

# The Real Estate Industry

Agents, Builders and Developers

“Nature made it perfect, we made it profitable”

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# Starting Point

“Suburbs are not a thing apart nor mere excrescences from city life. Suburb and city are interdependent parts of the metropolitan whole that was created by the bourgeois phase of capitalist urban development.”

(Barnes 1990)

## **Proposition 1:**

- Water issues are linked to urban development.

## **Proposition 2:**

- We cannot understand urban development if we don't study the entities (groups, institutions, individuals) involved in it.

# Urban Development

- **Housing Boom** after WWII:

Demand > Supply = **Homebuilding Industry**

Residential Low-density Planned Communities



**Private decisions** influenced +/- by 1 or more prior **governmental policies, programs or regulations** – zoning, taxes, water line extensions, FHA mortgage terms.

- **Federal Government** offered *loan guarantees* to help long-term mortgages.
- **Local Governments** used *zoning and land-use planning* to drive capital investments, favoring local growth.
  - **State of Arizona**, as the biggest owner of farmland, maximized its revenue by selling lands (historically anti-planning and entrepreneurial)
  - **Pima County and City of Tucson** did not have strong planning policies.

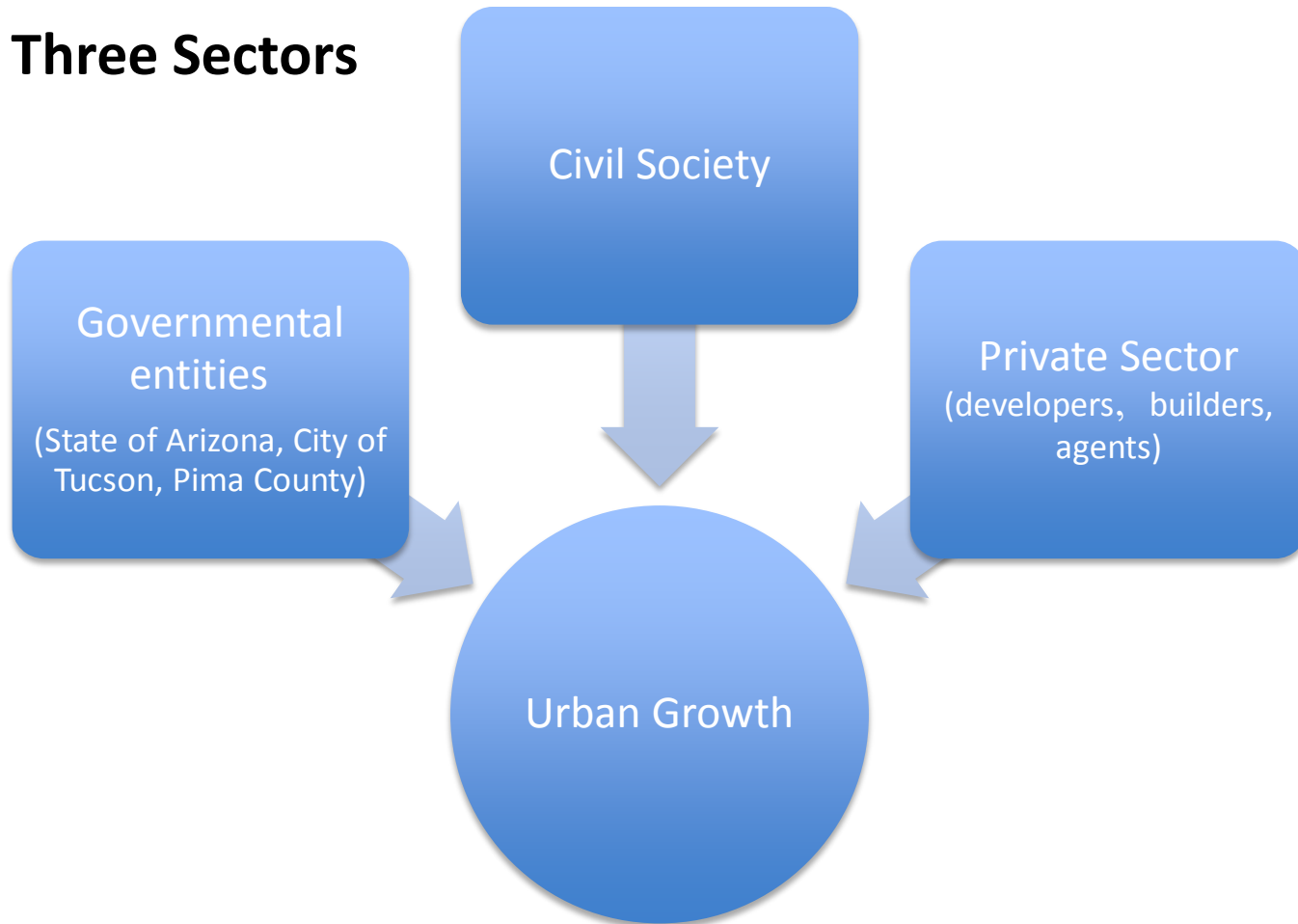
“The cities grew up in the middle of the farmland. The real estate interests, the money people- they’re all in Phoenix and Scottsdale and Tucson. They didn’t want to move. So we’re going to move the river to them. At any cost. We think.”

(Reisner, *Cadillac Desert*, p. 305)

- **Water politics** needs to be understood within “**economic and urban growth**” agenda
- Historical Recap:
  - **1963 Lawsuit:** Arizona guaranteed an allotment of lower Colorado River water, giving the state 2.8 million acre-feet per year → Securing Water
  - **CAP:** primordial for urban development
  - **1980 GWM Act:** condition for receiving CAP funds.
    - Did restrict water pumping
    - Any developer should guarantee 100 years of water supply to be able to sell properties
  - In reality, Department of water resources (+ Congress) saw it as developers need to sign up for CAP water and don’t rely on groundwater

# Entities

## The Three Sectors



# Studying the Private Sector (Builders, developers, agents)

- **Key role in the expansion of urban areas in Arizona**

## Question:

How do they navigate the space of opportunities and constraints:

- To buy lands, construct and sell houses?
  - To build communities and bring infrastructures and resources?

- **Interviews with RE Agents**  
(N=40)
- **Interviews with Developers/ Homebuilders**  
(N=20)

**“Fortunes in post-war Arizona** were not made of gold or silver mining but in **real estate**. Arizona became a vast Monopoly board of new land waiting to be developed.”

(Sheridan, *Arizona: A History*, p. 353)

- Historically, **few constrains on development**
  - Not only the result of individuals choices or infrastructure building.
  - Lack of regional coordination with respect to land and planning.
  - Availability of land and water resources (CAP)
- ➔ investments/ private sector to launch anywhere possible a business or anyplace where economic and profitable development can be made.



- **Currently**, there are more **constrains** on **development**
  - **Developer contributions**: developer construction of necessary infrastructure.
  - **Development impact fees**: fees charged for paying for the facilities and infrastructures needed to serve new development (City of Tucson, Marana, Oro Valley... and Pima County)

SAHBA Paradox:

High fees force more homebuilding out of town

“Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization.”

(Code of Ethics, National Association of Realtors, 2014)



- **Purchasing, Allocating Land and Building as a Profitable Activity**
  - Very lucrative business (low investment, high return)
  - Making sure the land is sold and allocated properly (economic growth and value)

- Organize and control their activity and impact local decision-making through **professionalization, representation** in different institutional boards, **involvement** in the community.
- Importance of **associations** to defend **interests** and **struggles** of the private sector (Cf. Lynn Spillman)
  - *National Association of Realtors + Local Real Estate Boards*
    - **Tucson Association of REALTORS® (TAR)** (Since 1921)
  - *National Association of Homebuilders*
    - **Southern Arizona Home Builders Association (SAHBA)** (Since 1952)

“Any man who wants to know anything about law must go to a lawyer. Any man who wants to know anything about medicine must go to a physician. If he wants to know **anything about real estate or land** he must go to a **real estate man.**”

(Realtor Nichols 1920's)

- **Control of Knowledge/ Expertise**
- **Construction of the Real Estate Person**
- **Development of “realogy”**
  - “knowledge, including city and regional planning, architecture, housing reform, demography, sanitation engineering, and road surveying.” (Hornstein 2005, p. 111).

# Real Estate agents

- Who are they? What do they do?
  - 4,500 agents but top producers are +/- 300 agents.
  - Independent contractors
  - Listed through the Tucson Association of Realtors (quite easy to survey)



# Homebuilders

- Who are they? What do they do?
  - National and Local



# Conclusion

- Goals of studying the private sector (agents, builders, developers)
  - Understand **mechanisms of urbanization** through **land** (=buying, selling and allocating) within a region with **increasing environmental challenges**.
  - Consider the practices of **entities** in a **broader urban environment** (a city-environment system).
  - Understand **dynamics behind the development of a community**, the **modes of occupying and controlling space** and **natural resources**.