

Lidia Diappi *Editor*

Emergent Phenomena in Housing Markets

Gentrification, Housing Search,
Polarization



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Contents

1 Introduction	1
Lidia Diappi	
Part 1 Modeling the Spatial Behavior of Agents	
2 Employing Agents to Develop Integrated Urban Models: Numerical Results from Residential Mobility Experiments	19
Oswald Devisch, Theo Arentze, Aloys Borgers, and Harry Timmermans	
3 Modeling Housing Market Dynamics Using a Multi-agent Simulation of Participants' Cognitive Behavior	43
Maryam Esmaeili, Alberto Vancheri, and Paolo Giordano	
4 Redevelopments and Gentrification: A MAS Model of the Urban Housing Market in Milan	85
Lidia Diappi and Paola Bolchi	
Part 2 Empirical Investigations	
5 Between Friends and Strangers: Schelling-Like Residential Dynamics in a Haredi Neighborhood in Jerusalem	103
Shlomit Flint, Itzhak Benenson, Nurit Alfasi, and Yefim Bakman	
6 Gentrification Without Exclusion? A SOM Neural Network Investigation on the Isola District in Milan	127
Lidia Diappi, Paola Bolchi, and Luca Gaeta	
7 Urban Policy and Gentrification. A Critical Analysis Using the Case of Paris	151
Anne Clerval and Antoine Fleury	
8 Conclusions	171
Lidia Diappi	

List of Figures

Fig. 2.1	General structure of a decision table (Figure from Verhelst (1980))	27
Fig. 2.2	Example of an activity diagram (Figure from Gooch (2000))	28
Fig. 2.3	Example of a decision tree; the square node represents a decision node and the circular node represents a nature node; U represents utility	29
Fig. 2.4	Decision table of a student with preference-profile 2	31
Fig. 2.5	Activity diagram of unboundedly rational students in a stationary housing-market	31
Fig. 2.6	Decision tree of an unboundedly rational student in a stationary housing-market; o represents a residence; $U(v, c)$, $U(o_0)$ and U^0 represent the utilities the student expects to derive from living in, respectively, a residence belonging to a residence-class v and price-category c ; the parental home o_0 ; and the current residence	32
Fig. 2.7	Activity diagram of unboundedly rational students in a non-stationary housing-market	35
Fig. 2.8	Activity diagram of boundedly rational students in a non-stationary housing-market	36
Fig. 2.9	Decision table of a student with preference-profile 2	37
Fig. 2.10	Decision tree of boundedly rational students in a non-stationary housing-market	38
Fig. 2.11	Results on the level of single students; the life-course is indicated as a <i>full line</i> , the move-course as a <i>dotted line</i> . The life-course of an eventual partner is indicated in <i>grey</i> . The o-signs indicate moves within the same profile	39
Fig. 3.1	stress-resistance hypothesis. The figure depicts the time-related behavioral decision-making process consisting of householder stress, resistance, and choice-decisions	50
Fig. 3.2	Typical structure of a fuzzy logic system	54
Fig. 3.3	The fundamental steps of the market model proposed	59
Fig. 3.4	Conceptual model of the stress-resistance model	60
Fig. 3.5	The conceptual model of the proposed product selection mechanism	63

Fig. 3.6	Conceptual model of supply maker behavior	64
Fig. 3.7	Negotiation protocol between two agents	66
Fig. 3.8	Comparison of Swiss populations in 2008 in different districts of Lugano produced by IRE and simulation	66
Fig. 3.9	Comparison of Italian population in 2008 in different districts of Lugano produced by IRE and simulation	76
Fig. 3.10	Comparison of Portuguese population in 2008 in different districts of Lugano produced by IRE and simulation	77
Fig. 3.11	Comparison of Turkish population in 2008 in different districts of Lugano produced by IRE and simulation	78
Fig. 4.1	The rent gap theory. Rent variation in an urban area (Reworking of Smith (1979), p. 544)	79
Fig. 4.2	The real estate market cycle (Müller 1995)	87
Fig. 4.3	Regression line between estimated data (cycle 120) and real data (2003, OSMI)	89
Fig. 4.4	(a, b) Comparison between real estate rents structure observed and estimated by the model (cycle 121)	93
Fig. 4.5	A projection of the real estate rents in year 2013, cycle 241	94
Fig. 4.6	The cyclicity of average rent	94
Fig. 4.7	The urban mean rent trend with and without the effect of redeveloped	96
Fig. 4.8	The master plan and the eight urban renewal projects: (1) Quarto Oggiaro, (2) Rubattino 1 e 2, (3) Santa Giulia, (4) Bisceglie Lorenteggio, (5) Portello, (6) Pompeo Leoni, (7) Piazzale Lodi, (8) Bicocca	96
Fig. 4.9	(a) Simulation results after 100 cycles without interventions. (b) Simulation results after 100 cycles including redevelopment projects	97
Fig. 4.10	Distribution of housing units in rent classes with and without the effect of the planned developments after 100 cycles	97
Fig. 5.1	Jerusalem, the expansion of the city's borders; (a) population groups (b) Sanhedria and old city	108
Fig. 5.2	Sanhedria buildings and the coverage of Voronoi polygons constructed based of buildings' centroids. Voronoi-neighbors of the selected building (<i>Black</i>) are shown in <i>Gray</i>	109
Fig. 5.3	Population dynamics in Sanhedria in absolute numbers	112
Fig. 5.4	Spatial distribution of Lithuanians, Hassidim, Sephardim, Foreign-Lithuanians, National-Religious and Secular in apartment buildings, Sanhedria 1983–2008	114
Fig. 5.5	The dynamics of Haredim residential segregation in Sanhedria, according to Moran I index, during the period of 1982–2008	115
Fig. 5.6	The probabilities to leave the apartment on the fractions of sects in the building	116

Fig. 5.7	The probabilities to replace friend on the fractions of sects in the building	118
Fig. 5.8	The probabilities to leave the apartment as dependent on the fractions of other sects in the building's neighborhood	118
Fig. 5.9	Significant dependencies of the probabilities to replace the family of the same sect on the fractions of each of the other sects in the building's neighborhood	119
Fig. 5.10	Significant dependencies of the probabilities to replace the families of the other sects as dependent on the fractions of families of the same sect in the building's neighborhood	120
Fig. 5.11	The dynamics of Hassidim – sephardim pattern	122
Fig. 6.1	Map showing the extent of the gentrification process in Milan between 1991 and 2001 defined on the base of the multi criteria evaluation method	134
Fig. 6.2	Boundaries of the study area and its main streets	135
Fig. 6.3	The area beyond the Comasina gate in 1888 and 1936. In <i>black</i> the Isola district	135
Fig. 6.4	The Garibaldi Repubblica redevelopment	136
Fig. 6.5	Household composition of immigrants in the Isola district by period of arrival compared to Milan	138
Fig. 6.6	Comparison by age between the Isola district and Milan (census data 2001)	139
Fig. 6.7	Housing units of respondents by period of settlement and period of construction (data from interviews) in comparison with the period of construction of housing in Milan (census data 2001)	139
Fig. 6.8	Housing units of respondents by period of settlement and house surface area (data from interviews) in comparison with the average house surface area in Milan (census data 2001)	140
Fig. 6.9	Location of the former dwellings of respondents in the Isola neighbourhood	140
Fig. 6.10	Workplaces of respondents in the Isola district	141
Fig. 6.11	Opinions on the seriousness of problems and on the facilities in the district (weighted average)	142
Fig. 6.12	Factors that positively or negatively affect the district	143
Fig. 6.13	Functioning of the SOM RN: the network is deformed by the learning algorithm to bring the nodes close to the groups of observations	144
Fig. 6.14	The nine groups prototypical profiles (Codebook)	145
Fig. 6.15	The prototypical profile (Codebook) for the group C11	146
Fig. 7.1	Paris: study area	155
Fig. 7.2	IRIS typology in Paris according to main residence characteristics and social category of households in 1982	156

Fig. 7.3 IRIS typology in Paris according to main residence characteristics and social category of households in 1999 156

Fig. 7.4 Towards a redefinition of leisure centralities by the public authorities 164

List of Tables

Table 2.1	Average results on the level of the whole population (in the experiment without joint decision-making, only the moving behaviour of the student making decisions is recorded)	32
Table 3.1	Household entity and it's low-level state variables	57
Table 3.2	Apartment entity and it's low-level state variables apartment	58
Table 3.3	Supplier entity and it's low-level state variables apartment supplier	58
Table 3.4	Parcels entity and it's low-level state variables apartment supplier parcels	58
Table 3.5	The feature have been used for satisfaction evaluation	72
Table 3.6	The variables considered by a householder living in hectare 35 at the 2nd round of simulation with a 5,000 CHF/month income and 2 household members	73
Table 5.1	Importance of apartment's price, neighbors' identity and institutional proximity in apartment choice, by Haredi sect	112
Table 5.2	Sects' segregation in the buildings in 2008; note that total population percentage of four Haredi sects in Sanhedria is 95.9, the rest are National Religious and Secular families	115
Table 5.3	Averaged over 1983–2008 probability to replace a family of an own sect	116
Table 5.4	Averaged by 1983–2008 probability to replace the family of the other sect in an apartment	118
Table 5.5	Averaged annual probability to leave an apartment	118
Table 5.6	The revealed dependencies between the probabilities to leave, to replace the friend and to replace the stranger and the frequencies of the sects	120
Table 6.1	Multicriteria assessment of gentrifying districts: indicators and ranking	132

Table 7.1	Evolution of housing lacking basic conveniences compared to “official” social housing in Paris since 1982 (Source INSEE RGP 1982, 1990 and 1999; Mairie de Paris, 2006)	159
Table 7.2	The “green quarters” in their socio-demographic context (source INSEE RGP 1999, Mairie de Paris/Direction de la voirie; based on Fleury 2007, pp. 305–306)	162

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Abstract

Here a preliminary presentation of the book is provided. Its aim and specific point of view on housing market dynamics are presented together with some fundamental concepts underpinning all the chapters in the book. An initial explanation of the concept of emergence and an overview of its application in urban studies is followed by a presentation of the Multi Agent Systems approach and its potentialities in modeling emerging phenomena. Then a survey of the state of the art in housing market modeling allows to introduce the subjects more developed in this book: housing search, price dynamics and relocation processes, gentrification, social polarization and segregation. A synthetic description of the content of the book concludes the chapter.

The Potentialities of a Micro View in the Housing Market

Housing market dynamics have been widely explored by many studies in economics, appraisal, planning and sociology. Nevertheless, some new approaches focusing on the micro behavior of the agents involved (landlords, tenants, developers, investors) may yield unexpected insights into the evolution of this market. At present, phenomena such as gentrification, social polarization, or market cycles do not find sufficiently clear and convincing explanations if analyzed at the aggregate level characterizing many current real estate scientific approaches. But if considered as bottom-up phenomena arising from the interaction among, and the collective learning of, people searching for a home or an investment opportunity

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may be approached as emergent systems exhibiting unexpected properties generated by a new organization.

This micro view is in synergy with a new concept of planning based on the belief that any policy or plan is viable and effective if it is developed with the direct involvement of local stakeholders, and if it promotes cooperation rather than enforcement.

In this respect, the approach proposed in this book may aid understanding of the extent to which urban space and local interaction among a myriad of actors should change the dynamics and the organization of the city. This may furnish important knowledge to support planning authorities and market agents involved in revitalization or redevelopment plans.

Indeed, the success of an urban renewal policy is increasingly founded on incentives for private investors or property owners to improve dwellings and buildings. This concerns creating the most suitable conditions, in terms of the quality of urban space and accessibility, for the real estate market to improve its values. In so doing, the public policy triggers improvements in urban fabrics instead of deciding and controlling every relevant outcome in detail as the past comprehensive view of planning used to entail. Hence the various logics and interests involved are essential knowledge components for every agent intending to operate in this market.

This book is about emergence in the housing market. This means that the focus is on novelties, on the new organizations which may arise from the dynamics of the market.

Urban space is constantly changing with respect to three fundamental variables:

1. Social composition (household size, age, educational level, ethnic group)
2. Physical status (maintenance status, which determines rehabilitation or degradation dynamics)
3. Economic features (tenure, prices and rents).

Phases of revitalization or deterioration, accompanied by social filtering up or down, alternate to a greater or lesser extent in every neighbourhood of a city according to the specific role that each of them assumes within the urban real estate market as a whole. In general, this periodic oscillatory behavior stabilizes around an equilibrium, because the local housing market system is able to recover and maintain its identity. Nevertheless, at a certain time, some neighbourhoods may undergo a structural change which consists in an abrupt shift to a new stable equilibrium. They acquire a new identity differently characterized with respect to three basic dimensions: society, urban space, and economy.

This book gives insight into these dynamics by presenting theoretical and experimental analyses of three phenomena: the home-search process, gentrification, and social polarization. It is a first attempt to demonstrate the potential of this approach; it makes no claim to cover all the situations in which emergence in the housing market may appear. Instead, the aim of this book is to open new directions for research.

This brief introduction clarifies the concept of emergence in light of current developments in the study and modeling of housing market dynamics.

What Is Emergence?

At an intuitive level, the concept of ‘emergence’ can be considered synonymous with qualitative novelty which is unpredictable and non deducible on the basis of the previous properties. This concerns the various components in isolation or as a whole, and the properties of the system as a unit. Emergence is a ‘pattern formation’ characterized by a self-organizing process driven by non-linear dynamics. The non-linearity of the process makes the ‘emergent pattern’ unpredictable: different possibilities are open, without one being able to predict which one of them will be realized.

As Rosen pointed out (Rosen 1978, 1991, 2000), the concept of emergence is closely bound up with complexity. This is contrary to the simplicity of aggregative systems, which can be described on the basis of the behavior of their isolate parts, and it is apparent in the appearance of new properties not deducible from the model adopted.

A system’s emergence may exhibit the following characteristics:

1. Changes in the micro-structure may alter macro-phenomena;
2. New and surprising forms may emerge from simple rules. As John Holland puts it, “much comes from little”;
3. Their parts all begin to achieve global order simultaneously;
4. Dynamics have become significantly more important than structure in acting as the essential driver of change.

The general theory of emergence is not a unique, field-independent and scale-independent phenomenon with general disciplinary validity. Rather, it has different dynamic and interacting levels of description in order to introduce multilevel hierarchical modeling as a general approach to be used in principle.

The study of emergence processes implies the need to model and distinguish, in different disciplinary contexts, the establishment of structures, systems and systemic properties. On analyzing an emergent system, the observer detects the properties different from those of the component parts.

Systems do not only possess properties; they are also able, in their turn, to produce new emergences. Examples of the emergence of systemic properties are the cognitive abilities of natural and artificial systems, collective learning abilities in social systems like flocks, swarms, markets, or the functionalities in networks of computers.

The models of the processes introduced thus far are based on the theories of phase transition, bifurcation, dissipative structures, and multiple systems (collective beings).

In the 1980s and 1990s the concept of emergence was widely investigated in the field of urban geography in order to understand and model the formation of an urban hierarchy. Under the influence of Prigogine’s paradigm of dissipative structures, his group at the Université Libre de Bruxelles (Allen and Sanglier 1981) investigated the idea of self-organizing systems as providing a new basis for understanding the dynamics of urban growth based on the fundamentals of central place theory. The Paris school then applied the model to French

agglomerations (Saint-Julien et al. 1989), while Wilson (1981) and Lombardo and Rabino (1984) developed a central place model based on disequilibrium between labour demand and supply. Camagni et al. (1986) developed an urban hierarchical model based on the driving force of innovation.

All these studies made a remarkable effort to explain the rise of new structures by using new modeling techniques which explicitly introduced the interaction between the micro level, represented by citizens freely deciding to move or to stay in the city and entrepreneurs undertaking urban activities and functions, and the macro level of the system given by the size and functional rank of each center.

Multi-agent Systems (MAS)

Since then, many improvements have been made to both conception of the model and the formalization of processes. The most important improvement has been to consider agents as intelligent entities able to learn and to interact with the environment.

Intelligence, like science (Latour 1987), is not an individual characteristic which can be separated from the social context in which it finds expression. A human being cannot develop properly if he or she is not surrounded by fellow human beings. In other words, other people are indispensable for our intellectual development.

Two main objectives are pursued by focusing on individual interaction with other agents: the first important area is the theoretical and experimental analysis of the self-organization mechanism, which comes into play when several autonomous entities interact. The second is the creation of distributed artifacts capable of performing complex tasks through cooperation and interaction.

MAS lie at the crossroads of several disciplines. The two most important of them are:

1. Parallel Distributed Processing (PDP) (Rumelhart and McClelland 1986), among them, Cellular Automata, or Neural Networks, the purpose of which is to create organizations of systems able to learn by means of the recursive processing of input; and
2. Artificial life (AL) analysis, which seeks to understand and model systems possessing life, that is, able to survive, adapt and reproduce in sometimes hostile surroundings.

As shown by the overview in Batty (2005), the MAS approach is becoming a highly popular technique with which to develop urban simulation models owing to the anthropomorphic character of agents. In fact, "*Agent-based modelling is especially powerful in representing spatially distributed systems of heterogeneous autonomous actors with bounded information and computing capacity who interact locally.*" (Epstein 1997, pp. 42).

The distinctive features of Multi-Agent Systems may be summarized as follows:

- They model (spatial) behaviour at the level of individual decision-makers pursuing their own goals,
- Exhibiting a unique lifestyle and life-course,

- With personal cognitive representations of their environment,
- Perceiving and learning this environment on the basis of their experiences,
- Being part of a self-selected social network, and
- Interacting with other agents according to their own standards.

All these features have made this approach the most useful one in recent efforts to model the real estate and housing market.

Agents are able to act, and not just to reason as in traditional AI systems. They act within an environment, and their knowledge is limited and conditioned by the context. They communicate with each other.

MAS bring a radically new solution with respect to the more frequent forms of modeling used, such as differential equations or transition matrices, by enabling the direct representation of individuals, their behaviors and their interactions. Multi-agent simulation is based on the idea that it is possible to represent in computerized form the behavior of entities which are active in the world. It is thus possible to represent a phenomenon as an outcome of interactions arising from an assembly of agents with their own operational autonomy.

The micro-analytical models used to simulate the agent-based environment are able to control the agent's characteristics and to reproduce a series of experiments, as we were dealing with laboratory situations, moving individuals around, changing their behaviors and modifying the environmental conditions. Integration and flexibility are the principal advantage of MAS modeling, which partially off-sets the difficulty of validating the research outcomes, since the traditional rules of parsimony and the independence of validation do not easily apply to models of this kind, as Devish et al. point out in this book.

The micro-scale description which characterizes the MAS approach, with agents representing individual decision units, is suitable for articulating micro-spatial, socio-economic assumptions and other well-formed behavioural theories of urban processes, including land-use change. This is because many simulation tools use parallel distributed computing, which is particularly suited to describing interactions between subjects. This permits the generation of new, socially-based types of knowledge which can greatly increase the effectiveness of analysis, simulation and planning.

The State of the Art in Housing Market Modelling

Housing Search, Price Dynamics and Relocation Processes

Numerous contributions to the housing market literature have used theories of search and matching to explain vacancies, mobility and prices (Arnott et al. 1999; Martinez and Roy 2004). This approach, which Anas has termed "New Housing Economics", typically treats some aspects related to idiosyncratic differentiation in housing units and tastes, but ignores the causes of residential mobility and assumes that the supply is exogenously given (Arnott et al 1999; Anas 1997; Igarashi and Arnott 2000).