# Real Estate Economics : A Point-To-Point Handbook

CHAPTER 3 DEL LIBRO è IL MIO CAPITOLO SUGLI EFFETTI DEL SISTEMA INVENTATO SULL’ECONOMIA.

Pag. 6 : The time horizon for investment in buildings (or other land-bound construction) is longterm, and the investment itself is usually of substantial size. In shanty towns, such ‘investment’ betrays a commitment to gain a foothold in the city, with all sorts of social, political, environmental, and labour-market repercussions. In free-market developed countries, such investment (more properly called so in this context), whether in the form of new construction, or renovation, or in the form of purchase of second-hand buildings, and on account of its necessarily large size, typically requires substantial monetary outlays. This means that, one way or another, sooner or later, long-term ﬁnancial instruments like mortgage loans come into play, whose interest rates interact, however, with those of other longand even short-term ﬁnancial instruments (if the wider ﬁnancial market is efﬁcient enough). Thus, RE affects – and is affected by – ﬁnancial markets through interaction between mortgage and other interest rates and yields , which then affect the entire economy. However, the interaction between mortgage rates and other rates is not the only interface between RE and ﬁnancial markets. RE is itself an asset, and as a result RE returns interact directly with returns on other assets (see Chapter 5). For example, rents and the prospects of capital gains on a piece of RE compete with dividends and possible capital gains on a company’s stock, or with the yield on a government bond. Fa parte dello status quo, il mercato immobiliare è long term investment e produce questa cosa problemi ed implicazioni economiche, noi vogliamo sovvertire.

Pag. 7: From RE demand and supply to GDP and ﬁnancial markets.

Diagram

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Pag. 8: Necessità di creare un database per prezzare le case in modo giusto

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Pag. 8: da verificare, è possibile che il sistema attuale porti a bolle immobiliari in modo naturale per come è costruito per via della stretta relazione tra mercato immobiliare e debito. Bisogna fare debito perché comprare casa necessita di grande quantità di soldi.

Overall, RE is a key element of the macro-economy, including (local) government ﬁnances. RE’s relationship to consumption, saving, and the GDP has already been mentioned. So has its investment aspect, and its link to the capital and the labour markets. Through all these channels, RE interacts with the wider economy. For instance, new construction and renovation contribute signiﬁcantly to GDP. But consider the following example, which draws the capital market into the picture too. A drop in lending rates makes RE more affordable (a rise has the opposite effect). Greater affordability leads to increased demand; i.e., for a given RE price, the quantity demanded becomes larger. However, with the supply of RE being rather inelastic (especially in the short term), the price of RE rises too. There will probably be an increase in the availability of previously vacant properties, but eventually the rise in price will make new construction more proﬁtable, so supply increases further. New construction augments GDP and (presumably) overall economic prosperity. Interestingly, the whole process may proceed relatively smoothly, or it may lead to a RE price bubble (see Chapters 8 and 11), whose eventual burst may have dramatic consequences for lending institutions and ultimately the whole economy – and thus for the lives of millions. Reasons for such a big effect involve the wealth aspect of RE, its investment aspect, and its relation to debt (i.e., the debt that many people incur in order to ﬁnance their purchase of RE).

Pag. 9:

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Pag. 130: Status quo mezzi di investimento

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Pag. 131: differenza RE/stock bonds

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