

Economics

Formal Definition

Social Science that studies Production, Distribution, and Consumption of Goods and Services

Practical Definition

How does an economy Efficiently Allocate its Scarce Resources

Real Estate Economics

Definition

A specialized field of study that uses
Economic Principles to solve Real
Estate Problems

Real Estate Economics Uses

Analyze Trends

- National
- Regional
- Local
- Neighborhood

The National Economic Questions

- What shall be produced?
- How shall it be produced?
- For whom shall it be produced?

How and who answers these questions will determine a Nations Economic System

Economic Systems

- Command Economy (Government Decides)

Pure Socialism

Mixed Socialism

- Market Economy (Individuals in Competition)

Pure Capitalism
Capitalism

Mixed

Basic Principles of Capitalism

- Private Property
- Private Enterprise
- Competitive Markets
- Profit Motive
- Laissez Faire

Economic Analysis Model for Real Estate Decisions

Step #1

Establish Purpose

**Location
Seeking a
Use/User**

**Use/User
Seeking a
Location**

**Investment
Seeking an
Investor**

**Investor
Seeking an
Investment**

Economic Analysis Model for Real Estate Decisions

Step #2

Market Analysis

**Estimate
Demand**

**Measure
Supply**

**Determine
Gap**

Economic Analysis Model for Real Estate Decisions

Step #3

Location Analysis

Characteristics

Linkages

Land Use Patterns

Economic Analysis Model for Real Estate Decisions

Step #4

Financial Feasibility

**Estimate
Income**

**Estimate
Costs**

**Analyze
Yield/Feasibility**

Economic Analysis Model for Real Estate Decisions

Decide on Real Estate Action

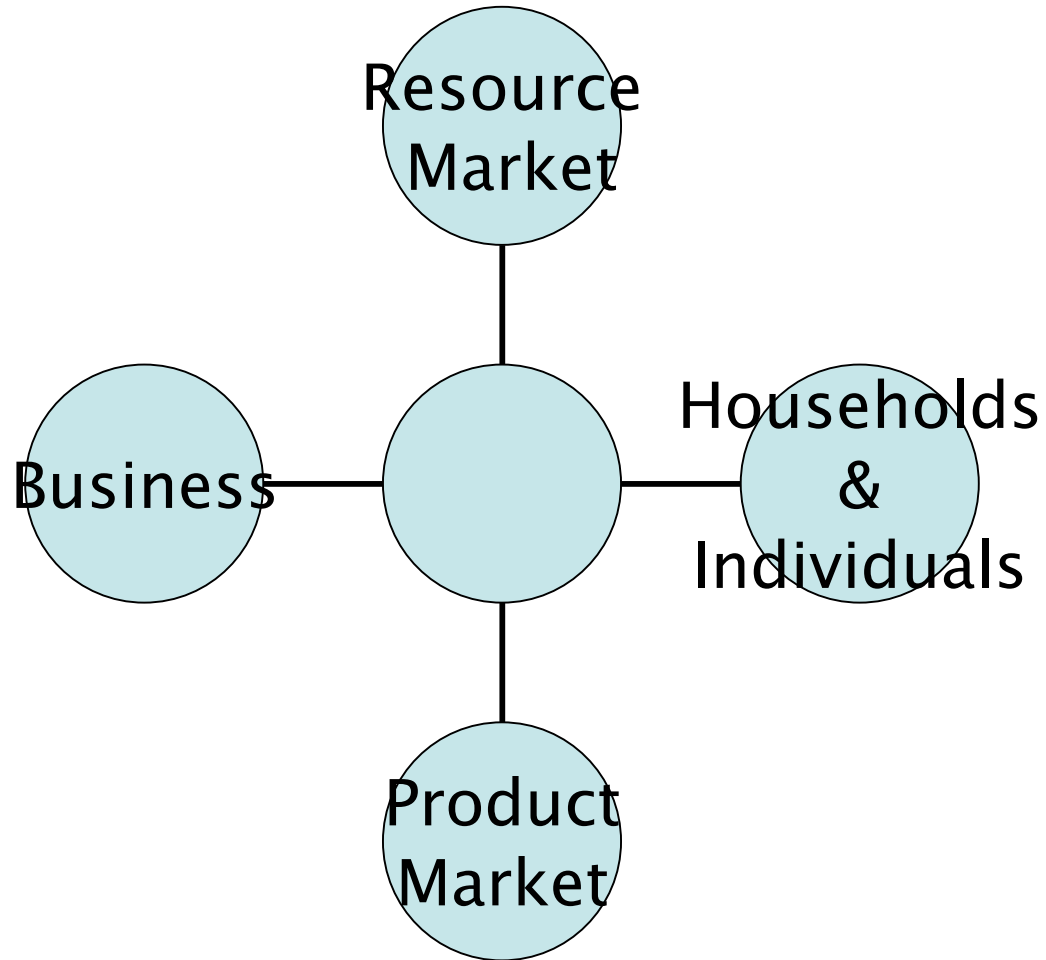
Nation's Factors of Production

- Land Natural Resources
- Labor Human Effort
- Capital Plant and Equipment
- Entrepreneurship
 Organization/Mgmt.

Payment for Factors of Production

Factor	Payment
1. Land	Rent
2. Labor	Wages
3. Capital	Interest
4. Entrepreneurship	<u>Profit</u>
	Total
Income	

Circular Flow of Economy



Definition Of Demand

Demand is the total quantity buyers are willing to purchase at a particular time, at certain prices

Demand represents the buyers side of the market

Demand Factors

- Population
- Income
- Tastes and Options
- Credit
- Advertising

Definition of Supply

Supply is the total quantity Sellers are willing to Sell in a particular market at a particular time at certain prices

Supply represents the Sellers side of the market

Supply Factors

- Cost of Factors of Production
- Demand
- Business Expectations

The Law of Demand

The lower the price the more
Consumers will buy

The higher the price the less they will
buy

The Law of Supply

The higher the price the more suppliers will produce

The lower the price the less suppliers will produce

Gross Domestic Product

The total Value of all Goods and Services produced within an Economy over a Specific period of Time