costs, 349-353
- Land value, 360-361
- Lease, long-term, 220-221, 231
- Lender, role of, 208
- Lenders, banks and trust companies, 246-247
 - individuals, 240-241
 - life insurance companies, 248-250
 - mortgage, 237-251
 - mutual savings banks, 247-248
 - other agencies, 250-251
 - savings and loan associations, 241-246
- Lending terms, 223-225
- Life insurance companies, 248-250
- Loan servicing, 225-226
- Location, 373-375
 - of cities, 33-34
 - of industry, 34-39

- Locational considerations, 138
 - office space, 135-136
- Long-term lease, 231

M

- Maintenance, 481
- Manufacturing and urbanism, 25-28
- Market, building lots, 306-312
 - concept, 280-281
 - functions, 284-289
 - adjusting supply, 286-288
 - capital improvement, determination of, 289
 - distributing existing space, 284-286
 - land use determination, 289
 - price determination, 288
 - timing of land improvement, 288
 - housing, postwar, 434-442
 - imperfections, 296-301, 451-456
 - local nature, 296
 - organization, 288-296
 - brokers, function of, 291-293
 - buyers, nature of, 291
 - sellors, nature of, 288-291
 - submarkets, 294-296
 - transactions, nature of, 293-294
 - owned homes, 321
 - rental, 312-321
 - housing stock, rental units, 313-318
 - marketing process, 319
 - rental housing origins, 319-321
- Master plan, in city planning, 412
- Materials, construction, 187-189
- Metes and bounds, 5
- Metropolitanism, 56-59
- Migration, of population, 91-92
 - rural-urban, 67-71
- Minimum housing standards, 490-494
- Mobility of population, 83
- Mortgage, common-law doctrine, 213
 - credit, stability through, 458-459
 - crisis, 254
 - debt, 238-240
 - development, 212-213
 - financing, 211-218
 - junior, 218-219
 - lenders, 237-251
 - lending, pattern of, 226

Mortgage, lien theory, 213
 market, federal intervention, back-
 ground, 251-254
 organization of, 233-237
 nature of, 211
 purchase-money, 221
 remedies in case of default, 215-218
 risk analysis, 227-228
 risk rating, 267-268
 terms, 209
 trust deed in the nature of, 214
 Mortgage bond, 230
 Mutual savings banks, 247-248

N

National Housing Agency, 438-439
 Natural increase, 62-63
 Negro population, 65-67
 Nucleation, 389-391

O

Objectives, housing, 446-450
 Obsolescence, 483
 Occupancy, 305-306
 Office space, demand for, 133-136
 basis of need, 133-134
 fluctuation in, 135
 locational considerations, 135-136
 One hundred per cent district, 387
 Operating costs, land utilization, 352
 Outlying business centers, 389-391
 Overcrowding, regulation, 498-499
 Owned homes, rental comparison with
 rented units, 323
 stock, 321
 value, 322
 Ownership, forms, 10-14

P

Participation mortgage certificates, 231
 Patman bill, 439
 Personality, realty, and fixtures com-
 pared, 8-10
 Philipson, J. Bion, 12
 Planning, city, 409-413
 master plan, 412

Planning, city, planning process, 411-
 413
 theoretical basis, 409-411
 land, 166-168
 Plottage, 354
 Police power regulation, 16-17, 494-502
 administrative deficiencies, 495-496
 conclusions, 501-502
 control of environment, 499-500
 failure, 494-495
 lack of alternative accommodations,
 496-498
 prevention of substandard housing,
 500-501
 regulation of overcrowding, 498-499
 Population, characteristics, 71-76
 age, 72-73
 education, 75
 family composition, 73-75
 marital status, 73
 occupation, 75-76
 sex, 71-72
 dynamics, 79-82
 farm, 70-71
 forecasts, 79-82
 natural increase, 62-63
 Negroes, 65-67
 sources of urban, 61-71
 Postwar housing market, 434-442
 Prefabrication, 203-206
 Prewar housing market, 442-444
 Price determination, 238
 Prices, stabilizing, 457-458
 Private capital, competition of public
 housing, 518-520
 Product design, 478
 Production of structures, 175-206
 Productivity, construction industry, 147-
 149
 Property, institution, 6-8
 limitations, 15-18
 Proudfoot, Malcolm J., 387, 389, 392, 393
 Public and semipublic use, demand for,
 143-145
 Public domain, 4
 Public Housing Administration, 444, 492
 Public housing formula, 517-521
 Public records of ownership, 15
 Public Works Administration, Housing
 Division, 444

R

- Rationalization, housebuilding industry, 199-203, 454
- Reconditioning, 503-504
- Redemption, equity of, 213
- Redevelopment, urban, 427-433
 - Detroit plan, 433
 - inhibitors of succession, 428-431
 - legislation, 431-433
 - natural process, 427-428
 - state laws, 432
- Realty, personality and fixtures compared, 8-10
- Refinancing, 223
- Rent, certificate scheme, 507-513
 - economic, 362-363
 - effect of rent certificate plan, 509-510
 - income ratio, 115-119
 - as monopoly return, 365-366
 - and price, 366-367
 - rental housing stock, 317-318
 - as residual, 358-359
 - as unearned, 364-365
- Rental housing, FHA, 273-275
 - market, 312-321
 - origins, 319-321
 - stock, 313-319
 - age, 314
 - heating, 316
 - number of rooms, 315
 - persons per household, 317
 - plumbing, 316
 - rent, 317-318
 - state of repair, 316
 - type of structure, 314
- Rental units, in housing stock, 313-318
- Rental value, 305
- Repair, state of, 304
- Resettlement Administration, 444
- Residential areas, 395-397
 - movement of, 401-403
- Residential builders, 185-187
- Residential land use, extent of, 87
- Retail location, 376-381
 - basis of selection, 376-377
 - buying habits, 377-379
 - convenience, 379-381
 - desirability, 379-381
- Retail space, demand for, 123-133
 - determining need, 125-126
 - detritmental site characteristics, 129-130
 - estimating sales volume, 127-128
 - influencing factors, 124-125
 - location, 126-127
 - quantity, 123-126
 - shape of parcel, 133
 - site selection, 127-133
 - site specifications for selected types, 130-133
 - traffic counts, 128-129
- Retail structure, 381-384, 387-395
- RFC Mortgage Company, 275-276
- Ripening costs, 350-351
- Risk, financial, 208
- Risk analysis, mortgage, 227-228, 267-268
- Rolph, I. L., 387, 393
- Rooms, number, 305
- Rural-urban fringe, 59
- Rural-urban migration, 67-71

S

- Sanitation and urbanism, 32-33
- Savings, media, 235
- Savings and loan associations, 241-246
 - direct-reduction plan, 242
 - growth, 244
 - history, 241
 - interest rates, 243
 - investment policy, 242
 - lending terms, 242-243
 - regulation, 244
 - share-accumulation plan, 241
 - size distribution, 245
 - use of FHA, 243
- Seasonal fluctuations, housing market, 337-338
- Secondary mortgage market, 275-277
- Sellers in the market, 288-291
- Servicing, mortgage loan, 225-226
- Share-accumulation plan, 241
- Sharing of dwellings, 92-93
- Shelter, costs (*see* Housing costs)
- Single tax, 426
- Site selection, retail, 127-133

- Sites, apartment, 174
 commercial, 174
 Situs, 373-375, 380
 Social characteristics, cities, 76-78
 and demand for land, 85-86
 Social control, nature, 406
 Social controls, stability through, 456-459
 Standards, housing, 490-494
 Stock issues, 231
 String street, 388, 392-393
 Structure, type, 303
 Subcenters, 389-391
 Subdividing, 164-175
 commercial and apartment sites, 174
 conclusions, 174-175
 control, 415-421
 financing, 171-174
 improvements, 169-171
 land planning, 166-168
 nature of building lots, 165
 place in production process, 164-166
 private deed restrictions, 169
 process, 166-175
 social controls, 168-169
 Subdivision, history of, 306-311
 Subdivision control, 415-421
 economic implications, 415-418
 methods, 418-421
 Subdivision lots, market for, 306-312
Submarkets, 294-296
 Subsidy devices, substandard housing,
 507-524
 Substandard housing, conclusions on
 abatement of, 523-524
 definition, 490-494
 prevention, 500-501
 problem of, 487-488
 reconditioning, 503-504
 regulation, 487, 502
 relief by private capital, 502-507
 conversion, 504-505
 direct private construction, 502-506
 filtering down, 506-507
 new construction, 505-506
 remedies, 489-490
 remedy through cost reduction, 521-522
 through deflation, 522
 subsidy devices, 507-525
 aid to private builders, 512-517
 conclusions, 516-517
 Substandard housing, subsidy devices,
 aid to private builders, effect on
 various functions, 514-516
 public-housing formula, 517-521
 competition with private capital,
 518-520
 objectives, 518
 tax abatement, 520-521
 the formula, 517-518
 rent certificate scheme, 507-512
 conclusions, 516-517
 effect on rents, 509-510
 long-run effects, 510-511
 with police-power controls, 509
 results, supply constant, 508-509
 the scheme, 507-508
 Succession, economics of, 403-405
 inhibitors of, 428-431
 Survey, government, 5-6
- T
- Taft-Ellender-Wagner bill, 418, 439, 440,
 444, 445, 458, 517
 Taxation, property, 18, 421-426, 480-481
 administration, 423-425
 deficiencies, 425-426
 importance, 421-422
 incidence, 422-423
 lag in assessed values, 424-425
 single tax, 426
 use in directing investment, 426
 Technological advance, 476-477, 304-305
 Tenure, housing, 97-110
 age and family status, 101, 105
 cooperatives, 109-110
 custom and social values, 103-104
 family dissolution, 102
 financial distress, 101
 financial status, 105-107
 history of home ownership, 98-101
 long-term lease, 109
 neighborhood decline, 102
 new construction and conversion, 103
 occupation, 105
 ratio of home ownership, 98-99
 relative costs, 107-109
 Term, mortgage, 224-225
 Terms, mortgage, 223-225
 Title, transfer of, 14-15

Title I, FHA, 263-265
 Title II, FHA, 265-268
 Title III, FHA, 275
 Title VI, FHA, 269-270
 Trade as urbanizing force, 24-25
 Transfer of title, 14-15
 Transportation and urbanism, 28-29

U

Unattached adults, housing, 122
 Unions, 189-199
 United States Housing Act of 1937, 444,
 512, 517, 518
 United States Housing Authority, 444,
 492
 Urban economy, functional basis, 20-33
 Urban land, defined, 1-2
 economic characteristics, 281-284
 fixity of supply, 282
 heterogeneity, 283
 immobility, 283
 physical characteristics, 3-4
 policies, 406-407
 use pattern, 386-397
 Urban population, sources of, 61-71
 Urban redevelopment, 427-433
 Urban way of life, 82-85
 Urbanization, 24-33, 51-56
 agricultural surplus, 30-31
 ancillary activities, 29-30
 changing factors, 46-51
 exchange as a factor, 24-25
 manufacturing as a factor, 25-28
 sanitation, 32-33
 transportation as a factor, 28-29

V

Valuation, 355-362
 Veterans, guaranty of home loans, 277-
 279
 Veterans Administration, 277-279, 446
 appraisal, 278
 evaluation, 278-279
 guaranty plans, 277-278
 operations, 278
 Veterans' Emergency Housing Program,
 439-440, 445

W

Wage rates, 192-194
 Wagner-Ellender-Taft bill, 418, 439, 440,
 444, 445, 458, 517
 War housing insurance, 269-270
 Way of life, urban, 82-85
 Wholesale areas, 395
 Wholesale space, demand for, 137-138
 decline in, 137
 locational considerations, 138
 wholesale functions, 137
 Working capital, 187, 209
 Wyatt, Wilson, 439

Y

Yield insurance, 232

Z

Zoning, 413-415