

Central Business District



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Synonyms

City center; Downtown; Historic business district;
Town center

Definition

The dominant location where commercial activity takes place—and has historically taken place—in a town or city.

Introduction

The term “central business district” consists of two key elements: “business district” signifies a specific area within a town or city primarily focused on commerce, while “central” denotes its central location and prominence within that area. In essence, a *central business district* is the dominant location where commercial activity takes place—and has historically taken place—in a town or city.

Many of the principles discussed in this article apply universally across different regions. The central business district of Marrakesh shares numerous similarities with that of Ottumwa, Iowa, even despite the many cultural and geographic differences between Morocco and the US Midwest. While this article aims to outline the fundamental characteristics and behaviors common to all central business districts, it primarily takes a North American perspective due to the author’s familiarity and expertise with cities in the United States and Canada. As the terms “central business district” and “downtown” are often used interchangeably by English speakers in North America, they are also used interchangeably in this article.

The remainder of this article is structured as follows. First, the underpinnings of the central business district—the economic forces that cause downtown to exist—are highlighted. This is followed by sections describing what the central business district looks like, as well as the kinds of activities that take place there. The article concludes with a discussion of non-pedestrian-oriented land use and development, and its role in disrupting the nature of downtown in an increasingly automobile-centric society.

The Economic Purpose of the Central Business District

The economic *raison d’être*, or reason for being, of the central business district (CBD) is rooted in the principles of urban density. Cities take shape

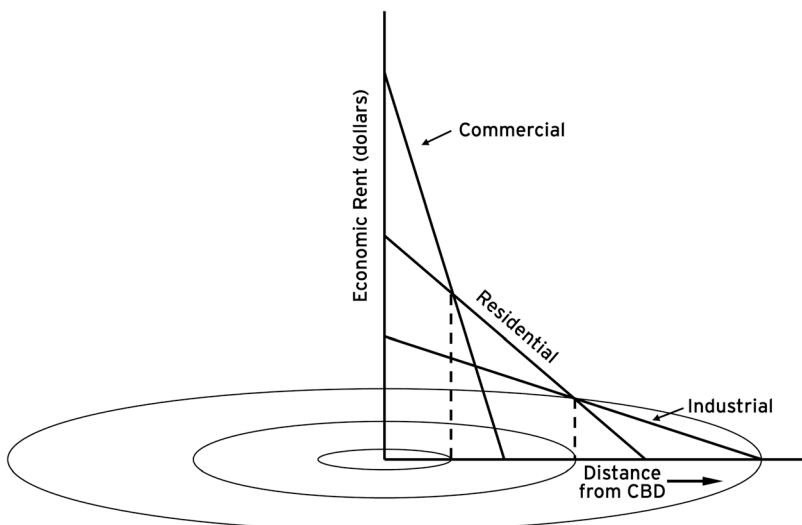
as firms and households cluster together, and within emerging cities, CBDs emerge as commercial enterprises compete for the most strategically advantageous parcels of land, offering the highest market access.

From their inception, cities have continually evolved to serve as hubs where the costs of production and transportation are minimized (O'Sullivan, 1996). At the heart of this dynamic is the concept of the “agglomeration economy,” wherein density enables firms and workers to fully exploit the benefits of proximity. This encompasses the efficient sharing of resources, accurate job matching, and the serendipitous spillover of knowledge and innovation (Marshall, 1890). When firms operate independently, they face significant barriers due to the high fixed costs associated with inputs like infrastructure and machinery. Similarly, individuals working in isolation encounter challenges in accessing diverse job opportunities and establishing stable employment. However, by promoting the dense clustering of firms and households, agglomeration economies facilitate economies of scale and innovation, nurturing collaboration, knowledge exchange, and synergies that enhance productivity and fuel economic growth within a given region.

Once established, cities assume the role of a regional market center (Christaller, 1933). Within the city, firms compete to secure locations that

maximize their access to that regional market. The “bid-rent” curve (see Fig. 1) quantifies this phenomenon, explaining how firms are willing to pay a premium for land situated in close proximity to the city center (Alonso, 1964; Thünen, 1826). Relative to other businesses in their vicinity, retailers and other commercial enterprises struggle to survive outside of the densest and most accessible location in the city: its center. Consequently, they typically outbid other industries and land uses (like industrial, residential, and agricultural entities) for prime positions in the city's core, resulting in the escalation of land values.

This process culminates in the formation of the CBD, a concentrated area in the city center where numerous commercial businesses coalesce (sometimes even called the “commercial business district”). Occupants of the CBD include more than just retail and office spaces, also including government institutions, professional services, entertainment venues, dining establishments, as well as civic organizations and churches. These entities recognize the value of being situated in an area with high “foot traffic”—where consumers remain engaged throughout the day—justifying the premium associated with land costs. Accordingly, the CBD encapsulates a city's economic heartbeat, where density and centrality converge to drive innovation, foster social interaction, and fuel economic prosperity.



Central Business District, Fig. 1 The bid-rent curve. (Adapted from Alonso, 1964)

What Does the Central Business District Look Like?

Beyond understanding the economic underpinnings of a CBD's existence, it is equally valuable to recognize the physical characteristics that define it. The physical form of a downtown typically embodies the historical era(s) during which it rose to prominence (Robertson, 2001). In ancient or medieval cities established long before the advent of mass transit or the automobile, like Cairo or Prague, the CBD is characterized by compact, pedestrian-friendly zones with narrow streets ill-suited for vehicular traffic. In contrast, the CBD of more recently urbanized cities, such as Philadelphia or Rio de Janeiro, are typically a blend of both preserved historic sites *and* new development, integrating modern modes of transportation and greater building heights.

As cities grew, they grappled with the challenge of limited space—a bottleneck characterized by soaring demand but restricted supply, resulting in exorbitant property prices within the CBD. Not until the invention of the “skyscraper” were cities able to unlock the potential vertical expansion, paving the way for the distinctive modern city skyline, with the CBD housing the city's tallest buildings.

In addition to their elevated building density and height (Francaviglia, 1996), CBDs are home to other physical landmarks, uncommon in other parts of the city. Notably, downtown is home to historical buildings like churches and city halls, integral to the city's founding. Public gathering spots, like plazas and parks, often host public art and symbolic “placemaking” structures, including fountains, sculptures, and clock towers (Johnson et al., 2014). The CBD houses distinctive regional infrastructure components like telecommunications towers and transit hubs, and downtown's ability to accommodate a substantial influx of visitors positions it as a hub for iconic cultural institutions like museums, theaters, and entertainment arenas.

No two downtowns look identical (Hartman, 1950). Nevertheless, the defining physical features of the CBD distinguish it as a place where history,

architecture, infrastructure, and culture converge to help define a city's unique character and identity.

What Happens in the Central Business District?

The CBD is more than just a place with distinctive landmarks and tall buildings with commercial tenants. It is also characterized by what *happens* in those places. Downtown is the epicenter of a city's governmental and commercial activity (Van Leuven et al., 2023), a point that seems obvious when considering that it is home to most of the city's governmental and commercial buildings. Less apparent, however, are the activities that unfold on its sidewalks, parks, and plazas, and its “third places” (Oldenburg & Brissett, 1982) where residents spend time outside of their homes or workplaces.

The CBD serves as a hub for civic engagement, where city residents come together to celebrate, commemorate historical and cultural events, express dissent, and engage in public discourse. Additionally, downtown functions as a focal point for social interactions, offering residents a space to convene for leisure activities, dining experiences, and recreational shopping. Together, these diverse activities along downtown streets and public spaces foster a sense of community.

Depending on a range of factors, downtowns vary widely in terms of their economic vitality or “vibrance” (Jacobs, 1961; Talen & Jeong, 2019). Measuring vibrance entails asking questions such as, “*How many people enter a particular business on a given day?*” “*How often do downtown businesses fail?*” “*When a business fails, how quickly does a new tenant fill the vacant property?*” The answers to these questions provide a sense of the CBD's ability to create economic opportunities and provide engaging gathering places for residents of the city. They also provide a sense of the CBD's ability to attract both people and dollars from outside the city.

Downtowns without economic vibrancy should not necessarily be seen as failures; like cities themselves, their economic fortunes fluctuate. Revitalization efforts have seen moderate

success (Van Leuven, 2022a), but even in areas with low vibrancy, downtowns in declining cities still serve as vital hubs for civic, social, governmental, and commercial activity.

Exceptions to the Rule: Automobile-Oriented Central Business Districts

The principles outlined above apply broadly to CBDs worldwide, but a significant historical shift has created a divide between traditional and newer CBDs, mainly observed in the United States and Canada. The automobile's ascendancy has reshaped downtown development patterns dramatically (Cervero & Gorham, 1995; Van Leuven, 2022b). Car usage has driven suburbanization, relocating activities traditionally found in the

CBD to the outskirts of metropolitan areas. Suburban sprawl and car-centric commercial development, typified by shopping malls, large retail outlets, extensive parking facilities, and pedestrian-unfriendly roadways, have very little in common with the traditional downtown model.

Moreover, the automobile has inflicted lasting damage on existing downtowns. Many traditional commercial buildings and historic landmarks were demolished to create room for interstate highways and expansive parking lots during the mid-twentieth century. This reconfiguration not only removed landmarks from the CBD but also rendered downtown areas less pedestrian-friendly and aesthetically appealing. In the decades following World War II, the proliferation of car-oriented development led to the deterioration of many downtowns. As residents directed their disposable income toward businesses in



Central Business District, Fig. 2 St. Louis, MO, United States Photo by Steven Driskell <https://www.pexels.com/photo/black-white-st-louis-19913631/>

sprawling areas, older downtown buildings were not maintained and became less attractive. These changes effectively “broke” the bid-rent model, as the central part of the city was no longer the most desirable or valuable for business owners.

These changes have culminated in a bifurcation among CBDs globally. Some cities, resisting the wholesale adaptation of their urban landscapes to accommodate cars, have preserved the charm and vitality that originally set their city centers apart. Others that dismantled their downtowns to make way for automobiles have grappled with the consequences, recognizing that numerous downtown benefits have been irrevocably lost.

However, over nearly a century since cars began to dominate North American cities, many urban centers have recognized their missteps and embarked on efforts to revitalize their downtowns. While car-centric cities like Atlanta or Calgary still differ significantly from pedestrian- and transit-oriented cities such as New York City or Barcelona, many have learned to mitigate the impact of automobiles in their vital downtown areas, safeguarding their walkable, vibrant assets from further deterioration.

Conclusion

The economic forces that drove the establishment of central business districts centuries ago remain largely the same today. Businesses still seek locations that maximize access to markets and minimize transportation costs. This leads many firms—especially retailers, restaurants, and service providers—to converge in a city’s core. However, the specific look and composition of a downtown is shaped by its unique history and culture. Older CBDs reflect the long-standing character of their cities, while newer CBDs exemplify more modern aesthetics.

Additionally, the vibrancy of a downtown depends on current market conditions and consumer preferences. The rise of the automobile disrupted many traditional CBDs, but thoughtful urban planning and revitalization efforts can restore pedestrian-friendliness and economic vitality. Maintaining a lively mix of offices, retail shops, restaurants, and cultural attractions

encourages foot traffic and secures the ongoing relevance of the CBD. Though shaped by the past, the central business district remains the heart of the city. Its ability to adapt and thrive makes downtown both a foundational element of urban identity and a key determinant of future prosperity.

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