



Modern Building Materials, Structures and Techniques, MBMST 2016

Integrated approach of real estate market analysis in sustainable development context for decision making

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Abstract

Building entrepreneurship and real estate investment decision making are closely associated with real estate market and economic development analysis. The aim of the study is to analyze real estate market in sustainable development context for decision making. Integrated real estate market analysis allows contributing into effective decision-making both for business sector, as well as in the formation of the national macroeconomic and real estate market policies. The analysis, synthesis and logical access methods have been used in the research. During the research real estate market development index has been developed. Future research directions were defined as well.

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Peer-review under responsibility of the organizing committee of MBMST 2016

Keywords: construction; real estate market sustainability; decision making; investments; real estate market development index; PESTEL.

1. Introduction

Costs of ineffective management and decision making can be very high, especially in construction industry. Costs of ineffective management can be losses, reduction of salaries, unemployment and socio-economic problems of unemployment, stress of unexpencancy, unmanufactured GDP and other costs. The aim of the study is to analyze real estate market in sustainable development context for decision making. Construction entrepreneurship economic performance indicators are affecting also the real estate prices, which are constantly changing over time under

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condition of the market economy. Negative aspects of fluctuations can be expressed in economic slumps and recessions. Milton Friedman [1], Hyman P. Minsky [2], John Kenneth Galbraith [3], and many other scientists have analyzed financial crisis. James Kenneth Galbraith [4], as his father, John Kenneth Galbraith [3], believes that the crisis of 2008 and the Great Depression had the similar causes, it is supposed that both these crises have many similar features, but they are not comparable in terms of the severity of the circumstances for the US, as there was no safety bag in the 30s; during the last crisis in the US, these mechanisms and other measures were introduced very quickly. Markets in general can be characterized by several metrics, including liquidity, allocative efficiency and trading volumes [5]. Market power and regulation also was analyzed by Jean Tirole [6], who analysed also such important fields as strategic behavior and information economics. At the same time Angus Deaton [7] during demand analysis found that demand for commodity depends on its own price, on the price level of all other commodities, and on total expenditure, so the household's demand for each commodity is changing in response to changes in price level and total expenditures, but uncertainty and liquidity constraints is in individual consumption. All mentioned aspects shows a high level of importance of research question. According to Hyman P. Minsky [2], the key determinant of behavior remains level of profits, in spite that nowadays exists greater complexity of financial relations in comparison with previous times. In this research special attention is focused on sustainable real estate market development and decision making, and includes decision making support activities and integrated real estate market analysis. The results of the research and developed models can be used in many countries, with adaptation of influencing PESTEL and sustainability factors and factor weights to particular cases.

2. Theoretical aspect overview

Real estate market and construction industry development is inseparable with sustainability concept. Important are all aspects of sustainability, but for macroeconomic development especially important is real estate market economic sustainability. Definitions of real estate market, economics and sustainability are shown in Table 1.

Table 1. Real estate market economic and sustainability definitions [authors` construction].

Real estate market	Economics	Sustainability
<p>„<i>The real estate market</i> is the interconnected system of the market mechanisms providing creation, transfer, management and financing of real property. The real estate market represents set of regional and local markets which are significantly distinct from each other on price and risk levels, efficiency of real estate [8;9];</p> <p>„<i>The real estate market</i> - the socio-economic and political system, within which the real estate transactions at an agreed price and in an agreed time and place, taking into account the restriction in the national legislation in relation to the real estate transactions” [10].</p>	<p>„<i>Economics</i> is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man” [11];</p> <p>„<i>Economics</i> is the science which studies human behavior as a relationship between given ends and scarce means which have alternative uses.” [12];</p> <p>„<i>Economics</i> is the "study of how societies use scarce resources to produce valuable commodities and distribute them among different people" [13];</p> <p>„<i>Economics</i> is the social science that examines how people choose to use limited or scarce resources in attempting to satisfy their unlimited wants.“ [14];</p> <p>Adam Smith [15] defined <i>economics</i> as „an inquiry into the nature and causes of the wealth of nations”;</p> <p>Kočanova, Geipele un Ketners [16] found that „environmental science researchers L.Meadows [17, 119] and H.Daly [18, 43] introduced the concept of „<i>the economy in the balanced position</i>”, but to describe the economy which was in the balance with „the main environmental systems“; there was used the term sustainability [19, 30]”.</p>	<p>"<i>Sustainability</i> = continuity of economic development, environmental protection, and social equity [20];</p> <p>If to describe '<i>sustainability</i>' and '<i>sustainable development</i>', as an aggregate of characteristics including economic security and growth, environmental quality and integrity, social cohesion and quality of life, empowerment and governance [21]</p> <p><i>Sustainable</i> development - „development that meets the needs of the present without compromising the ability of future generations to meet their own needs." [22].</p> <p>"<i>Sustain</i> - to cause to continue (as in existence or a certain state, or in force or intensity); to keep up, especially without interruption diminution, flagging, etc.; to prolong." [23]</p> <p>"<i>Sustainability</i> - improving the quality of human life while living within the carrying capacity of supporting eco-systems." [24]</p> <p>18 principles of <i>sustainability</i> of The Rio Declaration on Environment and Development [25] and other</p>

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