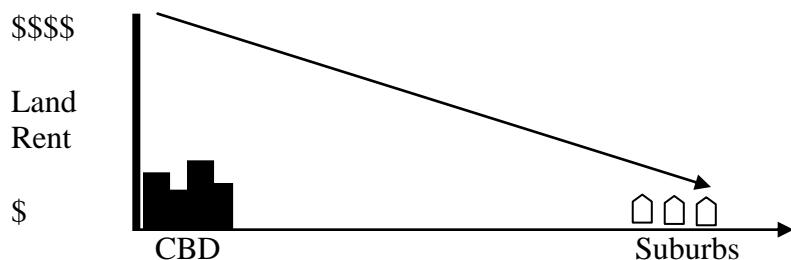


## **Urban Land Costs and their effects on business location**



### **Central Business District (CBD)**

The CBD has the highest land costs

Land Use is INTENSIVE and VERTICAL

Intensive use: Businesses must use all available land

Vertical use: Businesses build up to maximize their profit potential

Types of Businesses found in the CBD

Entertainment

Theatres/Concert Halls

Restaurants

Sports Venues

Corporate Headquarters

Businesses like high profile areas

Businesses want centrality/accessibility

Examples: Legal, "Cubicle Farms," Financial, etc.

Government

Do not have to make profit – land use rules don't apply

Courts, Government Administration, etc.

Suburban Areas have much lower land costs

Land Use is EXTENSIVE and HORIZONTAL

Extensive land use: businesses own and use large land parcels.

Horizontal land use: businesses build out, not up

Types of businesses in suburbs

Retail: Regional malls, strip malls, etc.

Service: Doctors/dentists, banks, restaurants, entertainment

Business Parks: located near intersections of major highways – "business campuses"

Auto Rows – Car dealerships

## Central Place Theory

Central place is a market center (town/city) where people from the surrounding area come to exchange goods or services.

All central places have a market area or hinterland from which they draw customers.

The number of goods and services found in a market center depends on its size.

Smaller markets = fewer goods and services

Larger markets = more goods and services

Each service has:

A maximum distance that people are willing to travel to use that service (Range)

Range is affected by:

The necessity of the service (people must have food).

The frequency which a person needs to use that service.

Examples:

People will want to travel short distance to access things they use frequently (food, gas)

People will travel a long distance to access services that they use infrequently (entertainment, doctor)

People usually use the nearest service provider.

People use relative distance measures (time, not miles)

Accessibility increases range for the provider.

A minimum number of customers needed to support the business (Threshold)

Threshold measures # of customers, not total population

Some services (ex: grocery stores) have a wider range of customers

Companies use demographics to identify customers

Only potential customers are counted when determining a service's range.

Examples:

Manicures: women / Sports bars: men

Movie theaters: younger people / Chiropractors: older people

Thrift stores: poorer people / Boutiques: wealthier people

Ubiquitous Industries: Services that occur everywhere