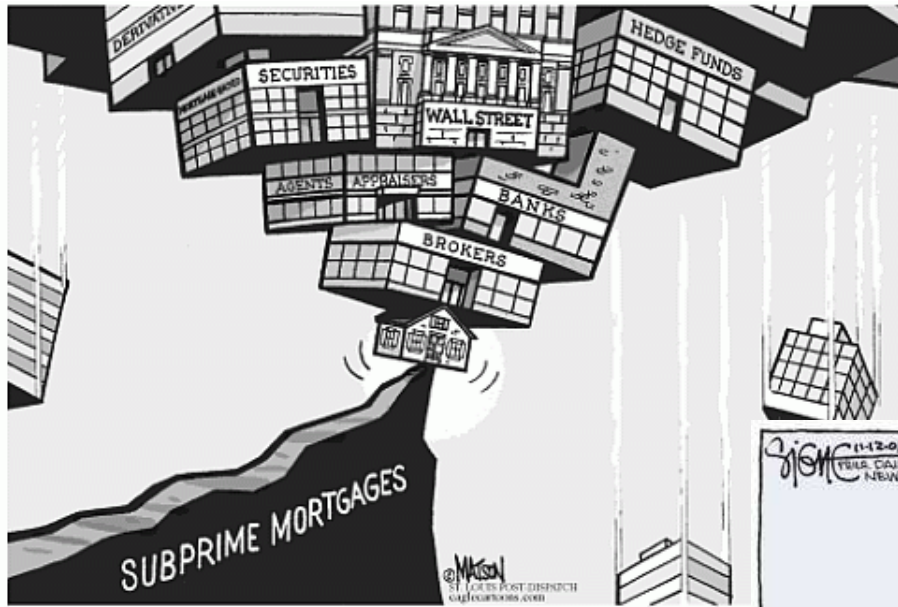


# Post Global Financial Crisis Property Development

**AN ASSESSMENT OF THE IMPACT OF THE POST GFC ENVIRONMENT ON DUTCH  
PROPERTY DEVELOPER'S BUSSINESS MODELS**



"I THOUGHT WE WERE JUST BUYING A HOUSE!"

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ST. LOUIS POST-DESCRIPTOR  
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# A crisis in property development

“The crisis forces property developers towards a new view on real estate” (Troostwijk, 2012)

“The crisis has totally transformed my profession” (Keijzer, 2013)

“In the future property different competencies will be needed for property developers to be successful” (van Mierlo, 2010)

# A crisis in property development

“Crisis results in half of the people being numbed, while the other half starts to act feverishly. Crises are above all an acceleration of existing transition processes.” (van Wesemael, 2009)

“Some changes because of the financial crisis are structural rather than cyclical such as the situation on the office market, while other changes are still uncertain.” (de Zeeuw, 2010)

# Introduction

Property development sector:

- *Considerable issues*
- *Jobs lost*
- *Building industry not so innovative*

However:

- *Developers indicate to be innovating*
- *Demand for housing still exists*
- *New concepts emerging*

**Has property development really changed?**

# CONTENTS

- 1 Problem statement, research goal & questions
- 2 Theoretical framework
- 3 Trends in property development
- 4 Business model application in property development
- 5 Survey
- 6 Conclusion

# Problem description

Property development context:

- Economic recession, double impact
- Submarkets
- Sustainability
- Demographics
- Shift towards cities



# Problem description

Property developers:

- Are adapting (de Zeeuw, 2010; Putman, 2010; van Mierlo, 2010)
- More than half indicates to have made operational or process innovations (Haak, 2015)
- Adapting can happen through 'blue-ocean' or 'red-ocean' strategies (Putman, 2010).

# Problem description

- Analyzing strategy?
- Not just the plan

Business model: *"describes the rationale of how an organization creates, delivers and captures value."*

(Osterwalder et al., 2010)

- Link in literature exists, however the application of the concept in property development or real estate is still limited

# Problem statement

*There seems to be a gap in the knowledge:*

- *As to how property developers have adapted their business functioning to contemporary market conditions, which could be analyzed through business models,*
- *As well as to how business models can be used for the analysis of property development business.*

## Research goal

***The goal of this research is to better understand the functioning of real estate developers under changed market circumstances. Furthermore the goal is to create a tool for analyzing property development business models and strengthen the existing, but limited, link between the body of knowledge on real estate and on business models.***

## Research question

***What contextual changes can be identified after the global financial crisis, what trends follow from these changes, have these trends influenced property developer's business models and if so what have the changes in business models been?***

# Methodology

- **Literature study**

*(change in property development since the GFC, the different trends affecting property development, business models, and creating a business model for developer analysis)*

- **Survey**

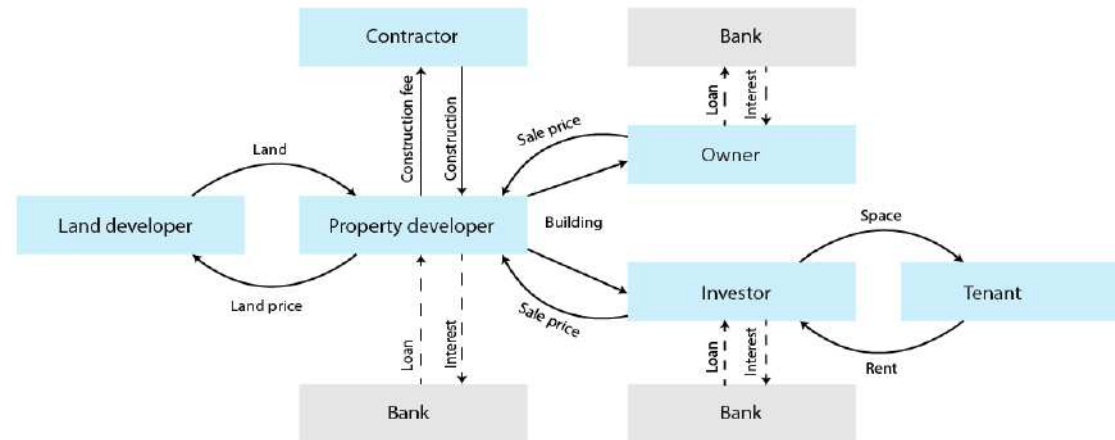
*(amongst property developers on trends and business models)*

- **Interviews**

*(complementing and verifying survey findings)*

# Theoretical framework

# What is property development



Based on Kuijpers (2010)

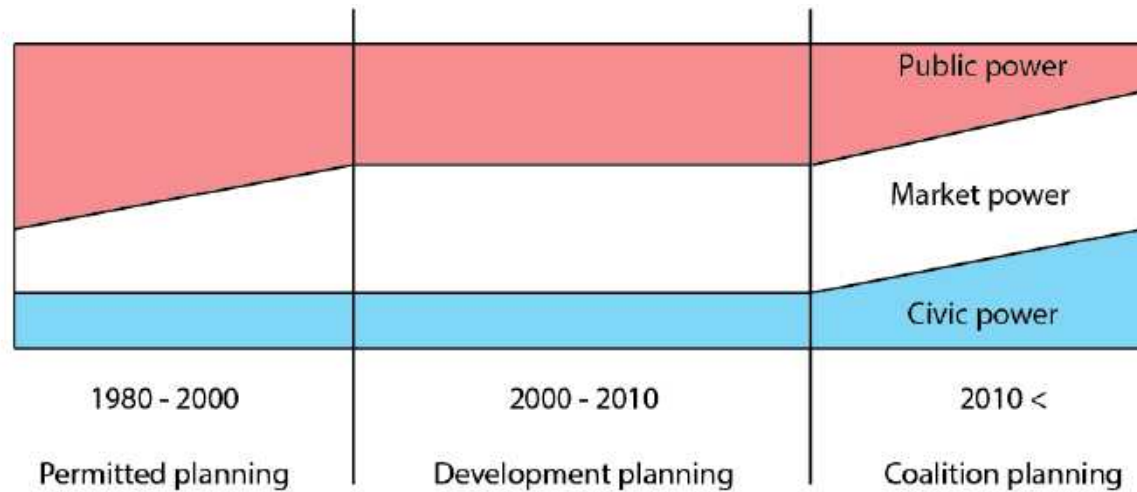
*"Property development is the development of real estate projects intended for the market, specifically not for personal use"*  
(Nozeman & Fokkema, 2008)



# Post GFC property development

- ***Pre WW II***
- ***Post WW II***
- ***Modern times***
- ***Accelerated growth***
- ***Post GFC***

# Post GFC property development



Governance shift (own ill, based on Heurkens (2012))

# Changes in property development

## Characteristics:

- Decreased availability of financial means
- Increased emphasis on process and other actors
- Decreasing role of public actors

## Competencies:

- Organizing capital
- Process management
- Market knowledge
- New relations

**What changes lie at the basis of changing developers?**

# Changes in property development

An all inclusive list of general changes in property development:

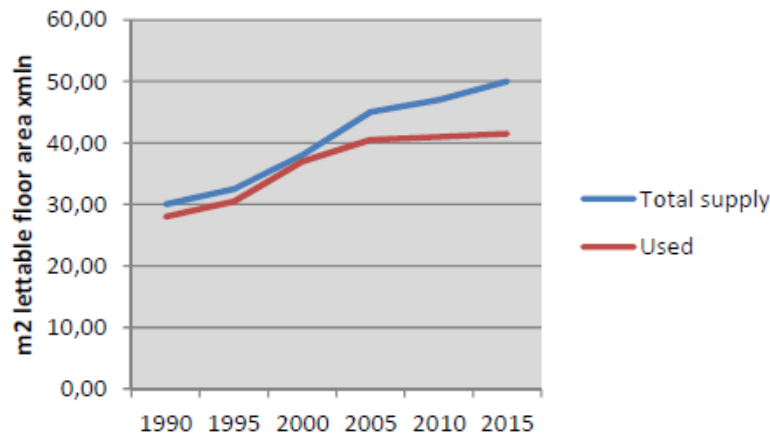
- Based on the works of 7 authors discussing changes in property development
- Resulted in a total of 9 trends
- In the survey developers indicated no other major trends to be missing from these 9

## Change 1: Financial

- As a result of stricter regulation, capital availability for real estate is decreased
- Other sources of capital could take on a larger role, this is not without problems however

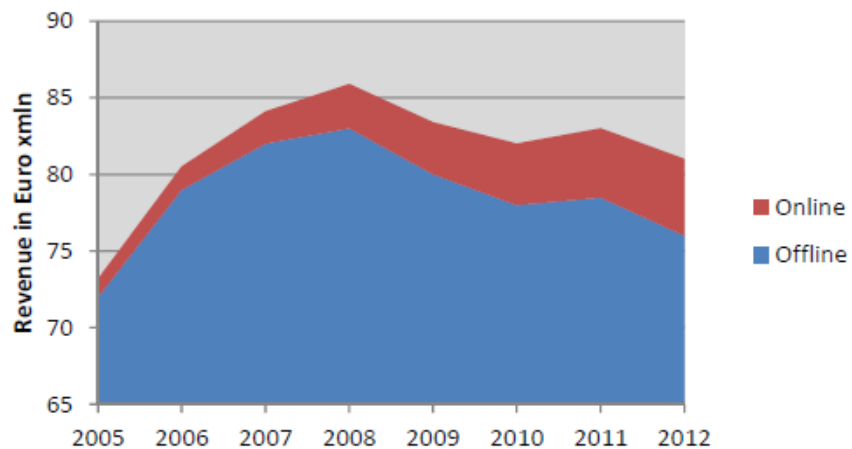
## Change 2: Office market

- A building boom combined with economic downturn resulted in oversupply
- The amount of office jobs and space per employee are decreasing
- Existing building not always up to demand



## Change 3: Retail market

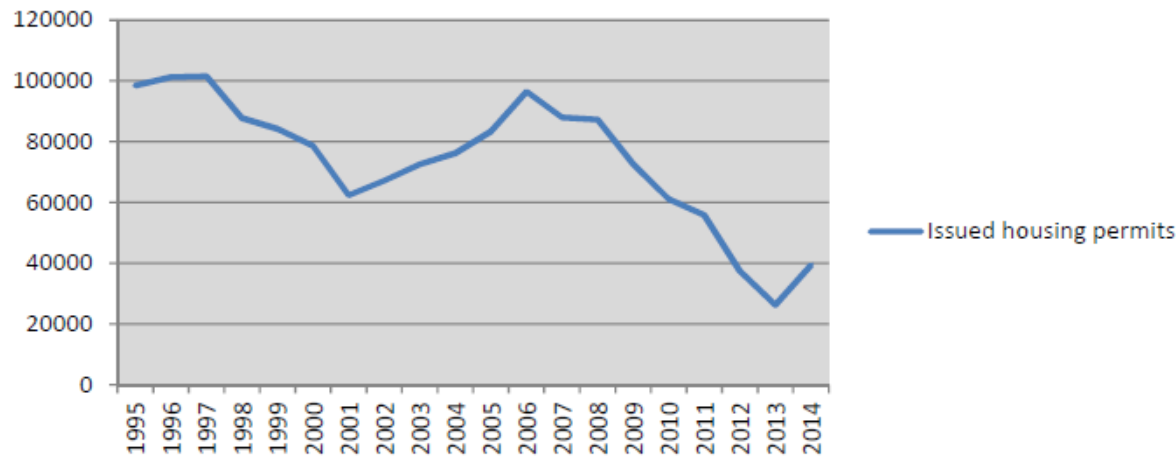
- Retail demand is 'flattening out', vacancy is increasing
- Other sales channels, for instance online shopping, compete
- Improved importance of the 'experience'





## Change 4: Housing market

- Housing production has dropped, but is picking up again
- Growth of amount of households, because of population growth and decreasing household size
- Mismatch between demand and supply



## Change 5: Emphasis

- Focus on existing supply
- Developments are becoming smaller
- Increasing focus on urban areas

## Change 6: Supply to demand driven

- Reducing risks is needed to secure capital
- Clients are increasingly critical
- Clients will likely gain more input

## Change 7: Demographics

- The population in the Netherlands is aging

## Change 8: Public private roles

- Municipal losses on land have been considerable
- Private parties are left to take on a more considerable role

## Change 9: Sustainability

- Is of increasing importance
- Can add value
- Potentially benefits actors beyond subsidies or legislation

# Trends in property development

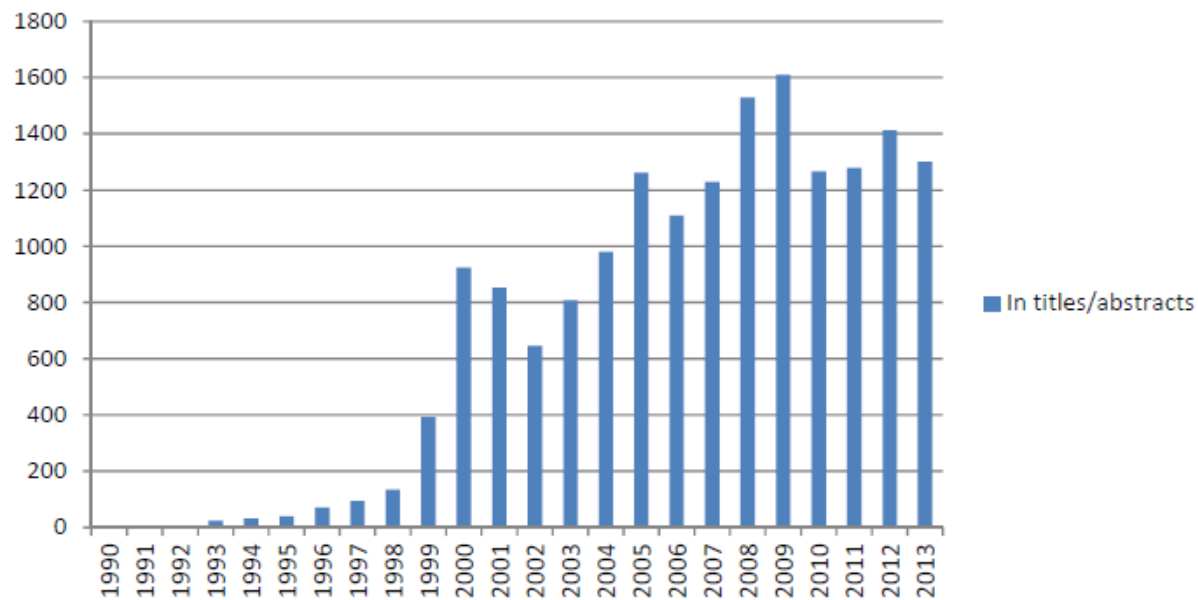
Category	Trend
<b>Financial</b>	<i>It has become increasingly difficult to organize capital for Dutch property developers.</i>
<b>Office market</b>	<i>Economic conditions, as well as changing office concepts, such as 'new ways of working', have led to a smaller and changing demand for offices</i>
<b>Retail market</b>	<i>Changing consumer behavior and internet retail cause a lower and changing demand</i>
<b>Housing market</b>	<i>Although production has been low in recent years, smaller households and population growth still lead to demand for houses</i>
<b>Size and location of developments</b>	<i>Property development is shifting towards more complex urban areas, furthermore the scale of developments is decreasing</i>
<b>Supply to demand driven market</b>	<i>Property development is shifting from supply-driven to demand-driven development</i>
<b>Demographic</b>	<i>The population in the Netherlands is aging</i>
<b>Public-private roles</b>	<i>Public parties are increasingly withdrawing from development practices increasing the emphasis on private parties in Dutch property development</i>
<b>Sustainability</b>	<i>Sustainability is taking on an increasingly important role.</i>

**How can the impact of these trend be analyzed in property development using business models?**



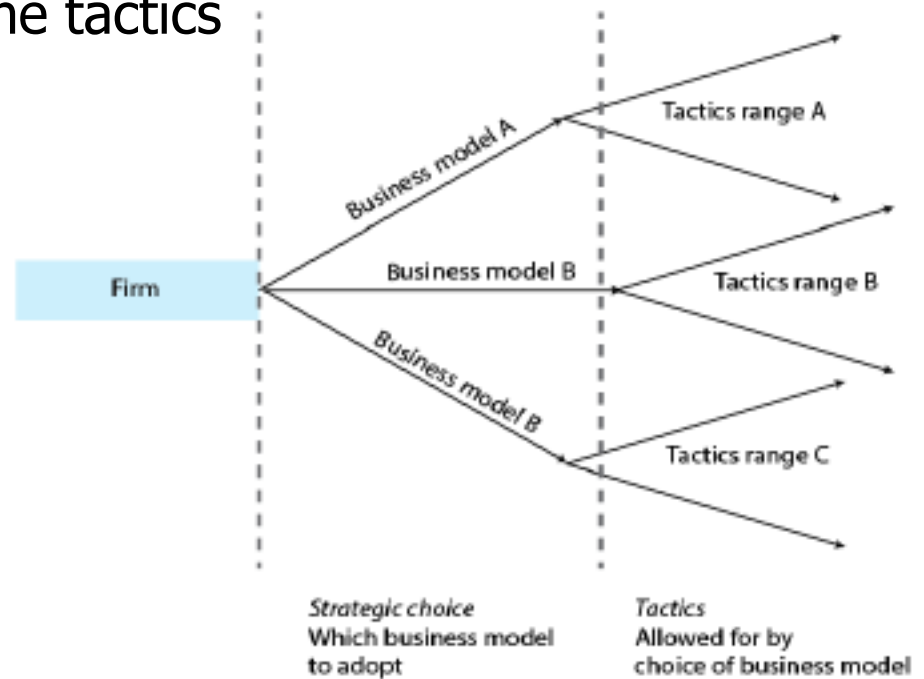
# Business model concept

- Increasingly discussed in literature
- However mainly in other fields



# Business model & strategy

- Firm selects strategy
- Strategy defines business models
- Business models define tactics



# Business model purposes

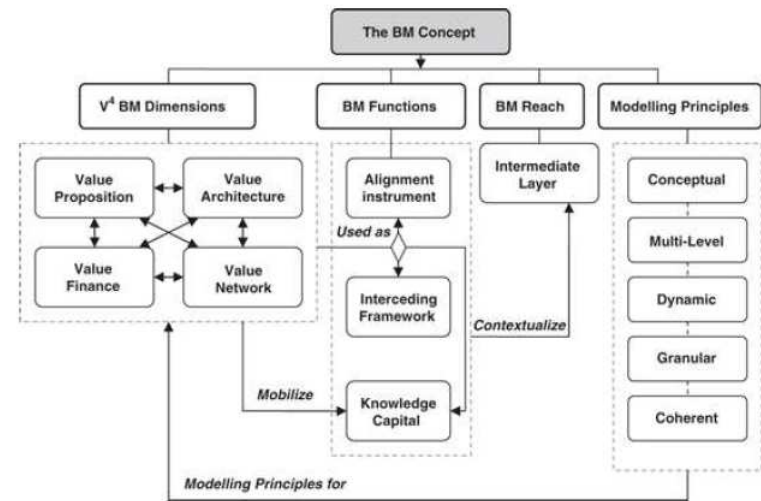
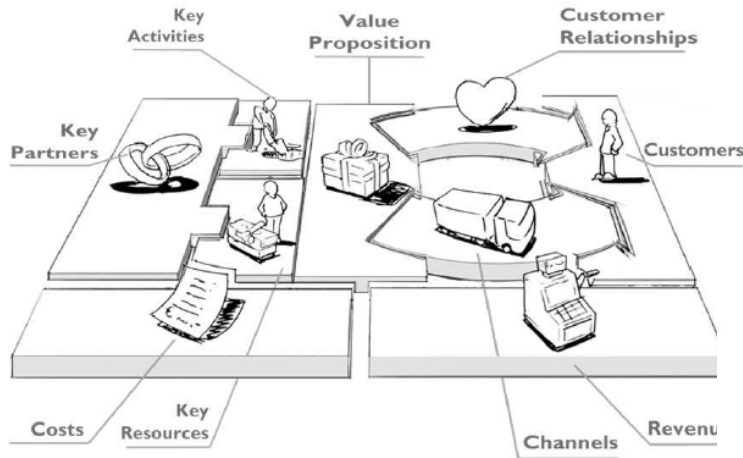
- Analysis
- Prognostic
- Motivational

# Business model components

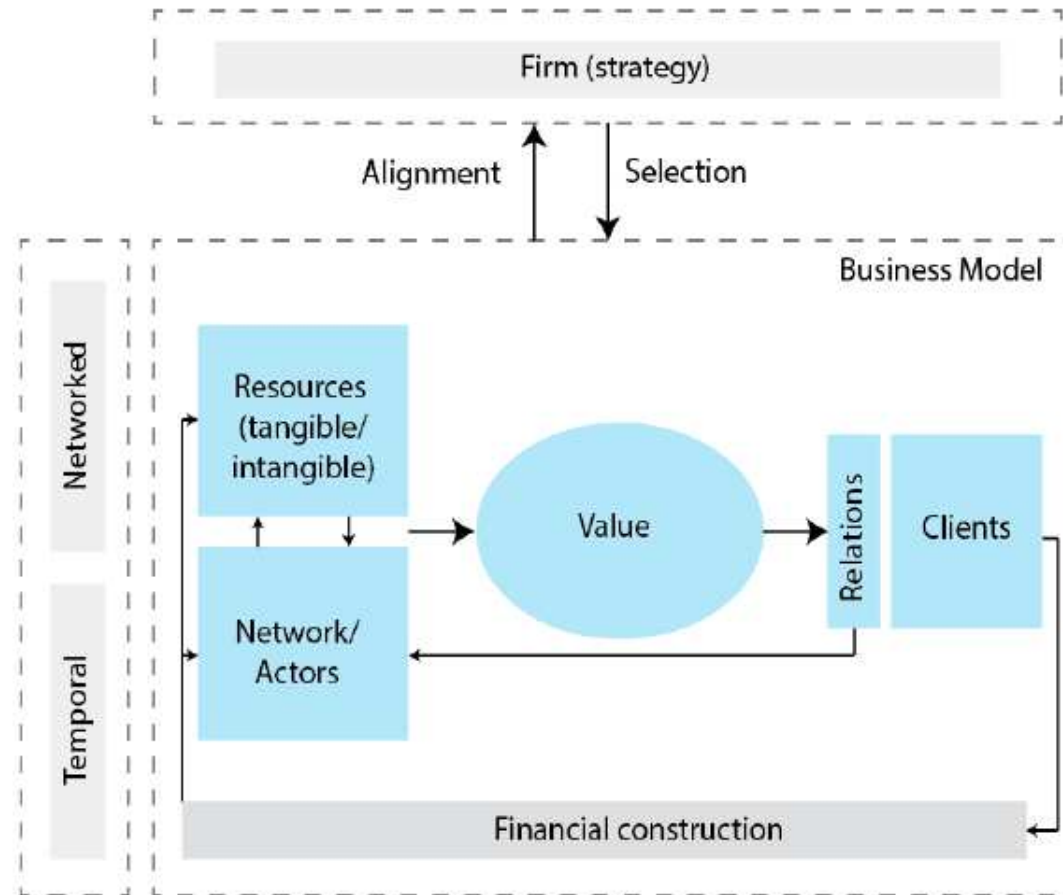
Components (Wirtz et al., 2015)

- Strategy
- Resources
- Network
- Customers
- Market offering or value proposition
- Revenues
- Service provision
- Procurement
- Finances

# Towards a model

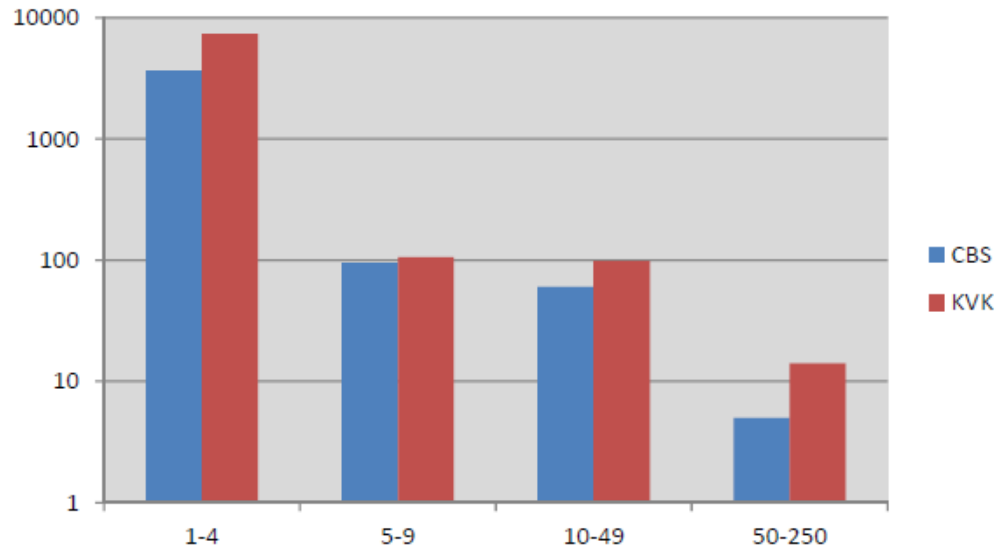


# The Developer Business Analysis Model



# Survey

# Population



N=217

Company category	Employees	Turnover
Medium-sized	< 250	≤ €50 m
Small	< 50	≤ €10 m
Micro	< 10	≤ €2 m



# Sample

- 153 development firms approached (through various sources)
- Board members, because of strategic characteristics of questions
- 85 responses, of which 73 were fully completed
- 53 developers that are part of the population (24%)

## Sample: categorization

	Independent developer	Developer related to financial institution	Developer related to an investor	Developer related to a contractor	Developer related to a firm with a different core-business	TOTAL
Housing	18	2	9	7	3	39
Retail	15	1	6	4	5	31
Office	12	0	5	6	3	26
Industrial/logistics	7	0	3	1	3	14
Other: hotels	2	0	1	0	0	3
Others:(infrastructure, societal, stations and utilities)	2	0	0	2	1	5
<b>TOTAL</b>	<b>23</b>	<b>2</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>N=53</b>

## Data collected

- General data, used for categorization
- 9 combination questions, describing a *trend*, asking about its *influence* on the business model on a 5 point Likert scale, and asking to *describe* the influence on the business model in an open question.
- Question regarding the *amount* of change in business model components based on a 5 point Likert scale

# Data processing

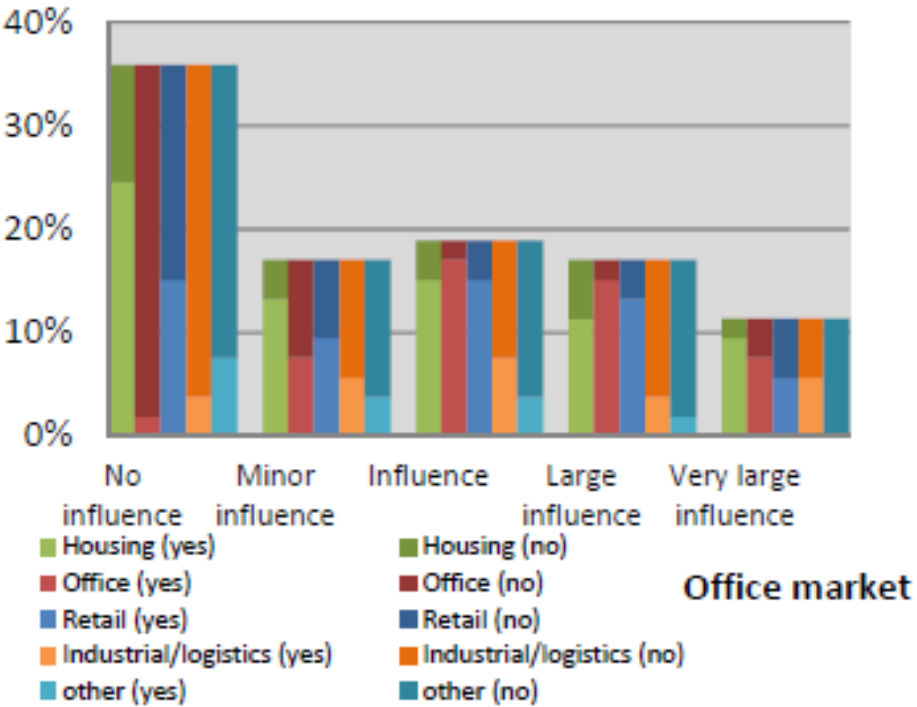
- Using SPSS for Likert data
- Using Atlas TI for coding open answers
- Excel/word for graphic representation

# Influence

	No influence	Minor influence	influence	Large influence	Very large influence	Median scoring
Financial	10	10	7	16	10	Influence
Office market	19	9	10	9	6	Minor influence
Retail market	14	7	14	12	6	Influence
Housing market	9	9	13	16	6	Influence
Size and location of developments	9	12	16	15	1	Influence
Supply to demand driven market	6	14	9	18	6	Influence
Demographic	12	19	14	6	2	Minor influence
Public-private roles	14	12	11	15	1	Influence
Sustainability	4	18	18	13	0	Influence
<b>TOTAL</b>	<b>97</b>	<b>110</b>	<b>112</b>	<b>120</b>	<b>38</b>	

	No influence	Minor influence	influence	Large influence	Very large influence
Median value	1	20	22	10	0

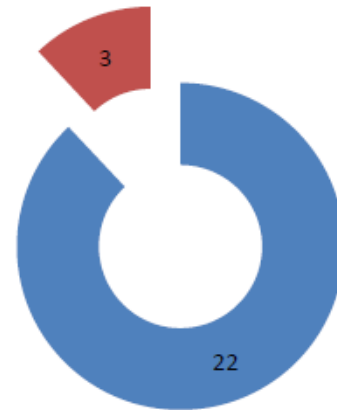
# Example office market



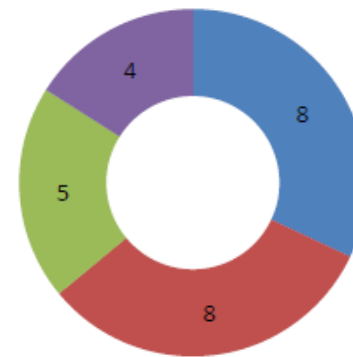
# Changes

MOST FREQUENT INFLUENCE		
<i>Frequency</i>	<i>Trend</i>	<i>Change</i>
<b>21</b>	Financial	Difficulties in development financing
<b>14</b>	Retail market	Decrease or downsizing of retail developments
<b>14</b>	Demand to supply driven market	Already demand driven
<b>13</b>	Demand to supply driven market	The client is involved or is of more importance
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<b>10</b>	Financial	Alternative financing sources/constructions
<b>10</b>	Public-private relation	Increasing private role in development
<b>10</b>	Sustainability	Sustainability is defined by standards or following developing trends

# Changes in 'Financial Construction'



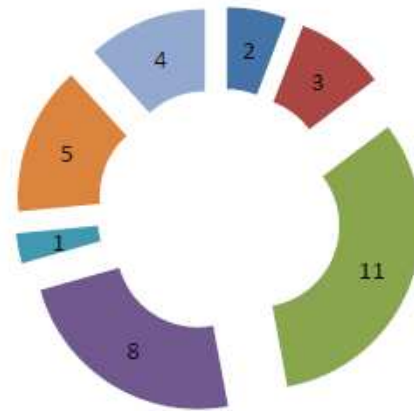
- Financial trend
- Most important change



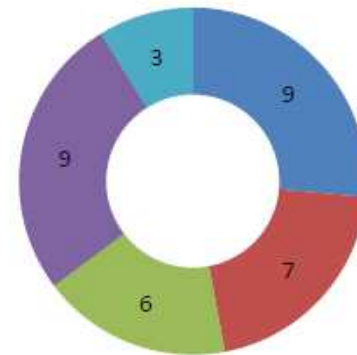
- Alternative financing sources
- Decreasing financial risks
- Increased amount of equity
- Changed financial structure



# Changes in 'Resources'



- Financial
- Office market
- Size and location of developments
- Public-private roles
- Supply to demand driven market
- Sustainability
- Most important change

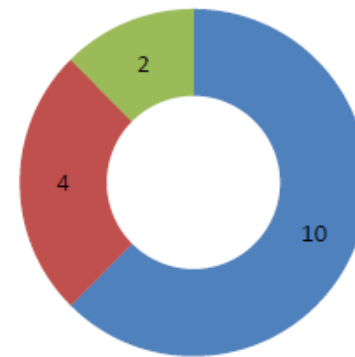


- Improved market&client knowledge/skills
- Improved skills for complexity/urban development
- Improved skills/people for sustainability
- Increased skills/tasks that were previously of public parties
- Using existing buildings

# Changes in 'Network Actors'



- Financial
- Size and location of developments
- Public-private roles
- Most important change

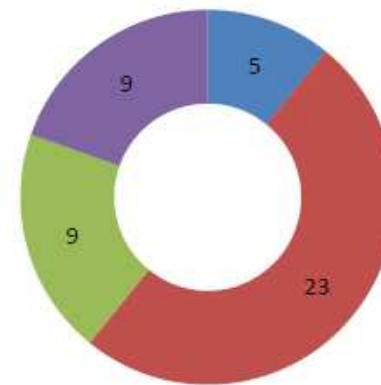


- Changed collaboration with network
- Partnering over hiring/buying
- Changed ways of contracting

# Changes in 'Value Proposition'



- Demographic
- Housing market
- Office market
- Size and location of developments
- Retail market
- Supply to demand driven market
- Sustainability
- Most important change

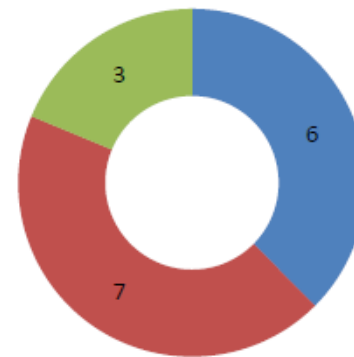


- Change in locations
- Change in types/concepts
- Value brought closer to client demand
- Sustainability (increased) as value

# Changes in 'Clients'

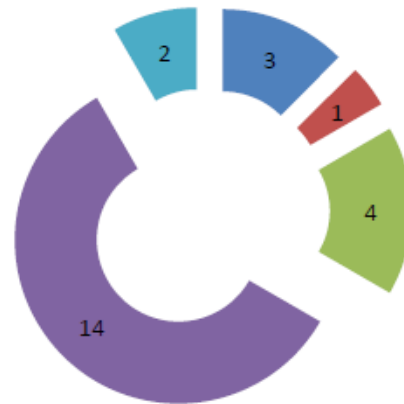


- Demographic
- Housing market
- Office market
- Size and location of developments

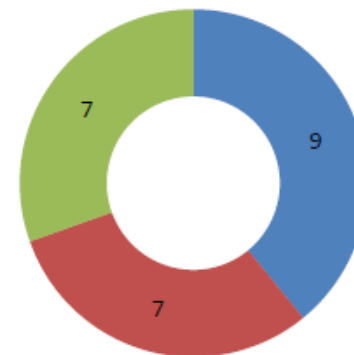


- More elderly/care needing
- More students/starters/1-2 person households
- Shifting focus in clients

# Changes in 'Relations'

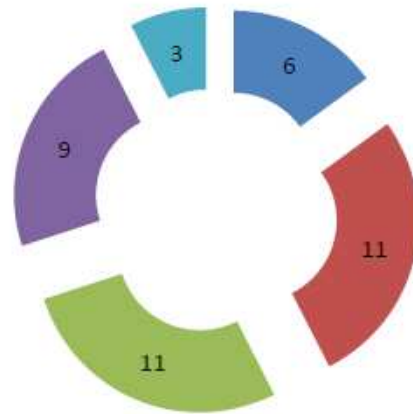


- Housing market
- Size and location of developments
- Retail market
- Supply to demand driven market
- Most important change

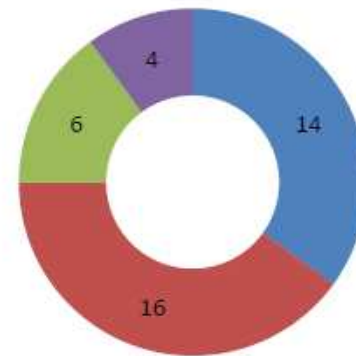


- Client has become more important
- Client has (increasingly) become part of the process
- First create commitment, then start development

# Changes in 'Strategy'



- Financial
- Housing market
- Office market
- Retail market
- Size and location of developments



- Changing focus/repositioning
- Failing/hauling business models
- Lower volume/delay
- Smaller size

# Changes in 'Strategy'

	Financial construction	Resources (internal/external)	Network/actors	Value proposition	Clients	Relations	Strategy	TOTAL
Financial	22	2	6	0	0	0	6	36
Office market	0	3	3	7	2		11	26
Retail market	0	0	0	4	0	4	9	17
Housing market	0	0	0	3	6	3	11	23
Size and location of developments	0	11	0	8	2	1	3	25
Supply to demand driven market	0	1	0	5	0	14	0	20
Demographic	0	0	0	9	6	0	0	15
Public-private roles	0	8	5	0	0	0	0	13
Sustainability	0	5	0	9	0	0	0	14
Most important change	3	4	1	1	0	2	0	11
<b>TOTAL</b>	<b>25</b>	<b>34</b>	<b>15</b>	<b>46</b>	<b>16</b>	<b>24</b>	<b>40</b>	<b>200</b>

# Changes regarding business models

OTHER INFLUENCE		
Frequency	Trend	Change
23	Value proposition	Change in types/concepts
16	Strategy	Failing/halting business models
14	Strategy	Changing focus/repositioning
10	Network/actors	Changed collaboration with network
9	Resources	Improved market&client knowledge/skills
9	Resources	Increased skills/tasks that were previously of public parties
9	Value proposition	Value brought closer to client demand
9	Value proposition	Sustainability (increased) as value
9	Relations	Client has become more important
8	Financial construction	Alternative financing sources
8	Financial construction	Decreasing financial risks
7	Resources	Improved skills for complexity/urban development
7	Clients	More students/starters/1-2 person households
7	Relations	Client has (increasingly) become part of the process
7	Relations	First create commitment, then start development
6	Resources	Improved skills/people for sustainability
6	Clients	More elderly/care needing
6	Strategy	Lower volume/delay
5	Financial construction	Increased amount of equity
5	Value proposition	Change in locations
4	Financial construction	Changed financial structure
4	Network/actors	Partnering over hiring/buying
4	Strategy	Smaller size
3	Resources	Using existing buildings
3	Clients	Shifting focus in clients
2	Network/actors	Changed ways of contracting



***What contextual changes can be identified after the global financial crisis, what trends follow from these changes, have these trends influenced property developer's business models and if so what have the changes in business models been?***

# Trends in property development

Category	Trend
Financial	<i>It has become increasingly difficult to organize capital for Dutch property developers.</i>
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***Some personal comments on the thesis***

Chapter	comment
1.Management summary	Improvement
2.Research proposal	Adjustment
3.Introduction	Finished
4.Methodology	Finished
5.Trends	Finished
6.Business modelling	Finished
7.Empirical results	Finished
8.Conclusions	Perhaps discussion chapter? Improvement
9.Reflection	Minor improvement

***Questions?***