

WHAT DETERMINES ASSET MANAGEMENT APPROACHES IN THE SOCIAL RENTED SECTOR?

Vincent Gruis*, Nico Nieboer** and Tim Brown***

* Faculty of Architecture, Delft University of Technology, PO Box 5043,
NL – 2600 GA Delft, the Netherlands
E-mail: v.h.gruis@tudelft.nl

** OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of
Technology, PO Box 5030, NL – 2600 GA Delft, the Netherlands
E-mail: n.e.t.nieboer@tudelft.nl

***Centre for Comparative Housing Research, De Montfort University, The Gateway,
GB - Leicester LE1 9BH, Great Britain
E-mail: timothy.brown1@which.net

Paper to be presented at the ENHR Conference in Tirana, 26-28 May 2003

Abstract

Throughout Europe and Australia, changes in housing policies and markets set considerable challenges for the asset management of social landlords. In the past, social housing was mainly concerned with the development of new dwellings. Management of the housing stock consisted first of all of day-to-day maintenance and administration. Strategic decisions about investments in the housing stock were made mostly by governments, rather than by individual landlords. Now, landlords in many countries are faced with the challenge to develop their own strategies, although in some countries more prominent than others. To cope with these challenges, landlords have to develop new approaches towards their asset management. However, being a relatively new topic in the social rented sector, international research about the asset management of social landlords is scarce. Therefore, the ENHR Working Group on Housing Management has started a comparative research project in which the asset management practice within various European countries and Australia is being described and compared. The central research questions of this project are:

- How do social landlords in different countries formulate strategies for the management of their housing stock?*
- What are the relations between the landlords' practice and their national context?*
- What systems and methods are applied for asset management, what methods can be applied elsewhere and what knowledge can be usefully exchanged and disseminated?*

In this paper we describe our conceptual framework for this research project and give a general and provisional answer to the first two of the questions mentioned above. We define asset management in a social housing context by describing its objectives as well as the activities which construct asset management. Based on business theory we set up a typology of possible approaches towards asset management. We construct a hypothetical model about the relations between landlords' management practice and their national housing context. We apply this model to social landlords in the Netherlands and England to test our preliminary assumptions and the usefulness of the model.

1. Introduction

Social housing management is changing in response to developments in its institutional and economic context. In many countries, housing systems are in transition as part of a more general trend towards privatisation and decentralisation of public services. These transformations have lead to a more market-oriented social housing management (e.g. Priemus et al., 1999). In Britain, for example, housing associations gained the governments preference as social housing providers above municipalities, among others because they are more detached from the government and are more like 'real' market parties (Walker and Van der Zon, 2000). In Germany, the distinction between social and commercial landlords has faded with the act that repealed the 'public good' law in 1990 (e.g. Priemus et al., 2002). In Australia the current Commonwealth-State Housing Agreement allows State housing authorities greater flexibility in determining housing strategies which are appropriate for their State, as opposed to the attempt to impose national consistency which had characterised previous arrangements (Larkin, 2000, p.46). These reforms in the housing systems have often been accompanied by a reduction of government finance and subsidisation as we can see in for example in Sweden, England, The Netherlands and Australia (Boelhouwer, 1997, 1999; Smith and Oxley, 1997; Larkin, 2000). As a result, social landlords have become more dependent of the private capital market and are forced to operate in a more business-like way to keep their financiers satisfied (e.g. Walker and Van der Zon, 2000; Boelhouwer, 1999).

In parallel with developments in public policy, many housing markets are changing from one of general shortage to a broad equilibrium, with an over-supply in certain local sub-markets. There is a general trend towards a decreasing market share for social rented housing, partly due to economic growth and a shift towards owner-occupation. But regional differences are great; there are still substantial social housing needs which social landlords have to fulfil (Priemus et al, 1999). For social landlords these changes in segments of the housing market mean that they have to anticipate future levels of demand to prevent vacancies and to adjust to new markets.

The changes in their institutional and economic context set considerable challenges for the asset management of social landlords. In the past, social housing was mainly concerned with the development of new dwellings. Management of the existing stock consisted first of all of day-to-day maintenance and administration. Strategic decisions about investments in the housing stock were made mostly by governments, rather than by

individual landlords. Now, landlords throughout Europe and Australia are faced with the challenge to develop their own strategies, although in some countries more prominent than others. However, being a relatively new topic in the social rented sector, international comparative research about the asset management of social landlords is scarce. International literature has been concerned mainly with the description of the changes in the political and economic context of social housing management and the ‘privatisation’ of social housing. Some reflections have been made on the general consequences of these developments for social landlords (e.g. Boelhouwer et al., 1997; Priemus et al. (eds.), 1999), but a descriptive or a comparative study on the asset management practice of social landlords has not been conducted. To fill this gap, the ENHR Working Group on Housing management has started an international comparative research project entitled “Asset management in the social rented sector”. The project’s objective is to gain theoretical and practical insight in asset management in the social rented sector, by describing and comparing the practice of social landlords in various (mainly European) countries. The project focuses on the strategic aspects of asset management: the strategy development at the top-level of the landlords’ organisation. We will describe and compare how social housing managers develop strategies for the management of their housing stock. We will compare the process followed, the strategies formulated and the objects, means, methods, instruments and criteria used in different aspects of asset management (rent setting, allocations, sales, maintenance and renewal). The practice of social landlords will be set within their national (political, institutional and economic) context. These comparisons are interesting from a theoretical and a practical point of view. Besides the empirical insight we gain with these comparisons and the gap we fill in international literature, housing managers and policy-makers across Europe could benefit from this exchange of experiences. The comparison between social landlords can also (dis)prove relationships between the type of asset management in a country and its national context. For example, we may expect that social landlords’ asset management is more ‘business-like’ or ‘strategic’ if they operate within a more market-oriented housing system (with less regulations, less financial support and a reducing need for new social rented dwellings). In summary, the main research questions of the project are:

- How do social landlords in different countries formulate strategies for the management of their housing stock?
- What are the relations between the landlords’ practice and their national context?
- What systems and methods are applied for asset management, what methods can be applied elsewhere and what knowledge can be usefully exchanged and disseminated?

We, thus, are locating our work within the established frame of reference of comparative housing studies (see, for example, Doling, 1997). A comparative approach has the advantages of, firstly, providing a ‘shock therapy’ for academics and practitioners in specific countries by highlighting alternative approaches. It, secondly, raises interesting issues about the possibilities of policy and ‘good practice’ transfers between countries. Finally, it enables theory development and testing to take place. Nevertheless, the difficulties of a comparative approach should not be underestimated such as the equivalence of meaning of basic terms (such as the role of housing associations). These issues are returned to later in the paper.

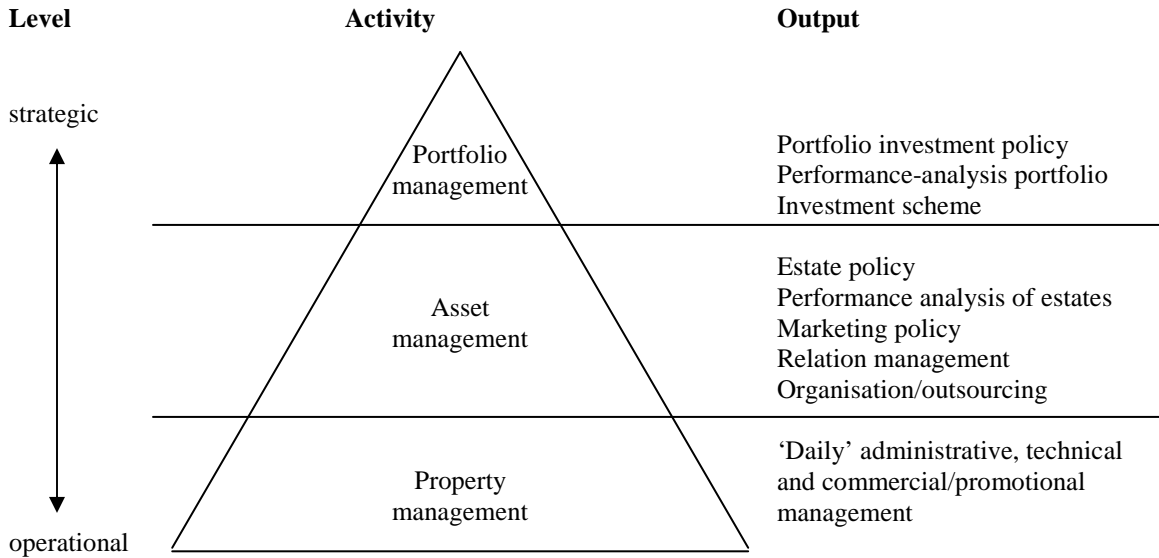
In this paper we describe our conceptual framework for this research project, which gives a general and provisional answer to the first two of the questions above. First we define asset management in a social housing context. Based on a general model for business planning, we describe the activities which can be carried out to formulate asset management strategies. Then, we set up a typology of possible approaches towards asset management. We construct a hypothetical model about the relations between the landlord's practice and his national housing context. We apply this model to social landlords in the Netherlands and England to test our preliminary assumptions and the usefulness of the model itself within the research project. We, nevertheless, wish to stress that this paper should be considered as 'work-in-progress'.

2. Asset management in the social rented sector: definition and activities

Priemus et al. (1999, p. 211) define social housing management as "the set of all activities to produce and allocate housing services from the existing social housing stock". According to Priemus et al., housing management consists of a variety of activities, categorised in technical management (maintenance, renovation, etc.), social management (housing allocation, etc.), financial management (treasury, rent policy) and tenure management (letting, buying, selling) (p. 212). We follow this definition but refer to 'asset management in the social rented sector' instead of the shorter 'social housing management' since the latter is an ill-defined concept. While social housing management is unclear in its subject (e.g. Scott et al., 2000; Pearl, 1997), asset management seems to be clear in its focus on the physical housing stock. Asset management includes activities in all the four categories mentioned by Priemus et al., but excludes activities which do not affect the characteristics of the housing stock (e.g. treasury management and business administration). The main activities in asset management concern maintenance, renewal, sale, allocation and rent policy.

Priemus et al. (1999) also discern day-to-day (operational) management and strategic housing management. The latter concerns medium and long-term management policies, usually formulated at a strategic (top-management) level in the organisation. This distinction can be clarified by making a comparison with the distinction made within (commercial) real estate management between portfolio, asset and property management (see figure 1).

Figure 1 *Organisational levels of real estate management*



Source: Miles et al. (1996).

Within figure 1, strategic housing management may be placed best on the level of asset management, but also contains elements of portfolio management as far as the residential portfolio is concerned: it is concerned with defining the desired mix of housing (dwelling types and prices), analysing the performance of the residential portfolio, defining guidelines for management, acquisition and disposition of the estates in the portfolio.

Whose asset management?

Our research is concerned with the management of the *social* rented housing stock. We point out that the social rented stock can be different from the stock of social landlords. Some parts of the social rented stock are entirely managed by government institutions (such as the local authorities in England and the State housing authorities in Australia), other parts by private landlords (as is the case in Germany) or 'semi-public' organisations (such as the Dutch housing associations). Thus, we encompass a broad range of landlords in our research, namely all private, public and semi-public institutions who are responsible for (at least the daily) management of the social rented housing stock. In this paper, however, we concentrate on housing associations in England and the Netherlands.

3. A typology of approaches towards asset management

The evolution towards a more strategic asset management can be observed from a variety of aspects. In this section, we define 'strategic asset management' by using a typology of possible approaches towards asset management. Our typology is based mainly on characteristics found in general business theories (e.g. Ansoff, 1984; Aaker, 1988; Kotler, 1997) and our own experience and research in the Netherlands (e.g. Van den Broeke, 1998; Gruis and Nieboer, 2001; Nieboer and Gruis, 2002). Within our typology we set various contrasting approaches against each other and discuss how they may be reflected

in asset management practice. Nevertheless, we acknowledge that these approaches could be regarded as a series of continuums between, for example, rational and incremental decision making – see (b) below.

a) Market-orientated or task-oriented

A market-oriented landlord will place much emphasis on analyzing market demand and opportunities. Important decision-making factors in strategy formulation will be the current lettability, future market expectations, financial return and opportunities for sale. Again, a wide range of strategies will be considered and applied (e.g. including sales); diversification of the portfolio according to price and quality will be a central theme in asset management. A task-oriented landlords will focus mainly on fulfilling ‘traditional’ social housing tasks: the letting of decent, affordable dwellings.

b) Systematic or unstructured

A systematically operating landlord will put much effort in rational and transparent decision-making. The process of formulating asset management strategies will be well-structured. Decision-making factors will be clearly marked and the way in which decisions are reached will be reported. This rational strategy can be contrasted with an incremental approach involving a more fragmented and small scale series of changes.

c) Comprehensive or partial

A comprehensive asset management will not only focus on individual dwellings or estates, but will also reflect on the composition of the stock as a whole. Furthermore, different aspects of stock management will be attuned, for example: technical and social activities, long-term and short-term objectives, activities at a strategic and operational level. A partial, or ad hoc operating landlord will focus mainly on problematic estates, will not formulate objectives for the development of the housing stock and will not consider (the lack of) synthesis of different parts of it’s management.

d) Proactive or reactive

A proactive landlord will actively seek for opportunities and problems stemming from developments in the housing market, housing policy and market position of his housing stock. He will anticipate these developments with his asset management strategies (for example: renewal before deterioration of a neighbourhood instead of after). A reactive landlord will act after potential problems have become reality.

Strategic

In summary, we use the term ‘strategic’ for landlords who follow a market-oriented, systematic, comprehensive and proactive approach towards asset management. Of course in practice mixed forms will exist and it is not our intention to classify landlords rigidly into ‘strategic’ and ‘non-strategic’. Nevertheless, we assume a degree of dependency between the classification we use to typify strategic asset management, and therefore expect to find certain reoccurring combinations. For example, landlords who are more market-oriented can be expected to act more proactive.

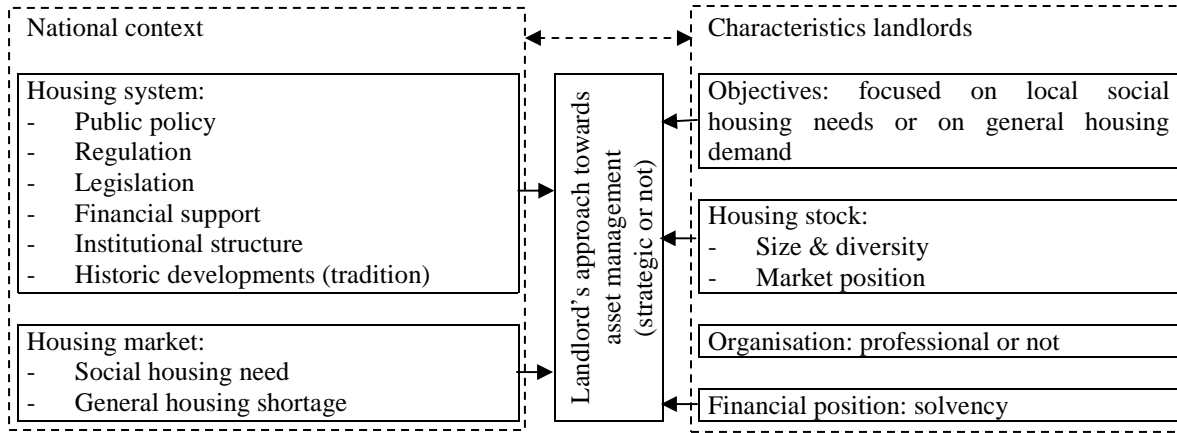
4. Landlords' practice and their national context: a hypothetical model

The typology of approaches to asset management provides an anchorage for comparison of practice of different landlords in different countries. This comparison becomes particularly interesting if we relate them to characteristics of the countries' housing systems. We expect to find a relationship between the measure of government regulation and the social housing needs and the kind of asset management. For example, landlords in countries which allow them much more freedom in determining their own policies, can be expected to operate in a more 'strategic' way (even if only to compensate for the lack of government regulation). In this section we discuss a hypothetical model to identify possible relations between the national context and landlords' approaches to asset management. Figure 2 contains a schematic representation of our model; below follows an explanation.

In describing the relevant factors of the national context we distinguish two main variables: the housing system and the housing market. 'Housing system' is used as a general term for the whole of public housing policy, regulations, legislation, financial government support and institutional arrangements, including the historic developments within the national system. These variables can influence the way in which landlords operate in various, interdependent ways:

- Strong government regulation (through grants, legislation, renewal programmes, land policies etc.) means less opportunity and necessity for landlords to make their own policy;
- Substantial financial government support and guarantees (in addition to its function in government regulation), gives landlords little incentive for strategic behaviour in which they avoid (financial) risks and seek opportunities for increasing their financial return or economic efficiency.
- Institutional arrangements can also have consequences for (the lack of) strategic behaviour of landlords. Social landlords who operate within an institutional structure in which strategic decisions are made by the government or central housing organisations and are solely responsible for carrying out daily management of the (marginal) social housing stock have little need for strategic asset management.
- Historic developments of the housing system must be viewed as well. If landlords have only recently gained financial and regulatory independence, it can be expected that their organisations have yet to adapt to the new situation. Substantial differences between front- and back-runners can be expected.
- Landlords that operate within a more relaxed housing market have to deal with increasing management problems. Strategic asset management will be necessary to prevent and cure problem estates.

Figure 2 *Hypothetical relations between landlords' characteristics, national context and approach towards asset management*



Next to their context, characteristics of (individual) landlords can also influence their approach towards asset management:

- Landlords objectives (as part of regulatory and institutional arrangements as well as their own business mission) may be reflected in their approach. Landlords who have a broad function on the housing market, supplying housing services for a diverse group of households, can be expected to operate more strategically to cope with this diversity (which will also be reflected in the diversity of the stock).
- Landlords who operate a stock with a poor quality, increasing social problems and/or a threatened market position will need strategic management to cope with these problems.
- Landlords who have a professional management can be expected to operate more strategically than landlords whose management consists of volunteers and tenants.
- Landlords who operate under difficult financial conditions (as reflected by their solvency and financial government support) need strategic decisions to be able to keep fulfilling their role as providers of decent, affordable housing.

5. Translation of model into a general hypothesis based on Kemeny's distinction in housing systems

Within our hypothetical model in Figure 2 we try to cope with the full complexity of (possible) relations between landlords' characteristics, housing context and approach towards asset management. Ideally our research would be designed in a way that we could (dis)prove all of the supposed relationships. This implies a in-depth investigation into the practice of many landlords of the countries involved in our research project. However, our analyses will be based on country monographs, written by national housing researchers, which will only paint a general picture of landlords' practice, illustrated by a few case study examples. Thus, we cannot actually test the theoretical model with our research material. To cope with this problem, we formulate a more general hypothesis about the relation between the type of housing system within which the landlords operate and general approach towards asset management.

Landlords' objectives, housing stock, organisation and financial position are not accidentally grown, but are part of the housing system in which they operate. Thus, we can expect to find a 'general picture' for (groups of) social landlords within a country, although there can still be substantial differences between them, which allows us to formulate more general assumptions between the type of housing system and the general approach towards asset management. We deal with two relatively well-known classifications of housing systems, namely that of Kemeny and that of Harloe. Nevertheless, we are aware of other broader classification systems such as Esping-Andersen (1990) who introduces the concept of welfare regimes. Although we recognise the importance of this type of work, we have not used it because of the difficulties in applying this type of framework even to housing systems in general (see e.g. Hoekstra and Reitsma, 2002).

Kemeny (1995, 2001) distinguishes two general types of (social) rental housing systems, which he describes as follows. The distinction stems from "two contrasting underlying philosophies in the state's role in housing provision in modern welfare states. In one philosophy, the state takes upon itself the direct responsibility of providing rental housing for households in need. To this end, non-profit rental housing is organised in the form of a state or local government monopoly. As far as possible, the non-profit sector is prevented from competing with private profit-seeking housing companies by hiving it off from the market into a command-economy public rental housing sector. Access is in terms of 'need' - the definition of which varies over time and also between countries. The result is a 'dualist rental system' in which two distinct rental tenures are created, a 'public' command-economy sector and a 'private', and largely unregulated, rental market. In the other philosophy, the state is either not a major provider itself or, if it is, access to such housing – often provided on a 'not-for-profit' basis – is not limited to households in need. Instead it is encouraged to compete with profit-rental housing on the open market for tenants and thereby set standards, ensure that all households have security of tenure and competitively hold rents down. The result is that the legal distinction between profit and non-profit is minimised and a 'unitary rental market' is encouraged to emerge. But again, like the 'public housing only for those in need' philosophy, wide variations are found in the extent of the competition and the degree of non-profit influence" (Kemeny, 2001, p.66; for further discussion see Kemeny, 1995).

Harloe (1995) distinguishes the mass model and the residual model in social housing provision. "The distinguishing feature of the mass model is its emphasis on a large volume of new construction of social rented dwellings, which are not specifically aimed at the lowest income households. Moreover, the sector is supported by generic subsidies; income dependent subsidies play a relatively insignificant role. The residual model, in contrast is characterised by small-scale programmes of new construction geared to the needs of the lowest-income groups. Harloe's residual model and Kemeny's dualist model have strong similarities with respect to their 'visible' effects" (Van der Heijden, 2002, pp. 328-329). However, while Harloe sees a convergence in the direction of the residual model in Western Europe, that has started in the mid 1970s, Kemeny believes a second model may develop (or remain), which can be roughly typified by his unitary model (Van

der Heijden, 2002). Another scenario is posed by Van der Heijden (2002) as the ‘residual unitary market scenario’ which starts with Kemeny’s unitary market model, but develops in the direction of the residual or dualist rental market (which makes this scenario difficult to distinguish from Harloe’s convergence theory).

For our research purposes, Kemeny’s typology seems more useful than that of Harloe. While Harloe’s typology is based strongly upon developments in the new construction of social housing over time, Kemeny provides a typology that can be applied to housing systems as they are at this moment. Moreover, since it is not only focused on construction, it can be applied to management as well. If we follow Kemeny’s description of rental housing systems and underlying philosophies, **we can expect more strategic behaviour among landlords that operate within a unitary rental market.** Public landlords in a dualist rental system are characterised to a large extent by strong government regulation, financial support (or dependence). Thus, strategic decisions are taken by the government, rather than by the landlords. Furthermore, their objectives and housing stock are more focused on the lower-income households, so there is little need for strategic management of a diverse portfolio. According to Kemeny, non-profit (or not-for-profit) landlords that operate within a unitary rental market are in fact encouraged to adopt market-oriented behaviour. The competition with private (profit) landlords, combined with relatively less government regulation leads to a greater need for strategic management by the landlords themselves.

In the next sections we will attempt to test the assumptions from this section by analysing asset management practice of Dutch and English housing associations in relation to their national context and characteristics. First we give a short description of the landlords and their national context, according to the characteristics we stated in the above. Then we analyse the way in which landlords formulate their asset management strategies, following our typology from section 3. Finally we discuss if our findings are in line with our assumptions.

6. Analysis of practice of Dutch housing associations¹

Landlords’ characteristics

Housing associations are by far the largest providers of social housing in the Netherlands. In 2001, there were 620 associations, owning more than 99% of the social housing stock (CFV, 2002). They are not-for-profit organisations, which are obliged to operate in the interest of housing, in particular by providing decent, affordable housing to lower-income households. Dutch associations are managed by a professional organisation and board. When set within an international context, their stock can be characterised by its relatively large share in the total housing stock (35%), the diversity of dwellings (type, price) and the variety of tenants, who are not only low-income households. Generally speaking, the market position of the social rented stock is good. Although in some regions the

¹ The information in this section is based largely on our other paper for this conference (Nieboer and Gruis, 2003).

lettability has been under threat in nineties, pressure on the (social) housing market has increased in recent years, resulting in longer waiting periods throughout the Netherlands.

National context

Dutch associations operate within a housing system that can be typified by Kemeny's unitary rental market. In the nineties, after decades of strong central government regulation, the Dutch housing policy changed towards the reinforcement of market principles in social housing. As part of this policy, housing associations have gained much more administrative freedom. Government regulation of associations activities has been replaced by the principle of retrospective accountability on the basis of general 'fields of performance'. The current legislation allows associations to determine their own asset management policy to a large extent; only the rents are rather strictly regulated by the central government. At the same time, direct financial support for social housing management has been completely withdrawn. Indirect financial support still exists through individual housing grants. Furthermore associations' loans can be guaranteed by the Social Housing Guarantee Fund (WSW), which is filled by fees from the associations and backed up by the government. Associations that are no longer able to secure their financial viability can apply for financial support from the Central Housing Fund, which is also filled by associations' fees.

Approach towards asset management

The new policy context has set considerable challenges for the asset management of Dutch social landlords. Being transformed from operational, task-oriented organisations towards 'social entrepreneurs', they have to operate in a more strategic, market-oriented way. But, to what extent is this reflected in their asset management practice?:

- **Market-orientation:** Increased market orientation is reflected in different aspects of the associations' asset management: rents are differentiated on the basis of normative price-quality ratio's and analyses of the market position of dwellings; 'market-oriented' advert models have replaced the distribution model for allocation of dwellings; housing associations have begun to differentiate their maintenance policies according to target groups' preferences and incomes; and financial return has gained importance, as is reflected for example by the development of a benchmark for financial return (the AEDEX), although financial return is still far from conclusive for their decisions; market orientation is also reflected in the increasing number of sales by housing associations (from 2,000 in 1990 to over 20,000 a year in the late 1990s);
- **Systematic:** Although there is wide interest among associations in methods and instruments to inform asset management in a more systematic and business-like manner, few associations actually follow a systematic approach in developing their asset management strategies;
- **Comprehensive:** Many associations speak of 'portfolio management', but few actually formulate (explicit, measurable) goals for the development of their housing stock. Nor do they follow a top-down approach in formulating their strategies. Our material is not conclusive as to the degree in which long-term and short-term policies and technical and social management are attuned to each other;
- **Proactive:** Renewal of large parts of the social housing stock to prevent future social and lettability problems is a big issue in the Netherlands, but the statistics show that

this has not yet been taken place at a large scale (van der Flier and Thomsen, 1998; Wassenberg et al., 2002). This can be explained to a large extent by ‘external factors’, such as complicated building legislation and the lack of opportunities for moving existing tenants due to the general housing shortage, but also by the lack of proactive behaviour of housing associations.

In summary

Dutch associations have a large degree of administrative and financial independence, operate a stock with a fairly wide variety of dwellings and tenants and are managed by a professional organisation. They operate within a housing system that can be typified by Kemeny’s unitary rental market. Thus, on the basis of our hypothetical model we can expect that associations in the Netherlands follow a strategic approach towards their asset management. In reality, this is only true to some extent. Although associations have increased their market-orientation, it cannot be said that they operate in a systematic, comprehensive and proactive manner. This can be partly explained by the relatively short period of independence compared to their long tradition of semi-public task-oriented organisations up till the 1990s. Thus, the situation may change in the future. This expectation is confirmed by the fact that housing associations consider strategic asset management to be the one of the most important issues in their policy (see Primavera and van de Wijgert, 2002).

7. Analysis of practice of English housing associations

Landlords’ characteristics

Two types of social landlords exist in the United Kingdom. Local authorities operate the largest part of the social housing stock, being 13 % of the total stock in 2001 (Newey, 2002). The rest is operated by housing associations. Local authorities can be typified as public housing companies. English housing associations can be regarded as private institutions but as Registered Social Landlords they have public objectives and operate under specific regulations. Since the mid-seventies housing associations have gained the supremacy as the primary providers of new social housing and their share in the housing stock has increased from 2% in 1979 to 7% in 2001 (Newey, 2002) Because of this supremacy, the availability of material about their practice (Larkin, 2000) and the fact that they are best comparable with the Dutch associations (being private institutions with public objectives) we focus on the English housing associations.

There are just over 2,000 housing associations registered with the Housing Corporation, each owning an average of just over 700 dwellings. There are great differences among them. There is “a wide range of quite different organisations, varying from ancient almshouses trusts and Victorian charitable foundations to self-build co-ops and former local authority housing departments” (Malpass, 2001, p. 227). An increasing and important part of the sector is made up of large-scale voluntary transfer housing associations i.e. housing associations who have been established specifically to take over the council housing stock of a particular local authority. The largest 7% of associations (owning over 2,500 dwellings) account for 78% of all dwellings in the sector, with these

associations managing an average of about 8,000 dwellings (Gruis and Thomas, 2002). Compared to the Netherlands, the English social rented sector is much more focused on housing low-income households (see e.g. Van der Heijden, 2002, p. 334). Case studies by Larkin show that “the majority of housing association’s stock is in good condition and well located. However, it is also clear from the case studies that a substantial proportion of the stock of housing associations presents asset management issues which require a more fundamental appraisal of the options available” (Larkin, 2001, p. 13). English associations have a board of volunteers, but are “run as businesses” (Newey, 2002, p. 10). According to Walker (1999, p. 684) “a number of studies have noted the changing and more influential role of housing associations’ chief executives (Pollit et al., 1998; Riseborough, 1997) over their board as their management and organisation becomes more complex (Mullins, 1998)”.

National context

The English associations operate within a housing system that can mainly be typified as Kemeny’s dualist rental system. But it is a system that is in a state of change. English associations are not directly controlled by the central government, but a registered housing association operates under the (centralised) regulation of the Housing Corporation – though from April 2003, this function is being transferred to the Audit Commission, which is the organisation that regulates local authorities and health organisations. The Corporation monitors the (financial and management) performance of housing associations, allocates public money and promotes the development of associations (Boelhouwer, 1997). It funds investment in new building and renovation (currently at a grant rate of 68%) through an Approved Development Programme (ADP). With the 1988 Housing Act public finance was altered through a system of mixed finance and operation risks have been passed on to the individual associations. It should be noted that this system of capital funding will also change from 2003/04 as the ADP system will be abandoned in favour of an allocation system based on decisions by regional housing boards – part of a shift more generally towards a regional tier of government in England. However, associations have not become financially independent, since substantial public funding has remained (e.g. Walker, 1999). Rents are subject to central control to a large extent. Allocation policy is determined by individual associations, but must conform to Housing Corporation requirements and may be subject to agreements with local authorities on general criteria and specific local lettings plans (Gruis and Thomas, 2002). Maintenance is primarily the responsibility of the associations, but the Housing Green Paper 2000 has announced the introduction of “a decency standard to which all social housing has to comply by 2010” (Newey, 2002, p.13). Nevertheless, things are likely to change in the future, considering the recent attention for ‘strategic’ asset management among social landlords in Britain (e.g. Larkin, 2001; Newey, 2002; Brown, 2002; William Sutton Trust, 2000), the general pressure on social landlords to adopt a business-like management approach (e.g. Walker, 1999) and the specific challenges posed on their asset management by the latest Housing Green Paper 2000 (e.g. Newey, 2002).

Approach towards asset management

As part of 'New Public Management' reforms, English associations have been under pressure to develop a more business-like approach, reflected for example in: increased competitive behaviour, private sector management practices, more emphasis on economy, growth in hands-on top management and the use of more explicit and measurable standards of performance (Walker, 2001). But, how is this reflected in their asset management practice?:

- **Market orientation:** although English associations are under pressure to operate in a more business-like manner, there is little evidence that they have (already) adopted a market-orientated approach within in the specific area of their asset management. According to Larkin (2001, p.5) "in general, the assessment is that associations are now only coming to focus on the performance, location and viability of their existing stock". Following the Dutch experience, there are a number of pilot projects introducing choice-based letting mechanisms, but these are not yet widely applied (e.g Brown, Hunt and Yates 2000). Case studies by Larkin (2001) show little evidence of strategic differentiation of the portfolio or variation of maintenance policies according to the market position of dwellings and household preferences. According to Larkin (2001, p. 37) "given the size of the RSL sector, and the range of asset challenges it faces, the rates of sales is relatively low". "To date, and with some notable exceptions, asset management has largely been based around the assumption that the existing stock will be retained and receive investment to meet contemporary standards" (Larkin, 2001, p.8). English associations are focused (much stronger than their Dutch counterparts) on providing decent, affordable dwellings, supported by social services, for those most in need. (to illustrate this: in England there is ongoing debate about if social landlords primarily are (or should be) providers of social services, rather than property managers (e.g. Walker, 1999), while in the Netherlands property management is seen as a key activity of the associations).
- **Systematic:** practice varies; from the case study associations involved in the research by Larkin (2001, p.17) "some have sought to develop a reasonably comprehensive policy framework and set of decision-making models and tools; others have adopted strategies which address key asset challenges in a fragmented way, without an overall policy framework; and a minority still focus almost exclusively on the narrow area of maintenance programmes".
- **Comprehensive:** in addition the above statement, Larkin (2001, p.5) states "some associations have developed systematic approaches to categorising their stock for asset management purposes, and then attaching strategies to particular categories" (see also the case of the William Sutton Trust, 2000). "Others [most] have adopted more pragmatic approaches, usually focussing on particular elements of their stock which are proving problematic".
- **Proactive:** in general, according to Larkin (2001) and Newey (2002) associations have yet to develop a more proactive approach towards their asset management.

In summary

English associations operate within a dualist rental system. They are characterised (particularly in comparison with the Dutch associations) by a large degree of central regulation and financial dependence – the details of which are changing but the principles

remain firm. They operate mainly in the interest of low-income households and their housing stock is attuned to this purpose. On the basis of our assumptions we should expect that the English associations hardly follow a strategic approach towards their asset management. The evidence presented above, supports this expectation to a large extent. With some positive exceptions, there is little evidence that English associations in general have adopted a strategic approach in any of its aspects. However, this situation may change in the next future, not in the least because national government regulations urge housing associations (and also local authorities) to adopt more business-like approaches towards housing management. So, despite the characteristics of a dualist rented system, we can observe some developments towards a more strategic asset management.

8. Methodological reflection

In the sections above we have attempted to describe the landlords' asset management practice in relation to their national context. In doing so, we used a typology of asset management approaches combined with a hypothetical model of the relations between characteristics of the national context and the type of approach towards asset management. Because of the limitations of our research material, we have focused on the hypothesis that there will be more strategic behaviour among landlords that operate within a unitary rental market in contrast to landlords operating within a dualist rental system. In general it can be stated that our typology, hypothetical model and hypothesis have proved useful, at least as a framework for describing the situation in the two countries. However, there are a number of methodological problems, particularly concerning the framework's utility as a model for explaining or predicting landlords' asset management practice from their characteristics and national context.

First and perhaps most obvious methodological problems are those that apply to many types of qualitative, international comparative research into housing policies and practices:

- Because of the large variety in institutional, political, economic and historic conditions between countries, comparative housing research often faces the problem of what is actually being compared. According to Smith (1997) this makes the use of clear definitions absolutely necessary as a basis for analysis. This problem is prominent in our research, in which we try to determine if landlords comply to the abstract notion of 'strategic behaviour'. Although we have tried to define the underlying characteristics of such an approach, these (necessarily) remain rather abstract as well. Because of this abstractness we can only speak of 'assumptions' and not of real 'scientific (measurable) hypotheses' within our research.
- The historic context in many countries makes it difficult to make conclusive statements at this moment. To date, in almost all of the countries that are involved in our research project the emphasis has been on the development of new social housing instead of management of the existing stock. Even in supposed front-runners such as the Netherlands, asset management is still in a development stage (Nieboer and Gruis, 2001). Organisations need a lot of time to adapt to their new situation.

- In addition to the differences between countries, there are also substantial differences between landlords within one country. We have not denied this and try to cope with this diversity in our hypothetical model by looking at characteristics of individual landlords as well. However, our project will eventually result in a general picture for each country which will not fully reflect national diversities (if only because it is not possible to provide an in-depth description of a representative sample of landlords in each country).
- In our hypothetical model we (naturally) assume to have identified important factors which influence landlords' approach towards asset management. However, we cannot determine which factors are the most important, nor do we know if we have considered all of the important factors. In fact, the heterogeneity of both English and Dutch associations' practice might suggest that other factors are at hand as well. For example, specific characteristics of the people in charge may mean the difference between a strategic or operational approach. Again, because of the scale of our project, it is not feasible to explicitly take these micro-factors into account. This problem of identifying and measuring causal relations is one of the main problems in comparative housing research (e.g. Smith, 1997; Ploeger et al., eds., 2001)
- The search for relations between landlords' practice and their national context may become even more difficult because of the 'blurring' of housing systems, making clear distinctions between countries even less possible (e.g. Kemeny, 2001, p. 67; van der Heijden, 2002). Within our investigation, this can be seen in England, where the stimulation of business-like behaviour goes hand in hand with a dualist (residual) rental system and a large extent of central regulation. We will return to this issue in the conclusive section.

There are also more specific problems attached to our research approach:

- Within our research, we try to 'measure' the level of strategic behaviour by looking at the activities landlords undertake to formulate their asset management strategies, supplemented by some output measures (e.g. number of sales, renewals). Although we have argued that the occurrence or lack of activities can provide strong (and identifiable) indicators of the type of approach towards asset management, other possible indicators of strategic behaviour may be left out, such as the landlords' approach towards his stakeholders and tenant empowerment in asset management.
- As to the relevance of our criteria for strategic behaviour, it should be said that in certain situations they may have more value in theory than in practice. For example, what is the use of a proactive, market-oriented and dynamic approach to management of the existing stock in areas with large social housing needs? Then, it is logical that the emphasis is on the development of new social housing and not on strategic management of the existing stock.

Despite the methodological problems in using our framework as a predictive, explanatory model, it is useful for a structured description, analysis and comparison of landlords' practice in different countries. This fits the main purpose of our research: filling the international gap in literature about asset management in the social rented sector. Furthermore, it helps us to pinpoint the landlords and countries between which the exchange of knowledge of instruments and methods can be fruitful because it helps to

identify relevant similarities in their situation and challenges. However, in our central hypothesis a stronger focus on the relations between each of the elements of strategic asset management (instead of focussing on a division between strategic or not) on the one hand and Kemeny's distinction of housing systems on the other can produce more fruitful results. Market-orientation will then be the obvious central element in this relation, because market or government domination is also central in Kemeny's distinction, while comprehensive and systematic behaviour can be expected to be less dependent on the type of housing system.

9. Conclusion

In this paper we have discussed possible relationships between social landlords' characteristics, their national housing context and their approach towards asset management (strategic or not). We have formulated assumptions based on the more or less logical line of thinking that a housing sector that is open and, therefore, vulnerable to market factors embraces more elements of strategic asset management than a housing sector that is not. We have used Kemeny's division into a 'unitary market system', in which the social housing sector is relatively open to the market, and a 'dualist market system', in which the social housing sector is more government dominated. Our central hypothesis was that strategic asset management (defined in this paper by the elements 'market-oriented', 'systematic', 'comprehensive' and 'proactive') can mainly be found in unitary rental systems and can not or hardly be found in dualist rental systems. However, our analysis of the practice of Dutch and English housing associations resulted in only limited support for this hypothesis. Evidence from both England and the Netherlands shows that the presence of one element of strategic asset management does not necessarily suppose the presence of another element. In fact, market factors and (other) more or less commercial considerations have become more important in asset management decisions, but this does not always coincide with a more systematic, comprehensive and proactive management. Therefore, in our future research we will focus our hypothesis on the more obvious relationship between the type of rental system and the market-orientation of social landlords. Our research framework in general, however, has proven to be useful for a structured description, analysis and comparison of landlords' practice in different countries, which fits the main purpose of our research.

References

- Aaker, D.A. (1984) *Developing business strategies*, New York, John Wiley & Sons.
- Ansoff, H. Igor (1984) *Implementing strategic management*, New Jersey, Prentice Hall International.
- Boelhouwer, P (ed.) (1997) *Financing the social rented sector in Western Europe*, Housing and Urban Policy Studies, 13, Delft, Delft University Press.
- Boelhouwer, P. (1999) International comparison of social housing management in Western Europe, *Netherlands Journal of Housing and the Built Environment*, 14, 225-240.

- Boelhouwer, P., Heijden, H. van der and Ven, B. van de (1997) Management of social rented housing in Western Europe, *Housing Studies*, 12, 509-529.
- Broeke, R.A. van den (1998) Strategisch voorraadbeleid van woningcorporaties: informatievoorziening en instrumenten [Strategic housing stock management by housing associations, support-systems and instruments], Delft, Delft University Press.
- Brown, T., Hunt, R. and Yates, N (2000) Lettings – A Question of Choice, Coventry, Chartered Institute of Housing
- Brown, T., Richardson, J. and Yates, N. (2002) Whose asset management?, Paper presented at the ENHR conference “Housing cultures; convergence and diversity”, Vienna.
- CFV (2002) Het vermogen en de opgave van woningcorporaties: spanning tussen behoefte en middelen [The financial capital and the task of housing associations: tension between need and means], Naarden, Central Housing Fund.
- Doling J. (1997) *Comparative Housing Policy*, Basingstoke, Macmillan
- Esping-Andersen G. (1990) *The Three Worlds of Welfare Capitalism*, Cambridge, Polity Press
- Flier, K. van der and Thomsen, A. (1998) The future of the Dutch housing stock; does the housing stock in the early post-war districts still have a future?, Paper presented at the ENHR conference “Housing Futures: Renewal, Sustainability and Innovation”, Cardiff.
- Gruis, V. and Nieboer, N. (2001), What’s strategic about housing management? A framework for comparative research, Paper presented at the ENHR-conference “Housing and Urban Development in New Europe”, Pułtusk.
- Gruis V. and Thomas A. (2002) Approaches to option appraisal in social housing investment; English and Dutch experiences compared, Paper presented at the ENHR conference “Housing cultures; convergence and diversity”, Vienna.
- Harloe, M. (1995) *The people’s home? Social rented housing in Europe and America*. Oxford, Blackwell Publishers.
- Heijden, H. van der (2002) Social rented housing in Western Europe: developments and expectations, *Urban Studies*, 39, 327-340.
- Hoekstra, J.S.C.M. and Reitsma, A.A. (2002) *De zorg voor het wonen; volkshuisvesting en verzorgingsstaat in Nederland en België* [The care for living; housing and welfare-state in the Netherlands and Belgium], Delft, Delft University Press.
- Kemeny, J. (1995) *From public housing to the social market; rental policy strategies in comparative perspective*, London, Routledge.
- Kemeny, J. (2001) Comparative housing and welfare: theorising the relationship, *Journal of Housing and the Built Environment*, 16, 53-70.
- Kotler, Ph. (1997) *Marketing management* (ninth edition), New Jersey, Prentice Hall International.
- Larkin, A. (2000) *Asset Management Strategies; a review of Asset Management Strategies of Housing Associations in England and Social Housing Providers in Australia*, London: Metropolitan Housing Trust / The Housing Corporation.
- Malpass, P. (2001) The uneven development of ‘social rented housing’: explaining the historically marginal position of housing associations in Britain, *Housing Studies*, 16, 225-242.
- Mullins, D. (1998) Managing ambiguity: merger activity in the non-profit housing sector, *International Journal of Nonprofit and Voluntary Sector Marketing*, 4, 349-364.

- Newey, M. (2002) Homes vs. life cycle costs; practical lessons in asset management from an English housing association, Paper presented at the ENHR conference "Housing cultures; convergence and diversity", Vienna.
- Nieboer N. and Gruis, V. (2002) What's strategic in the asset management of Dutch landlords, Paper presented at the ENHR conference "Housing cultures; convergence and diversity", Vienna.
- Nieboer N. and Gruis, V. (2003) Asset management in the social rented sector in the Netherlands, Paper presented at the ENHR conference "Making Cities Work", Tirana.
- Pearl, M., 1997, Social housing management; a critical appraisal of housing practice, London, Macmillan Press.
- Ploeger, R., Lawson, J. and Bontje, M. (eds.) (2001) The methodological challenge to comparative research, *Journal of Housing and the Built Environment*, 16.
- Pollit, C. Birchall, J. and Putman, K. (1998) Decentralising public service management, Basingstoke, Macmillan.
- Priemus, H., Dieleman, F. and Clapham, D. (1999) Current developments in social housing management, *Netherlands Journal of Housing and the Built Environment*, 14, 211-224.
- Primavera, A.F. and Wijgert, G.R. van de (2002) Onderzoek naar ICT bij woningcorporaties [Research on ICT at housing associations], *Aedes Magazine*, no. 4, 34-37.
- Riseborough, M. (1997) Private bodies working in public interest? Housing associations presenting images of self, in: D. Mullins and Riseborough, M. (eds.) *Changing with the times; critical interpretations of the repositioning of housing associations*, Occasional Paper 12, Birmingham, School of Public Policy, University of Birmingham.
- Smith, J. (1997) What determines housing investment? An investigation into the social, economic and political determinants of housing investment in four European countries, *Housing and Urban Policy Studies*, 12, Delft, Delft University Press.
- Walker, R.M. (2001) How to abolish public housing; implications and lessons from public management reform, *Housing Studies*, 16, 675-696.
- Walker, R.M. and Smith, R.S.G. (1999) Regulatory and organisational responses to restructured housing associations finance in England and Wales, *Urban Studies*, 36, 737-754.
- Walker, R.M. and Zon, F. van der (2000) Measuring the performance of social housing organisations in England and the Netherlands: a policy review and research agenda, *Journal of Housing and the Built Environment*, 15, 183-194.
- Wassenberg, F. and Haars, A. (2002) De voortgang van de herstructurering [The progress of urban restructuring], *Tijdschrift voor de Volkshuisvesting*, no. 5, 37-42.
- William Sutton Trust (2000) Stock investment and social change; a case study for a registered social landlord, Tring (Herts, UK), William Sutton Trust.