Treballs de la Societat Catalana de Geografia, 55, 2003 (135-150)

The housing market and the contemporary American city: A global overview

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Resum

Aquest article mostra una visió del mercat immobiliari contemporani en les ciutats d'Estats Units. Es mostren una sèrie de temes, alguns dels quals sorgeixen de l'economia global i alguns altres dels recents canvis importantíssims produïts als EUA, i que han alterat dramàticament la forma en què es financien, construeixen i consumeixen els habitatges en les noves ciutats. Així mateix, aquest nou mercat immobiliari està creant uns barris molt diferents i està contribuint a uns canvis profunds en la societat.

Paraules clau: producció d'habitatges, consum d'habitatges, globalització, ciutats d'Estats Units

Resumen

Este artículo muestra una visión del mercado inmobiliario contemporáneo en las ciudades de Estados Unidos. Se muestran una serie de temas, que surgen de la economía global y de los recientes e importantes cambios sucedidos en Estados Unidos. Estos temas han alterado dramáticamente la forma de fianciamiento, construcción y consumo de las viviendas en las nuevas ciudades. Así mismo, este nuevo mercado inmobiliario está creando barrios muy diferentes y está contribuyendo a unos cambios profundos en la sociedad

Palabras clave: producción de viviendas, consumo de viviendas, globalización, ciudadesde Estados Unidos

Abstract

This paper provides an overview of the contemporary housing market in the US city. It draws together a series of issues: some driven by the global economy, some the result of powerful changes in the US. Taken together, these have begun to alter dramatically the manner in which housing is financed, built and consumed in new cities. In turn, this new housing market is creating very different neighborhoods and is contributing to profound changes in US society.

Keywords: housing production, housing consumption, globalization, American cities.

Introduction

The intent of this paper is to provide a preliminary re-examination of the contemporary urban housing market. In recent years, integrated models of the market have been overshadowed by work on specific processes, such as gentrification, or analysis of the outcomes of the market's operation, such as segregation. In contrast, this discussion will address the housing market in two specific ways. First, it will attempt a re-integration of models of production and consumption, which has long been seen as a goal of housing research (e.g. Ball, 1985). And second, it will explicitly broaden the discussion to integrate the urban housing market into the global economy. This is not simply a matter of contemporary fashion, but analytical necessity. Housing is now a commodity that stands at the core of the global economy; estimates suggest that with a value of over $50 trillion, it far exceeds global investment in other assets such as corporate securities or bonds (Economist, 2002b). The reasons for this are to be found in two linked factors: first, the cyclical instability that is inherent within the global economy, which consequently encourages investment in the property market, viewed as being fixed and thus more stable; and the increasing integration of local, national and global property markets. This paper will show how this integration is occurring, and the implications that it has for the city. It will use as its model the rapidly growing metro areas of the American West, but the insights are generally relevant to urban housing markets in many advanced economies.[1]

In addition to these broad economic developments, which can conveniently be thought of as the production of homes, the paper also links up with the changes in housing consumption that are occurring within the American city. Indeed, there is a broad shift in the way that new homes are financed, constructed, designed and sold to America's consumers, and consequently, important differences in the way that households think about houses, about their design expectations, and about the kinds of neighboorhood in which they want to live. Accordingly, we can see that there are significant changes taking place within the housing market and, consequently, the urban development process.

The paper is organized in six parts. The first two sections provide an overview of the globalization of the real estate industry, and the ways in which the provision of housing are shifting. The next two sections then discuss the supply of, and the consumption of housing, especially as this manifested in specific localities. The paper then summarizes these shifts, before concluding with a discussion of the manner in which the national and international market is likely to change.

1. Issues in production: the new global marketplace

The construction industry is unusual, as it has tended to operate in relatively small, self-contained geographical markets in which supply and demand are in some sort of balance.[2] If the demand for real estate of any type increases, it is built, but as the demand decreases in step with other aspects of the economy, the construction industry in a region goes rapidly into recession (e.g. Scott, 1996). This tendency toward regional boom-bust cycles has long restricted construction to an inefficient pool of speculative builders and a relatively small number of national corporations. IRS data indicate that a decade ago, while approximately 70% of all US firms had assets of over $250 million, only 18% of construction companies did so (Urban Land Institute,1997).

In the ensuing decade, this situation has changed, for two reasons. First, the waves of economic development associated with globalization have generated a demand for construction of all types around the world, ranging from airports to new towns. These large schemes, often in evolving economies, have typically outstripped local design and building capacity. These waves have not been synchronized, and while some markets—such as those in Indonesia—have gone bust, these disturbances have not altered the reality of increased

1. This paper uses illustrative examples from a region that includes Southern California, Arizona, New Mexico, Utah, Nevada, and Colorado. I use the terms West and Southwest interchangeably for illustrative and not for analytical purposes.

2. Homes built in factories outside the region do exist but are generally regarded as low cost alternatives to a regular house and represent a small part of the market.

demand at the global scale (Riddiough, 2000). This means that a select group of corporations, growing to meet international demand, has been able to overcome the softness in one market by switching to meet demand in another region, thus offsetting the limitations of any particular region.[3]

A second change is in the way that construction is financed, and this has offset the complexities of working in multiple markets. Developers have long realized that their profitability depends upon a large volume of business; immediately after the second world war, William Levitt, for instance, introduced prefabrication, independent contracting and large-scale developments. He was able to use profits from initial sales to finance subsequent rounds of land purchases, and to draw on a massive line of credit underwritten by the FHA, but his firm remained profitable only as long as the regional market in the northeastern US remained robust (Jackson, 1985, p.238), and subsequent efforts to break into the European market were not successful, precisely because of problems associated with raising capital for what were seen as high-risk international ventures. Currently, the problem of capital access has changed, insofar as the construction industry can now raise money via the investment markets (Roulac, 2000). This has come about due to the convergence of a number of factors. The Savings and Loan debacle, which caused a near collapse of the mortgage market in the US, set the stage for Federal intervention and an overhaul of that market in the 1980s. One outcome has been the growth of tax-sheltered annuities and other investment schemes promoted by the Federal government, which has led to a massive increase in the amounts of cash flowing into mutual funds; significantly, part of this has gone into the specialized sector of Real Estate Investment Trusts (REITs). In 1990, there were 119 REITs with a market capitalization of $6.7 billion; in 1999 over 200 trusts had a capitalization of $140 billion (Freeman, 1999, p. 47). In addition, the re-packaging of loans into commercial mortgage-backed securities (CMBSs) has also generated a massive new secondary market, described by one analyst as «one of the great financial success stories of the 1990s» (Guttery and Sirmans, 1996; Riddiough, 2000, p. 52).

This capital has freed up funds for residential building and has revolutionized the construction sector. During the past decade, the industry's leading corporations have expanded into national and, in some cases, international companies. This has been facilitated by the digital information revolution that simplifies corporate operations in multiple markets (Castells, 2001; Fleming and Martinez, 1999). However, the combination of investment funding and the existence of multiple markets has also drastically altered the expectations of the industry. Profitability in the 1990s was measured against investment returns in a global economy where new technologies—digital and genetic—competed intensely (Lewis, 2000; Roulac, 2000). However, this should not diminish the long-term importance of real estate: the US commercial sector

3. The list includes Balfour-Beatty; Bechtel; Bovis; Hochtief AG and Vinci.

alone is worth $4 trillion, and the residential sector more than three times that (Economist, 2002b; Ling and Naranjo, 1999; Urban Land Institute, 1997). Further, the pace of construction in markets like South East Asia, India and South Africa has altered the norms of the business; huge schemes on greenfield sites involving thousands of apartments and/or hundreds of retail outlets have also transformed the expectations of profit levels on a project (e.g. Leisch, 2002; Kirby 2003).

In summary, then, the real estate market has been transformed by globalization, such that corporations must now evaluate their projects for profit measured against the very highest rates of return. US real estate corporations do make profits in the United States; construction in the US alone employs about 5 million workers and has a turnover of $600 billion annually, of which approximately $160 million is accounted for by new residential building (Di Pasquale, 1999). Profitability for these corporations has depended upon development opportunities that are analogous to the ones they have undertaken on other continents, in terms of size and complexity.

2. Housing supply in American cities

The results of globalization within the construction industry can be summarized as a shift towards large scale development, with individual projects expanding up to 20,000 hectares in area. This occurs for four reasons. First, the purchase of large tracts of land is typically cheaper on a per hectare basis, for while homeowners, speculative builders and even public organizations may drive up the cost of small parcels, they cannot typically compete for larger tracts. Second, big developments allow the fixed costs of infrastructure (such as roads or water supply) to be spread across a larger number of dwellings, and again, therefore, the unit costs are reduced. This is far from unimportant when it can cost $50 million to purchase and prepare the infrastructure for a 1000 acre development (Sexton, 1999). Third, and perhaps surprisingly, the risks are also smaller, as large developments allow the involvement of multiple home-builders who each take on the burdens of co-ordinating the logistics of home construction in a part of the overall project. Fourth, large developments facilitate an approach to planning that can rarely be achieved in smaller, interstitial projects. We can, again, think of these as economies of scale, insofar as the developer can provide more elaborate central facilities (a golf course or an intranet), but there are additional intangibles. A large development can offer a mix of dwellings that can be sold across medium-to-high price ranges, creating an illusion of social integration. The natural surroundings in a bigger development can also be sculpted more effectively, to both give a sense of integration (through the repetitive use of vegetation), and to limit water use and run-off by controlling the consumer's choice of plants and other aspects of the landscaping.

The size of contemporary residential developments has generated news stories that frequently use references to «theme parks» (e.g. Fletcher, 1999). The Anthem development in Arizona involves communal amenities costing over $77 million; other developments elsewhere in the country have swimming and boating areas (Houston, TX), a private casino (Henderson, NV) and a 150 acre nature reserve (North Carolina). While these are clearly life-style attributes, larger developments typically seek buyers who are also parents, by building schools located within the development. Often these are not exclusive, as they are built in conjunction with the local school district, but residents' children do have priority. Issues of access to these hybrid public-private schools have generated conflict from residents living outside the planned community, who complain of discrimination (Templin,1999).

These developments represent a change in the way in which the construction industry designs and markets homes, by placing emphasis upon communal facilities, community organizations and collective control of the appearance and management of the development. In some instances, this is manifested as an array of amenities (studies show that walking trails are the most popular, more so even than security features), and it has brought about a trickle-down effect throughout the industry. For instance, the large market for rental properties has also been radically altered by the urge to build large, integrated projects, which demand long leases and excellent credit from their residents. In short, changes in the market are redefining norms (and prices) throughout the industry and across the country. The issues of housing finance will be picked up in the next section, which now turns to the consumption of housing.

3. Issues in consumption: new roles for housing in the economy

The demand for housing has changed independently of these shifts in the market, and the most important single change relates to the way in which people save and spend. The rate of domestic savings has altered in the US, where there has been, historically, a high ratio of expenditure to income, (in contrast with European societies and Japan). In the last decade, even those relatively low rates of saving have been eroded; as Table 1 indicates, annual domestic savings rates declined during the 1990s until they were essentially non-existent.

Table 1

Year	Savings as % of Disposable Personal Income (DPI)	in billions dollars	Mortgage debt as % of DPI
1991	5.6	243	55
1992	5.7	264	57
1993	4.4	210	56
1994	3.5	176	57
1995	3.4	179	57
1996	2.9	158	60
1997	2.1	121	60
1998	0.5	027	62

source: extracted from US Department of Commerce data, Bureau of Economic Analysis and Bureau of the Census

Various explanations have been suggested for this change. Although there has been little research done on family budgeting strategies, (e.g. Avery and Kennickell, 1991), it has been argued that the incentives for saving are too low. However, this also hides complex changes in Americans' financial behavior. During the confident 90s, Americans became investors, placing resources into mutual funds and other speculative investments linked to retirement—by the end of the century, 49% of households owned some shares, and 48% of families had some type of retirement account (Bertaut and Starr-McCluer, 2000).[4] Because this was speculation rather than saving, the amount of consumer debt also grew. Credit card borrowing increased tenfold in thirty years, although still accounting for less than 10% of disposable personal income (DPI) (Maki, 2000). The largest component remains mortgage debt, which has risen from 36 to 66% of DPI (see Table 1). This now accounts for $4.4 trillion owed to financial institutions.

The loss of value in the stock market has made investment unattractive, and so housing appears even more attractive. Greater demand has pushed up prices, so that the average household is spending about one quarter more on housing than it did in 1992, adjusting for size and quality. The cost of the median new home has increased over thirty percent—to $170,000 in 2002 (approximately 170,000 Euros). The average household is also borrowing more to pay for it: 40% of households put down less than ten percent of the purchase price in 1999 (see Table 2). In summary, the home is now at the core of household finances—it is both the primary economic asset and the primary source of debt. For the typical family, the home accounts for 50-60% of net worth (in contrast to less than 10% for the most affluent households). It also accounts for two-thirds of total debt. Interestingly, this figure is rising, as is the relationship between house value and debt—this has nearly doubled since 1983, to the point

4. At the other end of the social spectrum, an astonishing seven per cent of American households have no documented financial assets whatsoever—not even a checking account (Bertaut and Starr-McCluer, 2000).

where mortgage and home equity debt is now at over 37% of home value (data from Survey of Consumer Finances; see Bertaut and Starr-McCluer, 2000).

This insight is of central to understanding the new American housing market. A dwelling represents not only shelter and access to a school district, but also dominates the household budget, both short and long term. Without any particular policy discussion, this has brought about important social and economic changes. First, it means that many households (although not the poorest nor the richest) are thinking about the home as an investment rather than solely as a place of shelter or a means to locate near to certain services (although these remain important). Second, it means that a larger and more recent home is assumed to generate a larger return on investment, as it is more likely to maintain its resale value in the market; conversely, a smaller and/or older dwelling is assumed to be more of a risk, particularly if its neighborhood goes through some social transition. From Table 2, for example, we can see that the resale value of existing homes in Phoenix has risen more slowly than for new homes in that market; between 1986 and 1996, prices rose only 29%, while new homes rose over 40% (at which point a shortage of new supply also began to drive up resale prices). At the national scale, the median price rose approximately 65%, despite minimal inflation in the later years. These are attractive rates of return on investment and they continue to attract households to home ownership, which is still expanding as renting declines (Economist, 2002a; Urban Land Institute, 1997).

Table 2
Growth in median house prices, for Phoenix and US, 1986 to 1998.

Year	Phoenix Single Family, Resale	Phoenix, Single Family, New	National Single Family, New
1986	75,000	92,650	92,000
1987	77,650	99,650	104,500
1988	78,000	103,950	112,500
1989	78,000	105,850	120,000
1990	79,000	109,300	122,900
1991	80,000	107,500	120,000
1992	83,000	108,800	121,500
1993	84,000	112,500	126,500
1994	87,225	124,475	130,000
1995	90,500	127,600	133,900
1996	97,000	130,750	140,000
1997	105,000	136,130	146,000
1998	113,585	139,070	152,500

Phoenix data extracted from Seidman Center, Arizona State University; national data from National Association of Home Builders and US Bureau of the Census.

4. The new American home

The intersection of these economic forces is given concrete form in the homes that average Americans strive to buy. The typical dwelling has altered dramatically—in 1975, the average new home was approximately 153 m^2 but by 1998, that had increased to approximately 203 m^2 and it is increasingly common to find homes that exceed 400 m^2 (National Association of Home Builders, 2000). This race towards larger properties has occurred at exactly the same time as the drift down in family size. The intact American family now typically consists of 2 adults and 2 children, but an increasing number of marriages end in divorce and the number of households headed by a single parent is at an all-time high. In consequence, the mean household was down in size to 2.62 people in 1998.

It is worth pointing out that the design criteria of the home go some way towards explaining this internal growth in a way that family size clearly cannot. For example, the modern house is fragmented in terms of the spaces that are offered by the developer. While a single kitchen is usual, two dining areas are typical, one formal, one informal. A master suite for the parents includes features (bathroom, closet space, office space) that might once have been located more centrally. Consequently, there is often duplication of these features. The same is true of living areas for children, with all children having their own bedroom and probably their own bathroom. This is also true of guest quarters, with the result that features such as bathrooms and offices are, again, duplicated. Nationally, 16% of homes also possess three garages (see Harris and Berke, 1997). Although the costs of home construction are not linear, it is not surprising that a larger dwelling, with duplicative features, costs more than its more modest antecedent. As we have seen, national and regional data indicate that new homes have increased dramatically in cost since 1978, but if we hold size, quality and inflation constant, then we can infer that approximately $30,000 has been added to the cost of the average home due to its larger size (NAHB, 2000).

To summarize, there have been important changes in the ways in which the suppliers of housing provide their product; at the same time there have been incremental shifts in the ways that American households think about the design elements that create the home. Despite the fact that many families no longer possess the traditional demographic markers of both parents plus their children, single-family dwellings are increasing in internal complexity and in size. In some measure, this can be explained by the fact that more and more households view their home as a central investment, and are seeking to maximize the returns on their housing costs with the largest dwelling that they can afford.

While these shifts have taken place nationally, the next sections indicate how these transformations play out in the context of the American city, focusing on the types of schemes that are defining the urban development process in cities such as Las Vegas and Phoenix. The scale of construction in these cities far outstrips that of other regions, and is largely a result of bringing raw land into development. Obviously, this scale of development is not possible in many urban areas, where supplies of land in greenfield sites is limited by a mix of agricultural and policy constraints, not to mention the existence of urban growth encroaching from other jurisdictions. Nonetheless, it is important to emphasize that it is the returns on investment in the Southwest that define the new norms within the industry as a whole. In Phoenix alone there are some 70,000 hectares currently scheduled for development. Not surprisingly, the pressure to build at the largest possible scale is now a nationwide phenomenon. Already, national leaders, such as the Del Webb Corporation, are constructing in the Midwest the kinds of development that they pioneered in the Southwest, and other corporations have also announced plans to move into Chicago and Minneapolis.

5. Locational decisions in the contemporary city

As noted above, consumers are very conscious of the home as an economic investment. We also have data on other aspects of the residential location choice as it plays out in rapidly growing cities (e.g. Glaeser, 1999). First, it seems that consumers are not inhibited by the length of the commute, and studies show that, indeed, only about 20% of trips are associated with work (Freund and Martin, 1997, p. 279). When both spouses, and perhaps children too, are working, when one or more partners may work from the home, and when job longevity is short, due to shifting demands for labor in a changing economy, planning a location that will fulfill all of these demands may be impossible. Second, we know that consumers are interested in the things associated with specific locations within cities. Consequently, websites offering residential location assistance provide data on crime statistics and school performance, and do so for neighborhoods, defining those to be individual zip codes. In Arizona, the location of indicted sex offenders is also searchable by zip code (Kirby, 2000). The performance of school districts and even of individual schools, measured by standardized test scores, has become a salient issue in state and local politics, and households are increasingly interested in comparing their tax liabilities and the service outcomes.

These different expectations cumulate to guide households to newer housing developments. In the burgeoning housing markets of the Southwest, the majority of new construction takes place in larger scale master-planned communities that may contain thousands of homes and cover hundreds of hectares. The attractions of these projects are manifold. First, because they are typically in peripheral

5. Blakely and Snyder argue that there is no statistical evidence that gated communities maintain their values better than other homes, but their study is based on a relatively small and unrepresentative sample size, measured in terms of the longevity of the study and its concentration solely on Southern California (1999).

locations, the cost per square meter is relatively low; as noted, the costs of commuting are ignored, not least because the price of fuel has been at historic lows in recent years. Second, crime statistics are lower than in central city locations, which occupy a symbolic importance in the imaginations of many residents, especially those who have migrated from older cities in other states. Third, and partially related to the question of security is the existence of walls, barriers, gates and guards. Together, these serve to maintain a psychic distance around these developments, for which they have received criticism (e.g. Davis, 1988). More important than security itself, though, is the sense of exclusivity that can be created, which has clear implications for the maintenance of resale values. For example, it is not unusual to find a second gated community within a larger development, made more exclusive by a golf course, golf club and similar facilities. Clearly, when the development is already patrolled, personal safety is of much less importance than enhancing the security of the household investment.[5]

The most important factor in ensuring stability, measured in terms of the growth of the equity in the family home, is the existence of Covenants, Conditions and Restrictions (CC&Rs). These are essentially updated versions of the covenants that were common in neighborhoods built prior to the 1950s, which restricted racial and ethnic access (Friedman, 1999; Jackson, 1986). While the CC&Rs do not control access, they do define many aspects of household behavior. They are normally drafted by legal firms who specialize in this field, are created at the behest of the developer, and are signed by all households who purchase a unit. These specify how the home shall be maintained, how it shall appear and how the household shall behave, paying particular attention to issues such as trash cans, car maintenance in the street or the parking of pickup trucks in the driveway. These documents, which can easily run to hundreds of pages, have come to define the parameters of middle class existence; and in maintaining this utopia, they also ensure that each home always appears as if it were ready for resale—which is, naturally enough, crucial for those families who are seeking to cash out the equity in their home by selling.

Of course, not all households do subscribe to these communal values, and in consequence there exist Homeowners' Associations (HOAs) or Community Associations, whose responsibility it is to patrol the CC&Rs. There are frequent disputes about the severity of the regulations, particularly over what the transgressors claim are First Amendment issues such as the right to fly the national flag on any occasion. To this point, there have been no successful legal challenges to the power of these associations, although the recent shootings of HOA members in an Arizona development have called attention to the extent of frustration felt by some residents and the power wielded by these organizations, dubbed «neighborhood fascists» by one observer (Knox, 1994). Nonetheless, the numbers of households living in planned communities have grown dramatically in recent years and it is estimated that they now include about 15% of American families. These have massive assets, as illustrated in Table 3, and can be thought of as potentially powerful actors within the realm of urban politics.

Table 3
Data relating to populations living in master planned communities in the US.

Indicator	1999 Data
Number of residents in condominium, cooperative and homeowners associations:	42 million
Estimated resale value of all community association units:	$1.8 trillion
Total number of community associations:	205,000
Community associations as a percentage of all U.S. housing:	15%
Estimated total reserves for all community associations in the U.S.:	$18 billion

extracted from: Community Associations Institute's 1999 Community Associations Factbook

In summary, the interests of developers and the concerns of residents have been made to coincide in the newer forms of privately planned community. Through the provision of fixed markers—a school that is primarily designed for residents, cyber technologies, retailing designed primarily or even exclusively for the neighborhood—the developer can emphasize that the dwelling is part of a well-maintained and maturing community. Naturally, the construction of walls and gates emphasizes that the development is exclusive and thus not subject to the vagaries of social change experienced by freestanding neighborhoods. Moreover, rules and regulations provide a sense of security to households who are concerned about their biggest financial asset but who have little contact with their neighbors and little time or inclination to manage their affairs via voluntary associations (Schweizer et al. 1998). This «moral minimalism», as Putnam describes it, is not mandated by the organization of the contemporary housing market, but it is certainly facilitated by it (Putnam, 2000, p.210). It is also not clear that there is any strong opposition to this continued diminution of civic involvement from Americans who are participating less and less in all manifestations of civil society.

6. Discussion and conclusions

This paper has documented the changes that are occurring in the US housing market; the purpose of this last section is to speculate on their implications for American cities, and even—albeit with less assurance—cities elsewhere. To summarize, there have been crucial changes in the provision of housing, as a result of globalization within the construction industry and the emergence of new forms of capital, such as REITs. The important outcome of these shifts is to place greater pressure on those working in the industry to maximize profit, which means that new developments in the US must be contrasted with other speculative possibilities, notably in countries where the scale of development can be much greater. Naturally, a global perspective reminds us that this insight is not only restricted to American cities, and can be applied to development in Europe, South Africa or Australasia, for example. It is also becoming clear that the role played by housing in domestic investment strategies is converging across countries; with the exception of Japan, most mature economies show similar patterns of price increase and price to income ratios (Economist, 2002a,b).[6]

As we have seen, the result of these processes is a proliferation of large privately planned developments. These are attractive to households seeking to maximize their investment by purchasing a large dwelling in a controlled social environment (see also Tu and Eppli, 1999). This has less to do with concerns about personal safety and much more to do with the perceived advantages of living in an enclave controlled by a home owners' or community association. These include access to exclusive services and controls on neighbors' behavior, both of which can be justified on the grounds of maintaining resale or equity value. Already, there is a literature that indicates that such developments are emerging in other societies (e.g. Leisch, 2002; Muñoz, 2003).

What do these changes in both housing demand and supply imply for cities? Clearly, the blueprints that have been turned into concrete in the Southwest cannot proliferate everywhere. Large developments assume peripheral locations and in turn collide with demands for smarter growth and less sprawl. These are politicized issues and while one does not have to be a representative of the development industry to suggest that not all the arguments against urban sprawl are completely compelling, it is clear that the forms of growth associated with the second half of the twentieth century have vocal critics (Pendall, 1999). That said, it remains the case that the construction industry now has the option to operate on a global platform and has expectations of profit to match. This means that redevelopment on brownfield sites where the costs are high and the returns low will not automatically attract developers, unless there are public subsidies to meet the shortfall in profit (for a review, see Nelson and Forster, 1999).

Criticism has been leveled against the emergence of privately planned developments on the grounds that they are exclusionary. This has certainly been fuelled by high profile schemes, led by the Disney Corporation's creation of Celebration in Florida, that seem to underscore a whimsical form of urbanism far removed from the realities of most Americans, regardless of where they live (Frantz and Collins, 1999). It is also possible to argue the opposite, namely that they are blueprints for a new form of governance that holds some promise for all cities. Without rehearsing the complex proposition that urban government has under-performed in recent years, it is interesting to note that there is a convergence between the ways in which both lower-income and higher-income households respond to the failures of elected officials. In the examples of the colonias of MexAmerica, where homesteaders struggle to create their own neighborhoods, and in the gated communities where everything is pre-

6. In Spain, for instance, house prices overall have increased by some 125% since 1980, an increase that exceeds all other advanced economies (Economist, 2002a).

packaged, the emphasis is upon a form of governance that has little to do with city hall as we have come to depict it (for a timely review of the development of the colonias (see Ward and Carew, 2000). Instead, it is upon a form of collective responsibility, much lauded in developing nations but greatly distrusted in the United States.

Clearly, it is a sleight of hand to try to shoehorn what we see in the very poorest neighborhoods into the same analytical box that holds some of the newest and most expensive dwellings being built in the country. Nonetheless, there are compelling connections, and it is these kinds of change that are prompting a renewed interest in the concepts of urban governance (Pierre, 1999). It would be, to repeat, naïve to see coalitions emerging between the poor and the affluent in this manner, but there is no question that a renewed interest in the urban housing market will allow researchers to pinpoint these compelling developments, occurring at the intersection of market, government and civil society.

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