

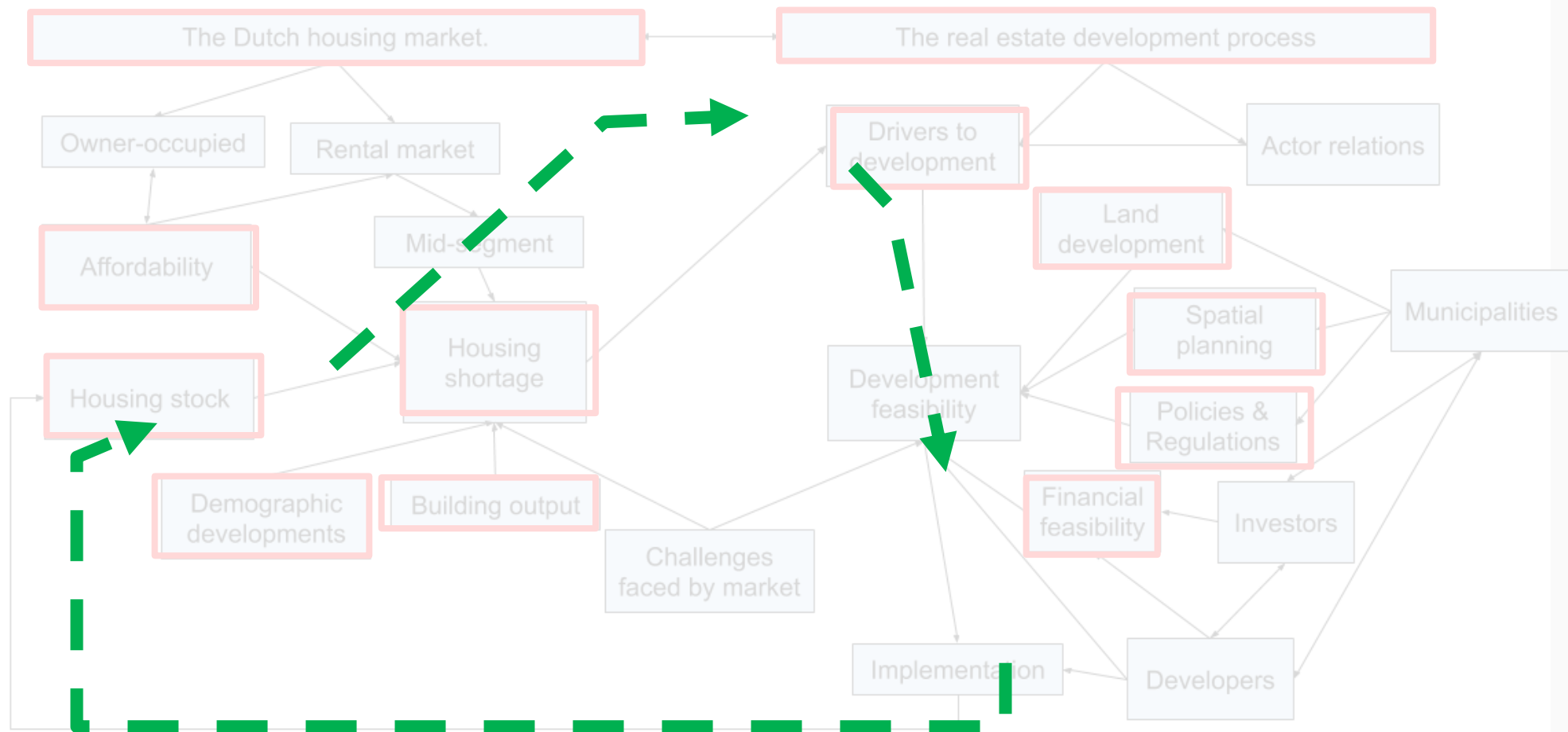
Rethinking the development process of mid-segment rental housing in the Netherlands.



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Research themes & Conceptual model



Problem definition

- The Netherlands currently suffers from a significant housing shortage.
- Especially within the Mid-segment rental housing sector.
 - Unaffordable owner occupied and free market rental homes.
 - Target groups – comprises of large % of the population.
 - Middle-income – not qualifying for social housing.
- Estimated requirement – 60,000 to 200,000 in next ten years (Mid-segment).
- Market actors & municipalities acknowledge this problem – making attempts to improve – there still isn't an increase in the rate of supply.
- Resources are available – not being able to mobilise is slowing the rate of supply.
- Problem lies within the development process.

Hypothesis – *Improving the development process and policies within the mid-segment rental housing market would in turn improve the supply .*

Aim & Goal

Aim : To increase the supply of mid-segment rental homes and contribute towards reducing the housing shortage in the Netherlands.

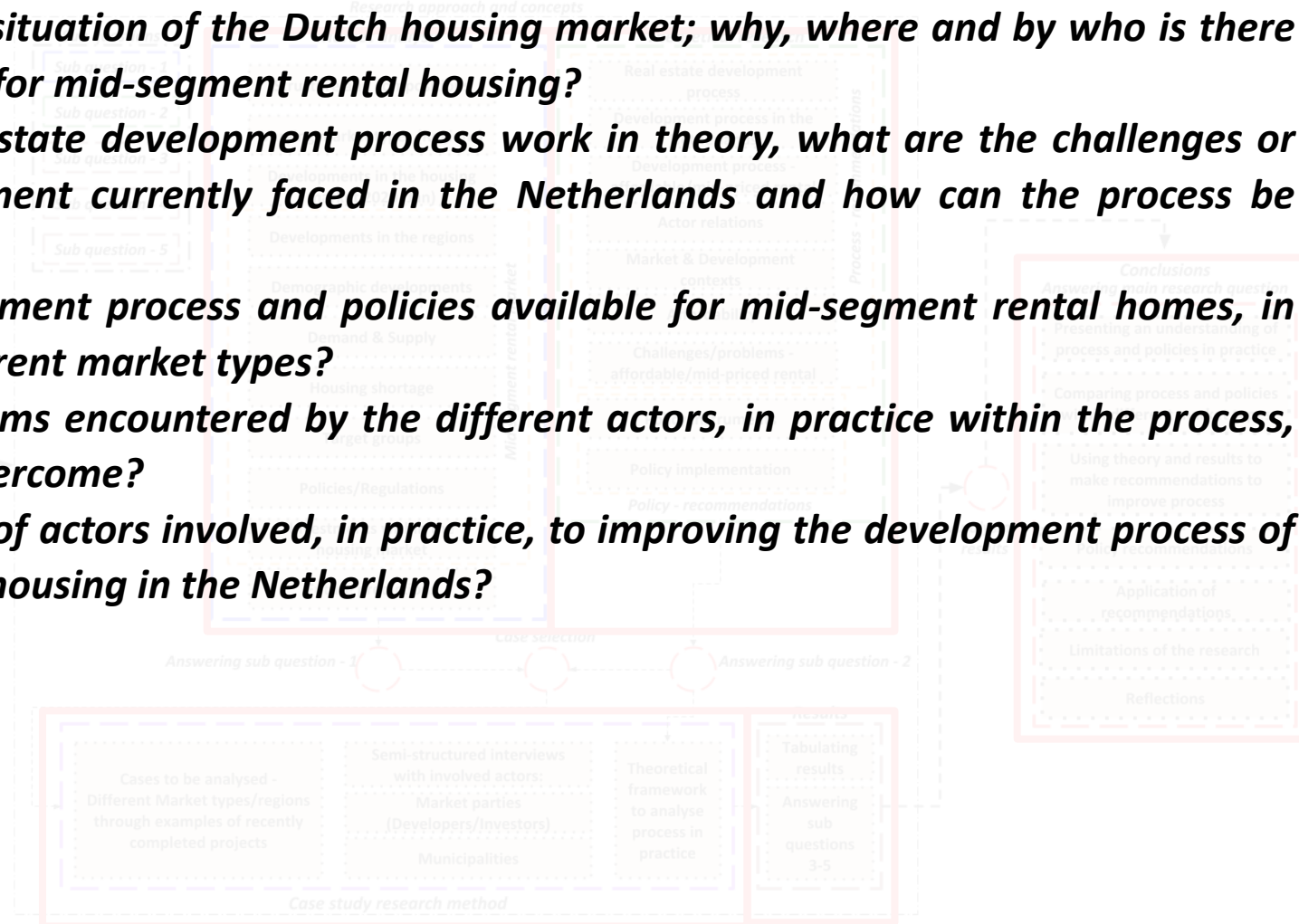
Goal : Recommend measures/changes, that municipalities and market parties, could possibly make to the existing process and policies of developing mid-segment rental homes in the Netherlands.

Main Research Question

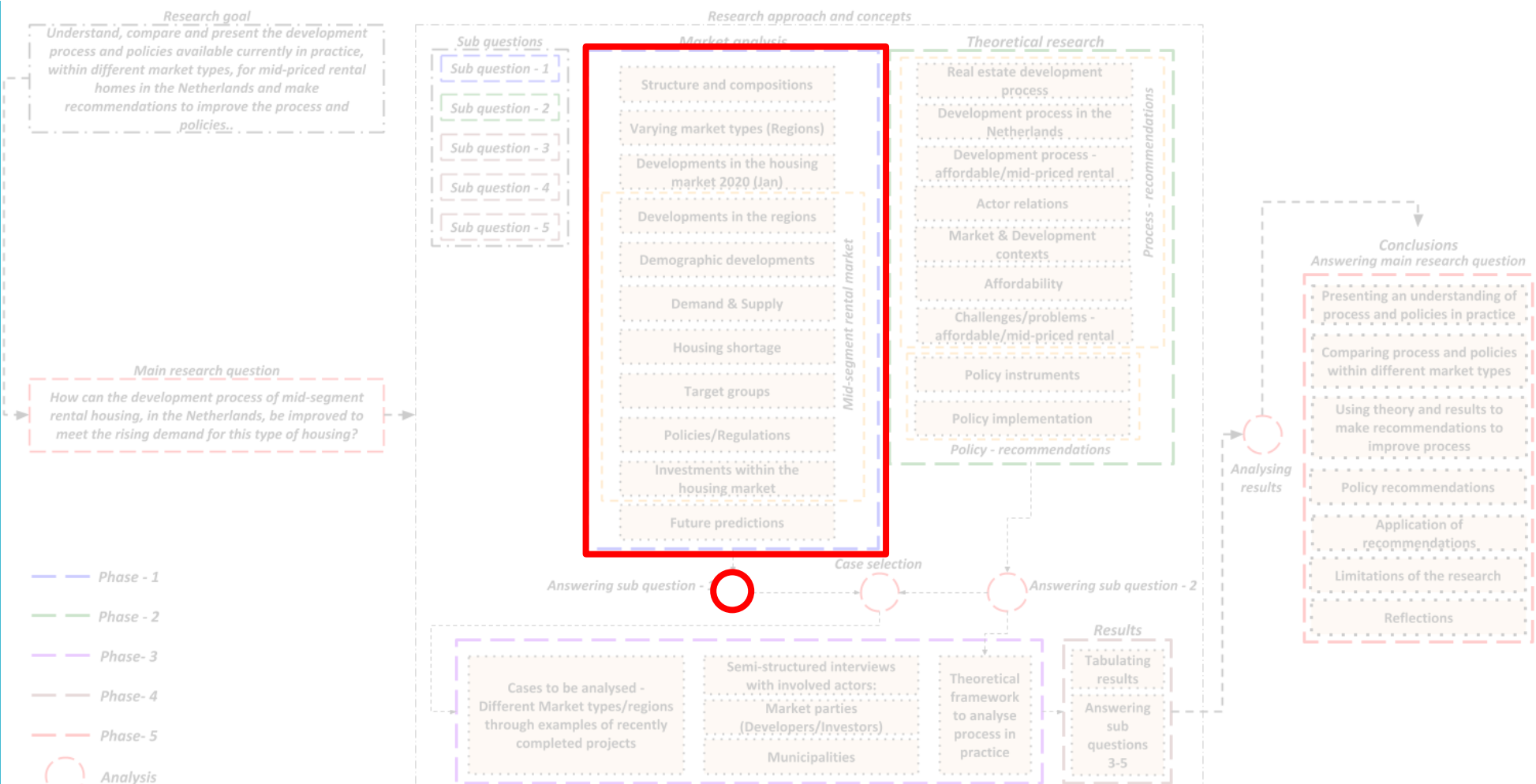
How can the development process of mid-segment rental housing, in the Netherlands, be improved to meet the rising demand in this segment of the housing market?

Research Design & Sub-questions

- 1. What is the current situation of the Dutch housing market; why, where and by who is there such a high demand for mid-segment rental housing?**
- 2. How does the real estate development process work in theory, what are the challenges or barriers to development currently faced in the Netherlands and how can the process be improved?**
- 3. What is the development process and policies available for mid-segment rental homes, in practice, within different market types?**
- 4. What are the problems encountered by the different actors, in practice within the process, and how are they overcome?**
- 5. What is the opinion of actors involved, in practice, to improving the development process of mid-segment rental housing in the Netherlands?**



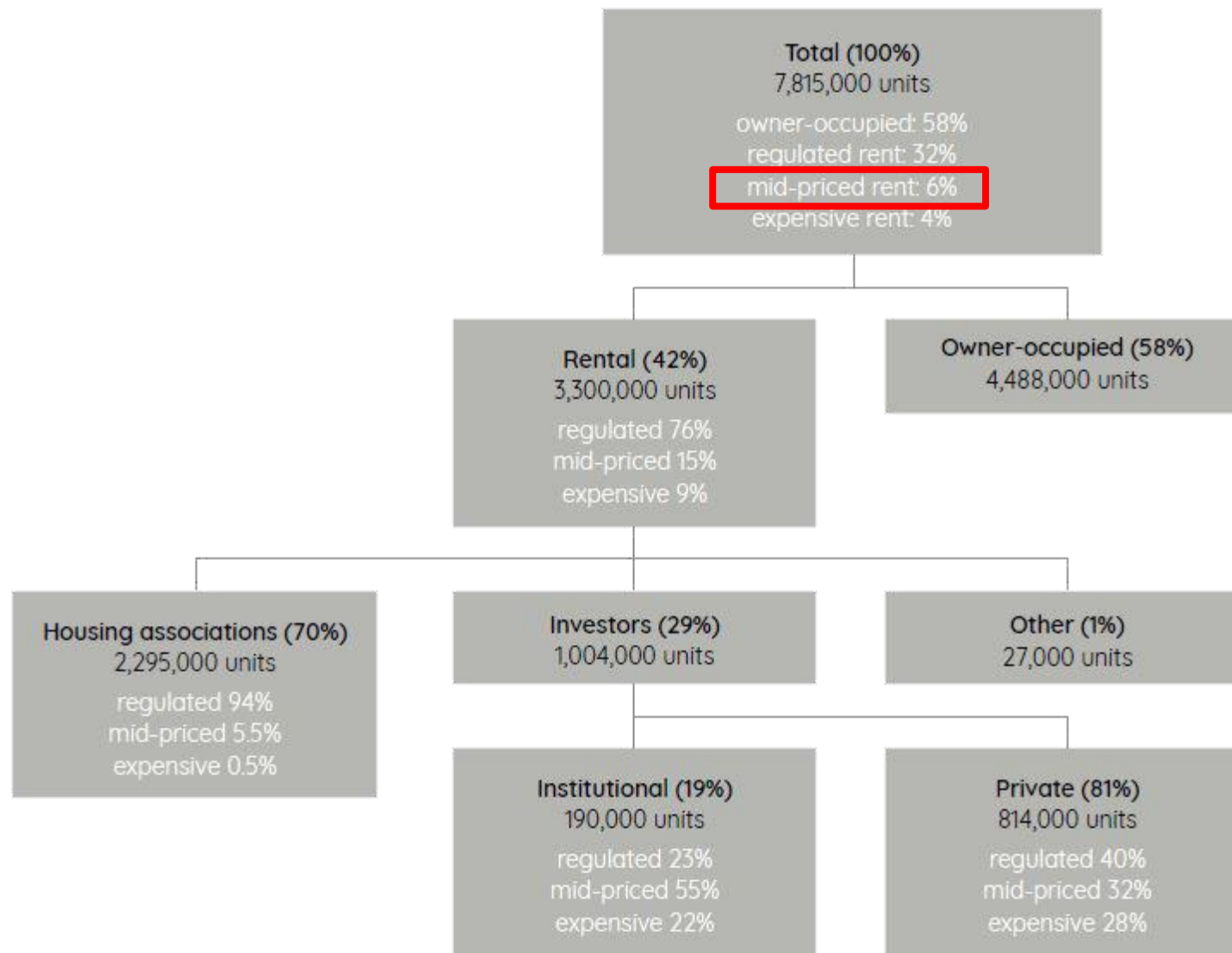
Market analysis



What is the current situation of the Dutch housing market; why, where and by who is there such a high demand for mid-segment rental housing?

Market analysis

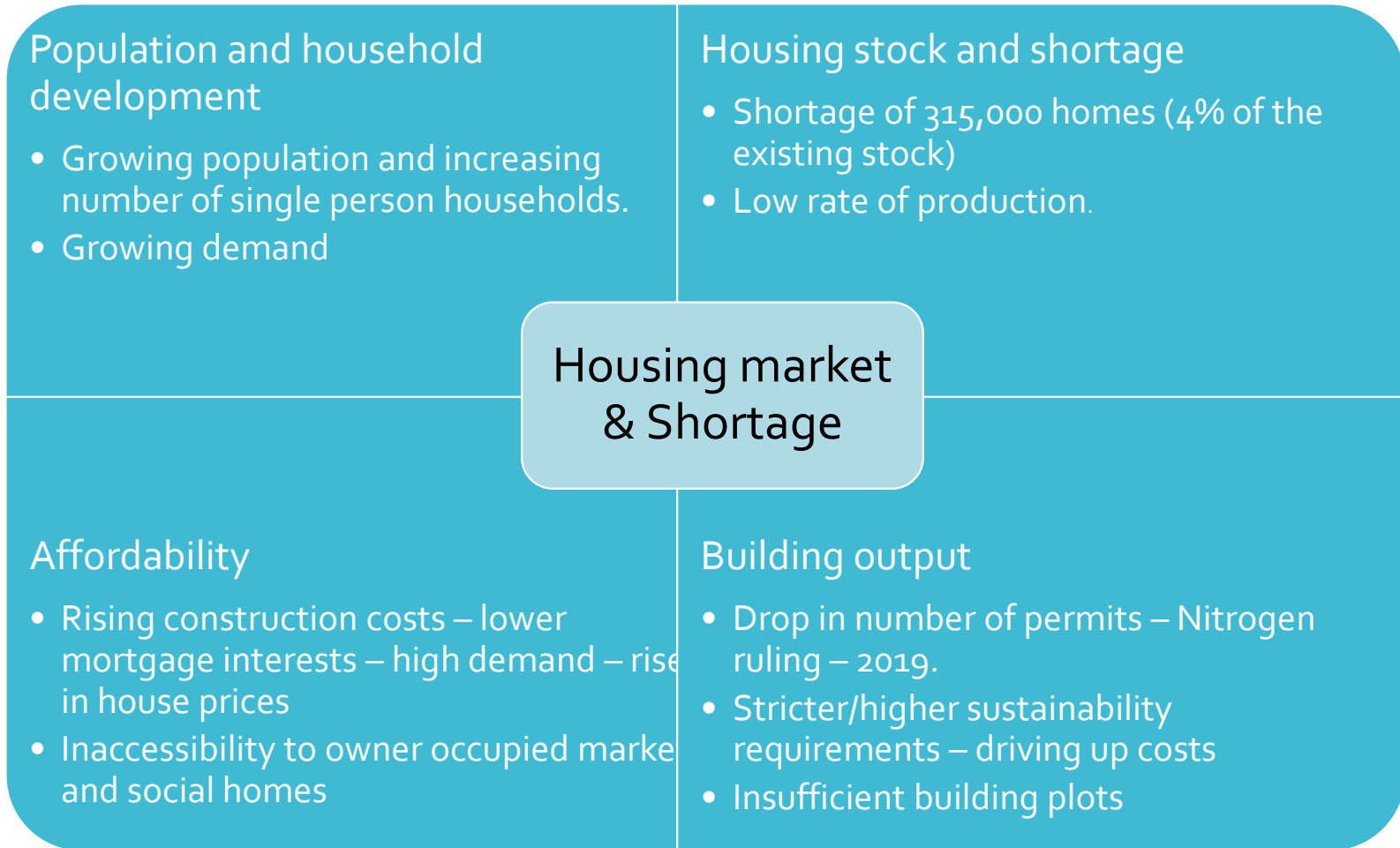
Structure & Composition



Source: BZK/CBS 2018 (WoOn), dPi 2018, PBL 2019, CBS 2019, Capital Value 2020

Market analysis

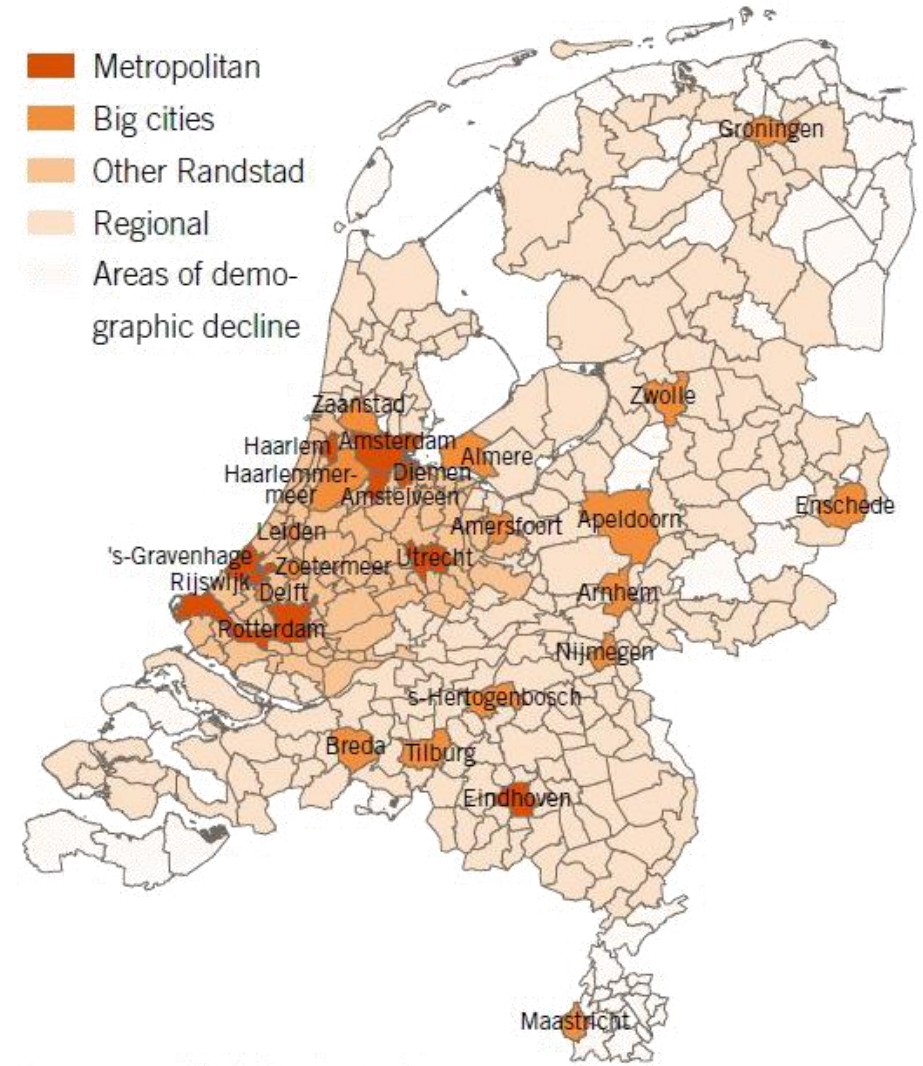
Developments that influence the housing market.



Phase 1 – Answering Sub-question 1

Market analysis

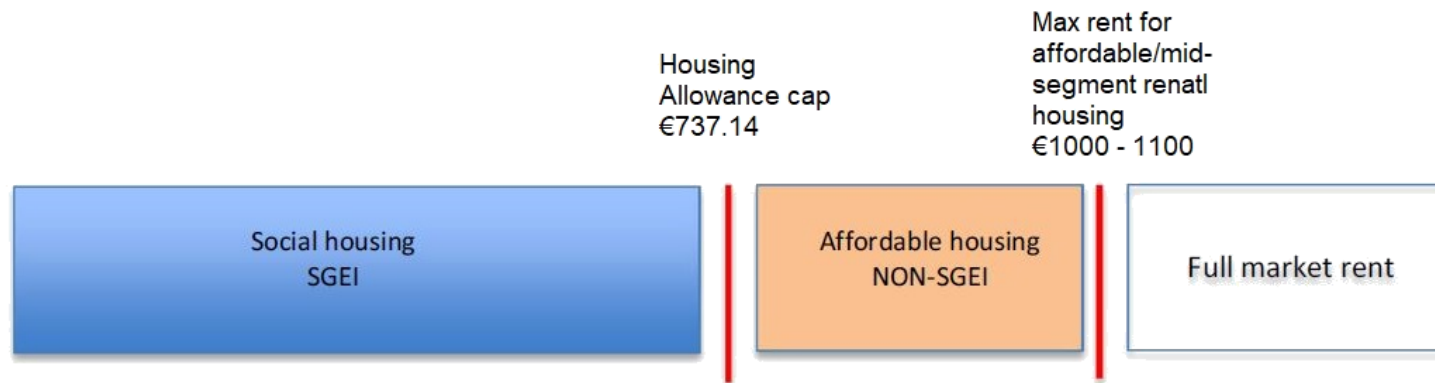
Varying markets



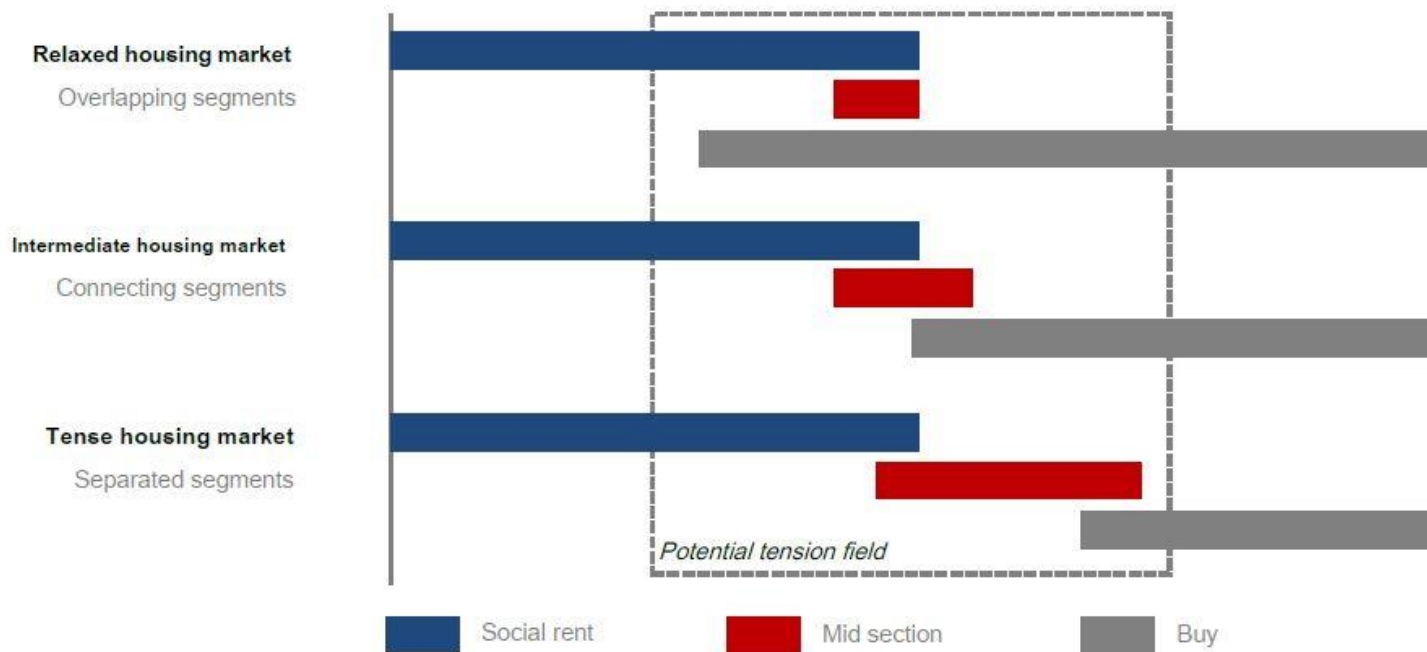
Source: Capital Value, 2019

Market analysis

Mid-segment - Definition



(Source: adapted from Czischke, D., & van Bortel, G., (2018) and Meulenbeld, T. (2019))



(Source: Meulenbeld, T., 2019)

Market analysis

Mid-segment rental market – Demand and supply

Category	Market condition	Demand for non-regulated rental homes	Supply of non-regulated rental homes	Demand within the mid-segment
Metropolitan	Tense	53,000 homes per year	37,000 homes per year	16,000 homes per year
Big cities	Tense	31,000 homes per year	22,000 homes per year	11,000 homes per year
Other Randstad	Tense	79,000 homes per year	64,000 homes per year	15,000 homes per year
Regional Municipalities	Intermediate	41,000 homes per year	33,000 homes per year	No estimate available
Areas of demographic decline	Relaxed	5,000 homes per year	5,000 homes per year	No shortage present

- Primary target groups
 - Young starters – flexible/knowledge workers
 - Middle income households
 - Elderly

(Numbers Source: Capital Value, 2020)

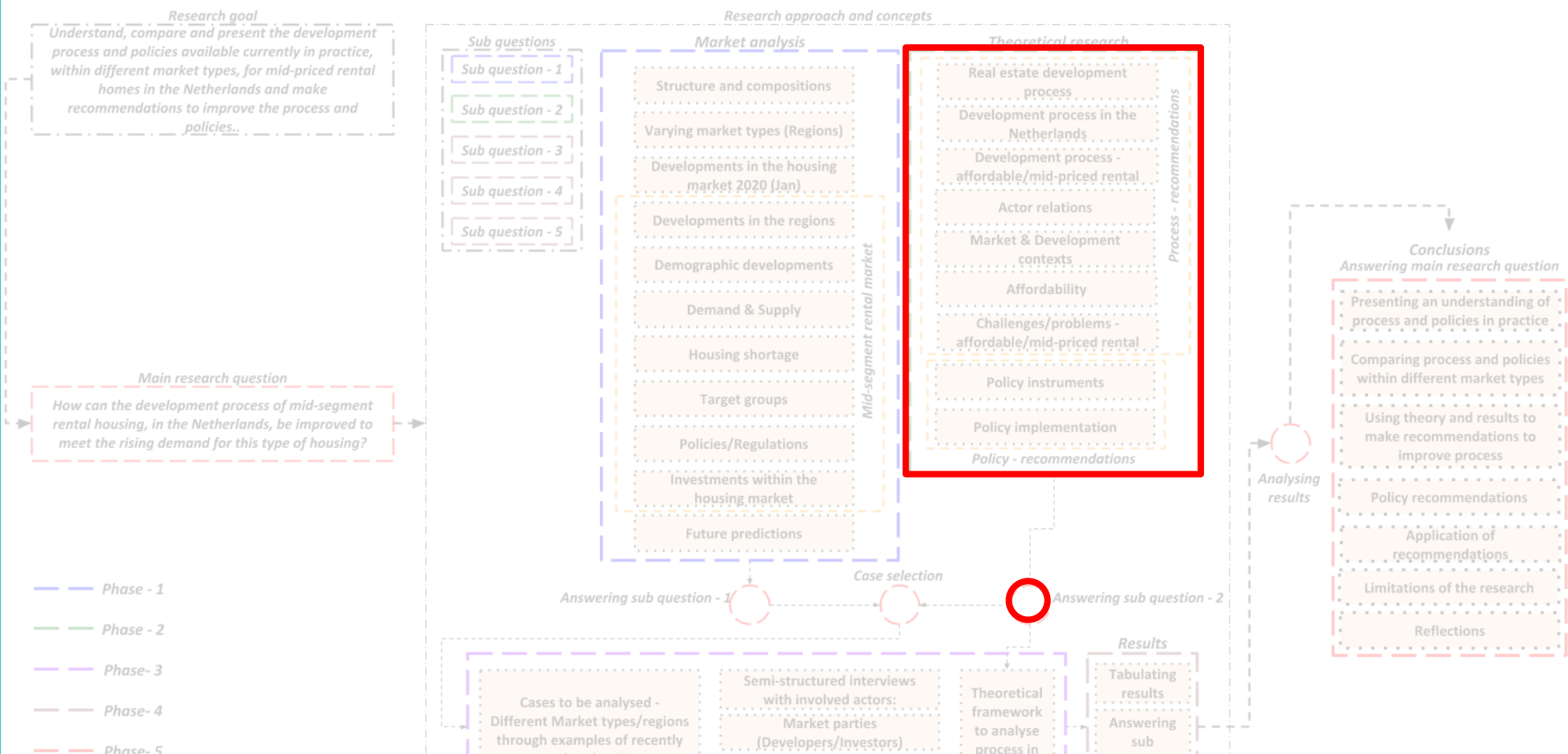
Market analysis

Mid-segment rental market – Existing policies

- Municipalities have set up collaboration tables.
 - Research to understand the extent of demand.
 - For market parties and municipalities to have a platform to interact.
- Action plans in place.
 - Controlling the stock after being realised.
 - Have very less control when the land is privately owned.
 - Established mid-segment as a requirement – municipal land.
 - Cap on rent increase to inflation +1% ranging between 15 – 20 years.
 - Affordability permits – housing permits – regulating the tenants – limiting middle income or other specific target groups.
- No subsidies available – land price – calculated on residual basis.
- Lack stimulating or capacity building policies.
 - Predominantly focus on regulative policies.

- 1. *What is the current situation of the Dutch housing market; why, where and by who is there such a high demand for mid-segment rental housing?***
 - Current situation of the Dutch housing market.
 - Rising housing shortage in all segments of the market.
 - Increasing population and single person households – increasing the demand.
 - Rising development costs – increased sustainability goals - rigidity in building regulations.
 - Drop in number of permits being issued – pressure on supply side.
 - Rising house prices – owner occupied market & private rental market
 - Why?
 - Unaffordable – inaccessible – owner occupied market – rising house prices.
 - Growing shortage and waitlists for social homes – income too high for social.
 - Desire to live within the Randstad conurbation.
 - Turning to the mid-segment rental housing sector.
 - Where and who?
 - Highest within the Randstad conurbation.
 - Metropolitan areas – Big Cities – Other Randstad – Regional municipalities – varying amounts of demand.
 - Young – knowledge workers – migrants – flexible lifestyle – moving up the housing ladder – elderly

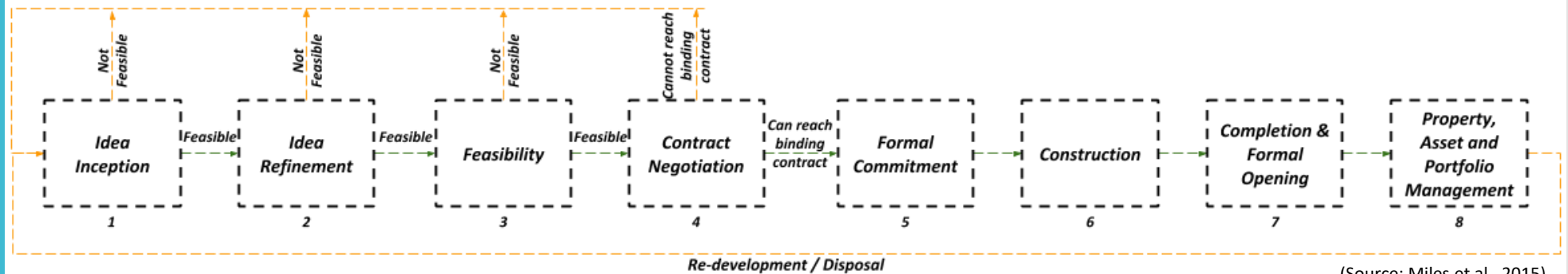
Theoretical research



How does the real estate development process work in theory, what are the challenges or barriers to development currently faced in the Netherlands and how can the process be improved?

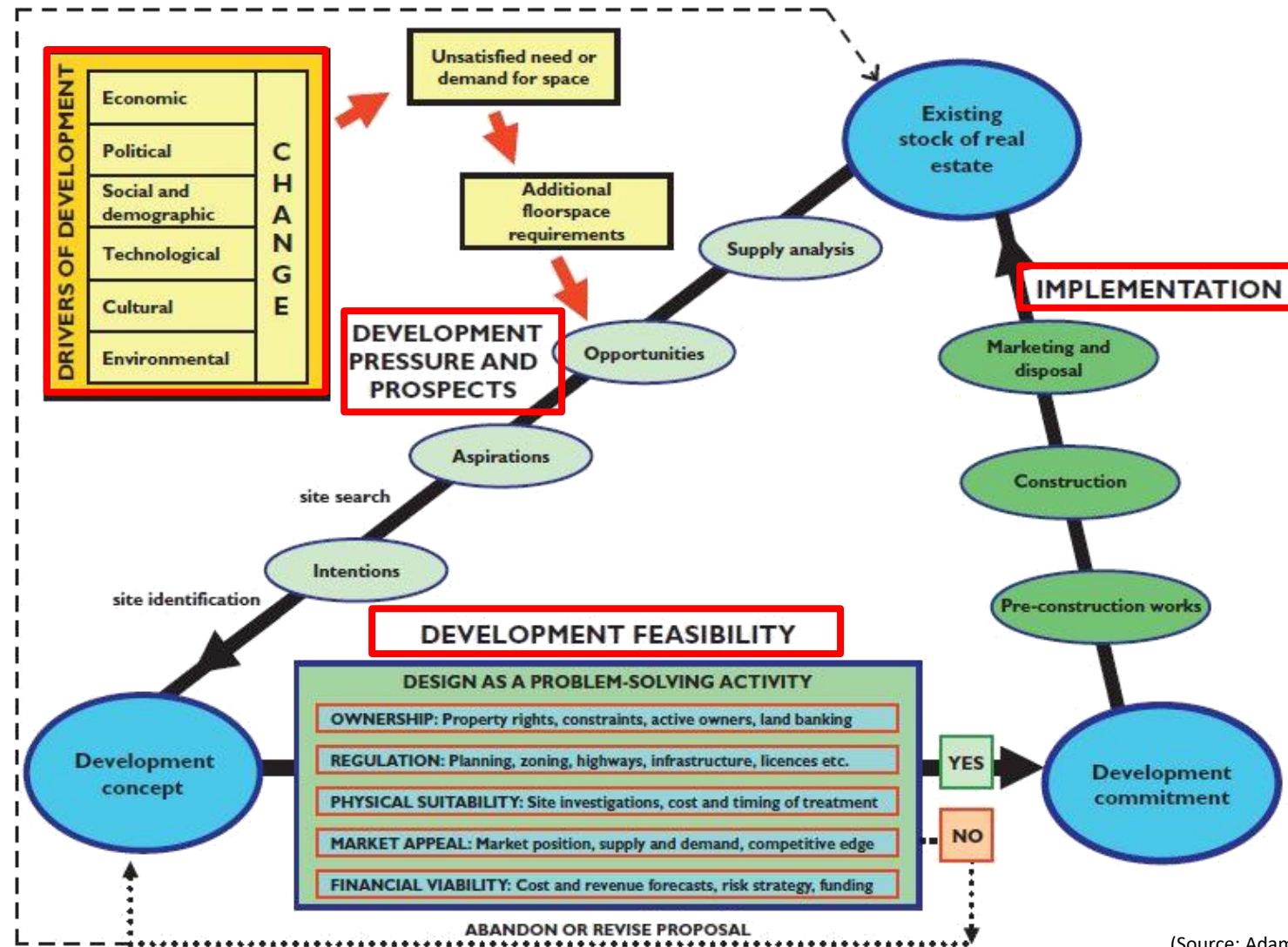
“Real estate development is the continual reconfiguration of the built environment to meet society’s needs.” Miles et al. 2015

- A rather simple yet complex process.
 - Simple – following the steps – new/redevelopment
 - Complex – External factors – Changing contexts
- Eight – stage model by Miles et al. 2015
- Event based model by Adams, D., & Tiesdell, S., (2012) – Three sides of the development triangle



Theoretical research

Event-sequence model

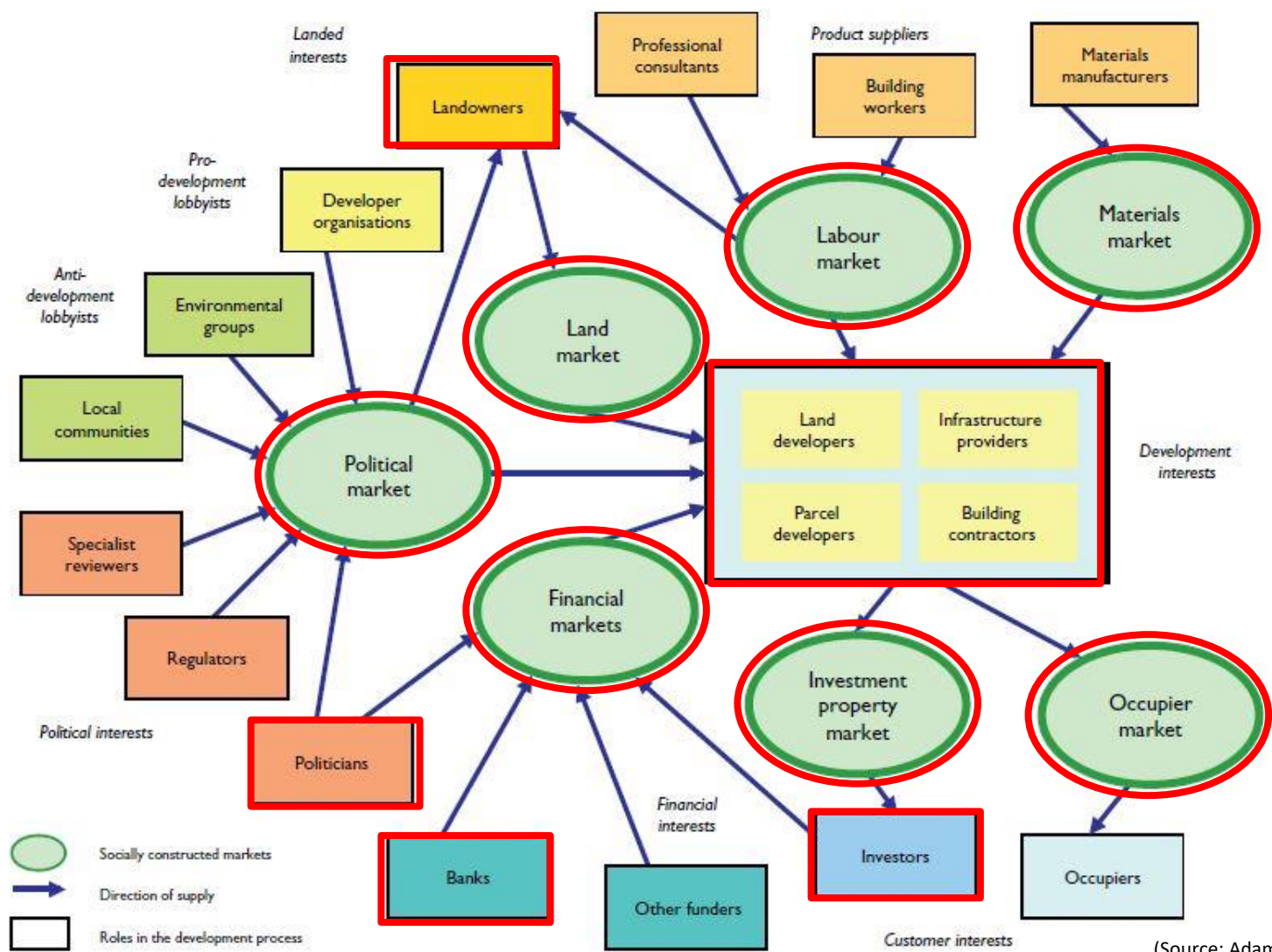


(Source: Adams, D. & Tiesdell, S., 2013)

Phase 2 – Answering Sub-question 2

Theoretical research

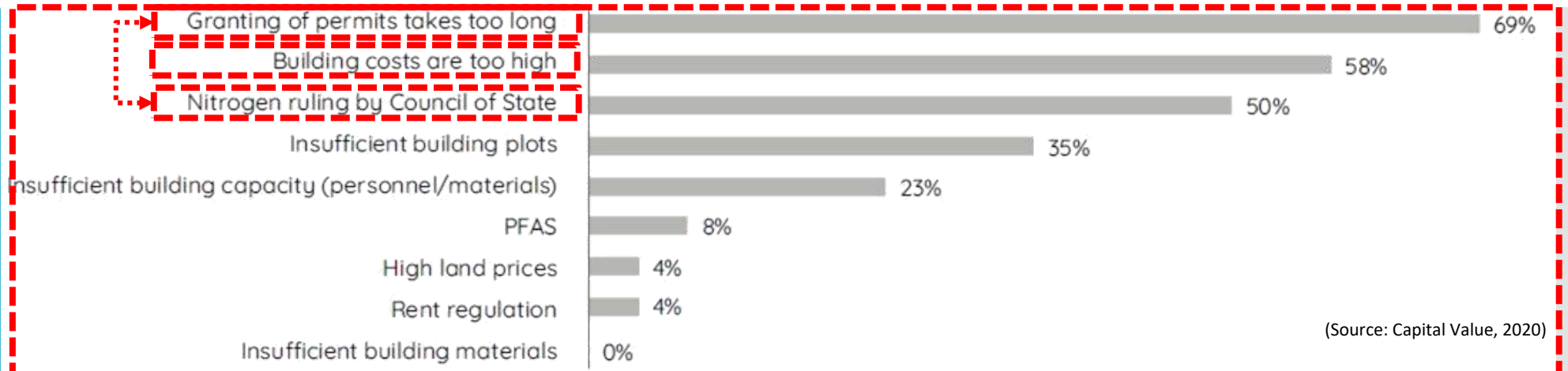
Actor & market relations



(Source: Adams, D. & Tiesdell, S., 2012)

Theoretical research

Challenges/barriers



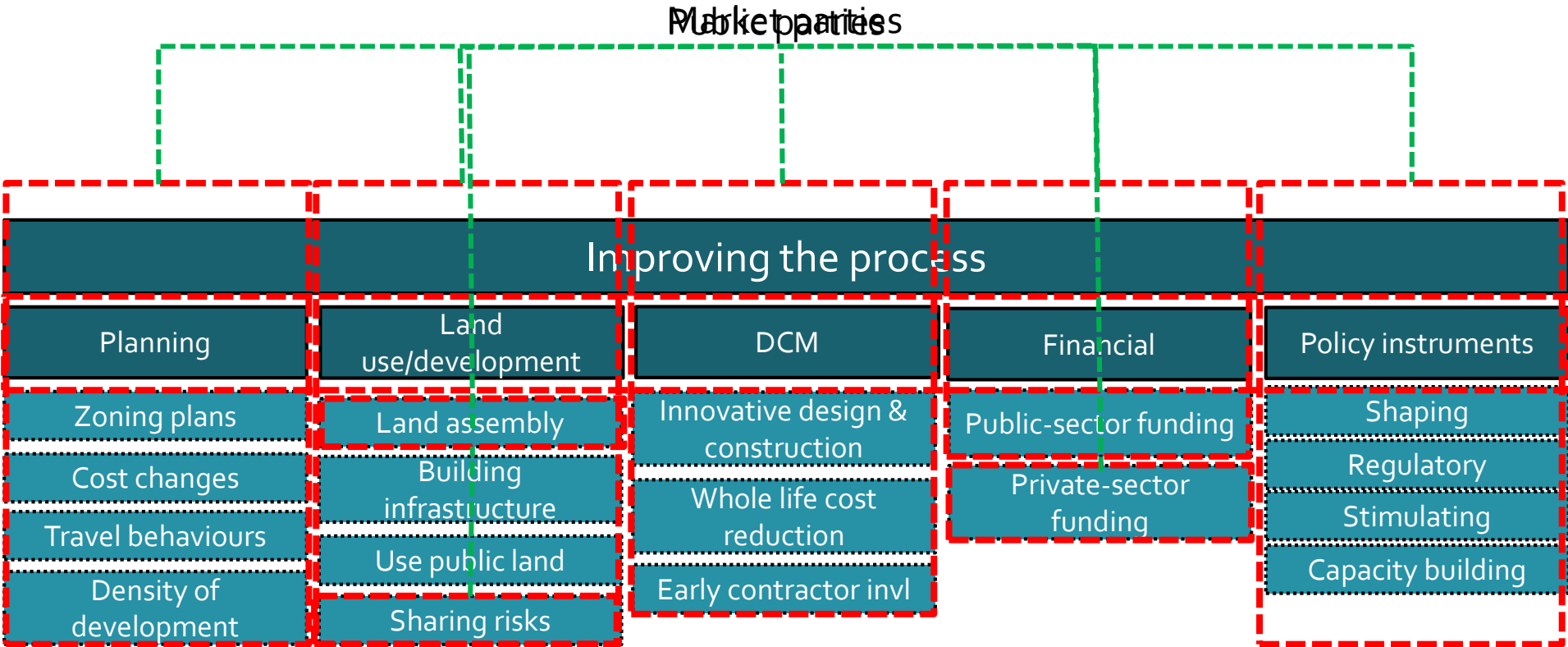
(Source: Capital Value, 2020)

Weighted average rank	Barriers preventing delivery of intermediate housing (Mid-segment)
1	Land that is available is priced too highly or being sold in a way that does not enable intermediate housing delivery (for example, tenders decided on the highest price)
2	Lack of alignment between public and private sectors
3	Private-sector stakeholders can make more money from other forms of development
4	Lack of available land for building intermediate units
5	Planning regulations that make intermediate housing unviable, such as density restrictions, lack of guidance for this sub-sector, lack of guidance for mixed use
6	Lack of financial incentives from the public sector to make the schemes viable
7	Lack of understanding about the financing required to deliver intermediate housing
8	Lack of resourcing in local planning authorities to push forward new ideas that will enable intermediate housing
9	Lack of local infrastructure around the land that is available to make it attractive for housing development
10	Building regulations that make intermediate housing unviable
11	Resistance from local residents for new intermediate housing units in their local area (NIMBYism)

(Source: ULL Europe et al., 2020)

Phase 2 – Answering Sub-question 2

Theoretical research
Improving the process



(Source: Adapted from ULI Europe et al., 2020)

Theoretical research

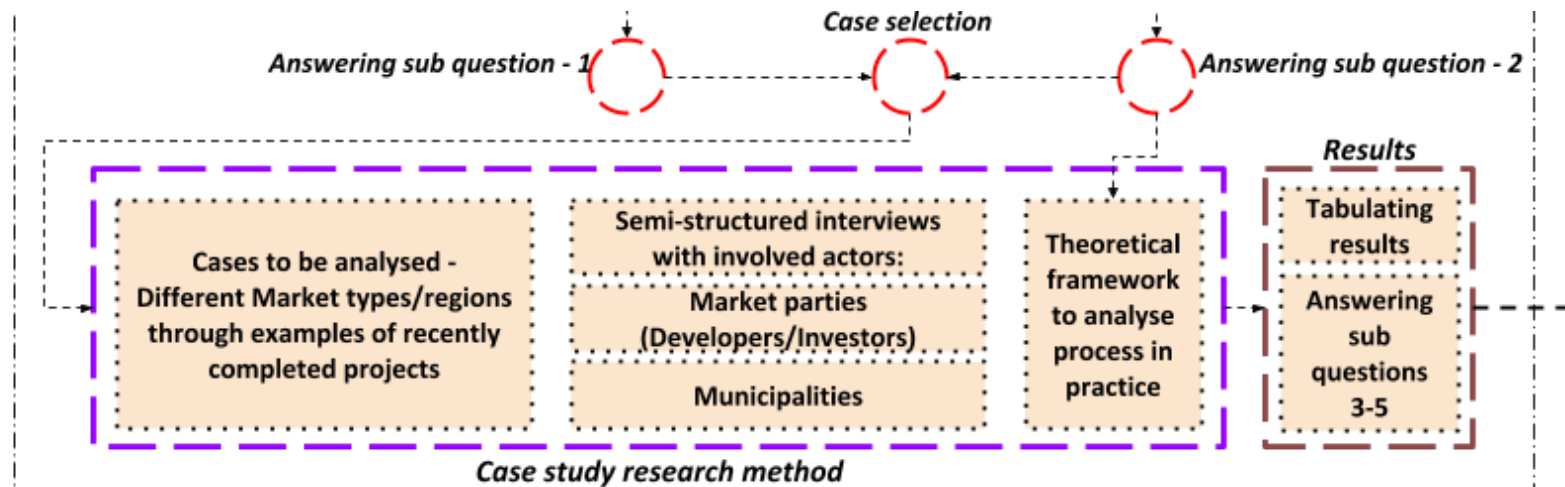
Conclusion – Building a framework

Real estate development process	Development triangle – event sequence model	Development pressures and prospects	Drivers	Supply analysis	Market analysis		
				Opportunities			
				Aspirations			
						Intensions	
		Development feasibility	Development concept	Land development			
				Ownership control			
				Regulations			
				Physical suitability			
				Market Appeal			
	Implementation	Development commitment	Pre-construction				
			Construction				
			Marketing and disposal				
			Relationships				
			Expectations				
			Supporting - markets				
			Communication				
		Collaborations					
		Land price/availability					
		Other market opportunities					
		Planning regulations					
		Lack of infrastructure					
		Building regulations					
		Planning					
		Land use					
		Design/Const/Mangm					
		Financial					
		Policy instruments					
				Field research – Feeding into interview questions			
				Further categorization of results			

Methodology

Case study method

- To understand the phenomenon of real estate development in different market contexts.
- Cases – Market types as categorized in earlier section.
- Phenomenon – Development of mid-segment rental homes.
- Semi-structured interviews.
 - Market parties – understand the problems faced by them – learning from past experiences.
 - Municipalities – understand the policies that are being developed for this segment of the housing market.
- Arriving at 4 cases as AOD doesn't have demand for this kind of housing.



Phase 3 – Field research

Methodology

Cases & example projects within the cases

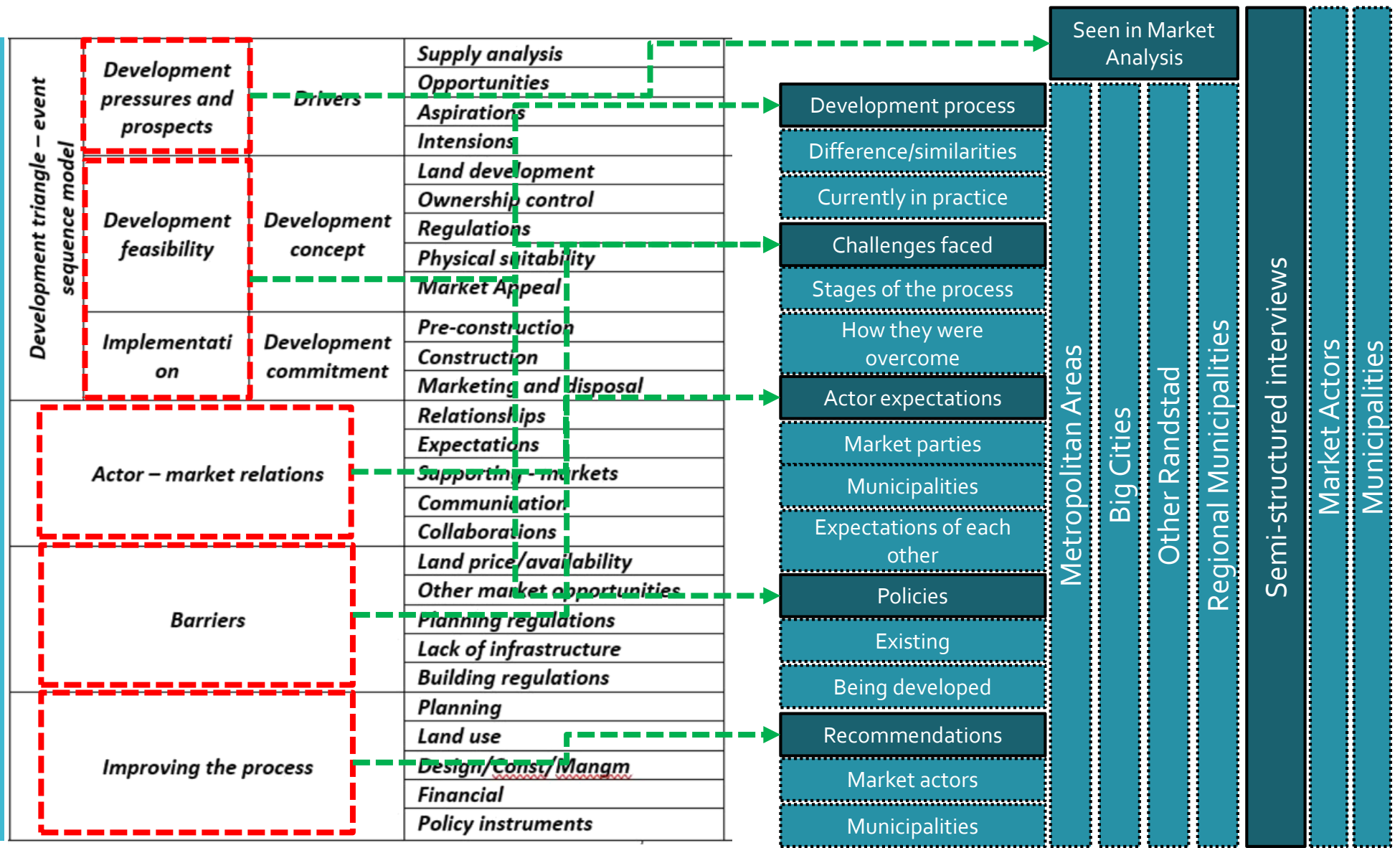
Cases - Market Type	Project Name	Year	Location	Project developer	Investor
Metropolitan Areas	Branie - Amstelstro omlaan	2019	Amsterdam	Boelens de Gruyter	CBRE Global investors
	De-Buurt	2020		AM	
Big Cities	Malburgen	2016	Arnhem	Sustay	ASR
Other Randstad	Van Reeshof	2017	Nieuwegein	Sustay	ASR
Regional Municipalities	Bergkwarter	2018	Zeewolde	Sustay	ASR
	Sint-Jakobssche lp	2018	Bergen op Zoom	Sustay	MN Services N.V



(Source: Capital Value, 2019)

Methodology

Semi-structured interviews



Methodology

Interviews conducted

<i>Cases - Market Type</i>	<i>Project developer</i>	<i>Investor</i>	<i>Municipalities</i>
<i>Metropolitan Areas</i>	✓		✓
<i>Big Cities</i>	✓	✓	✓
<i>Other Randstad</i>	✓	✓	✓
<i>Regional Municipalities</i>	✓	✓	

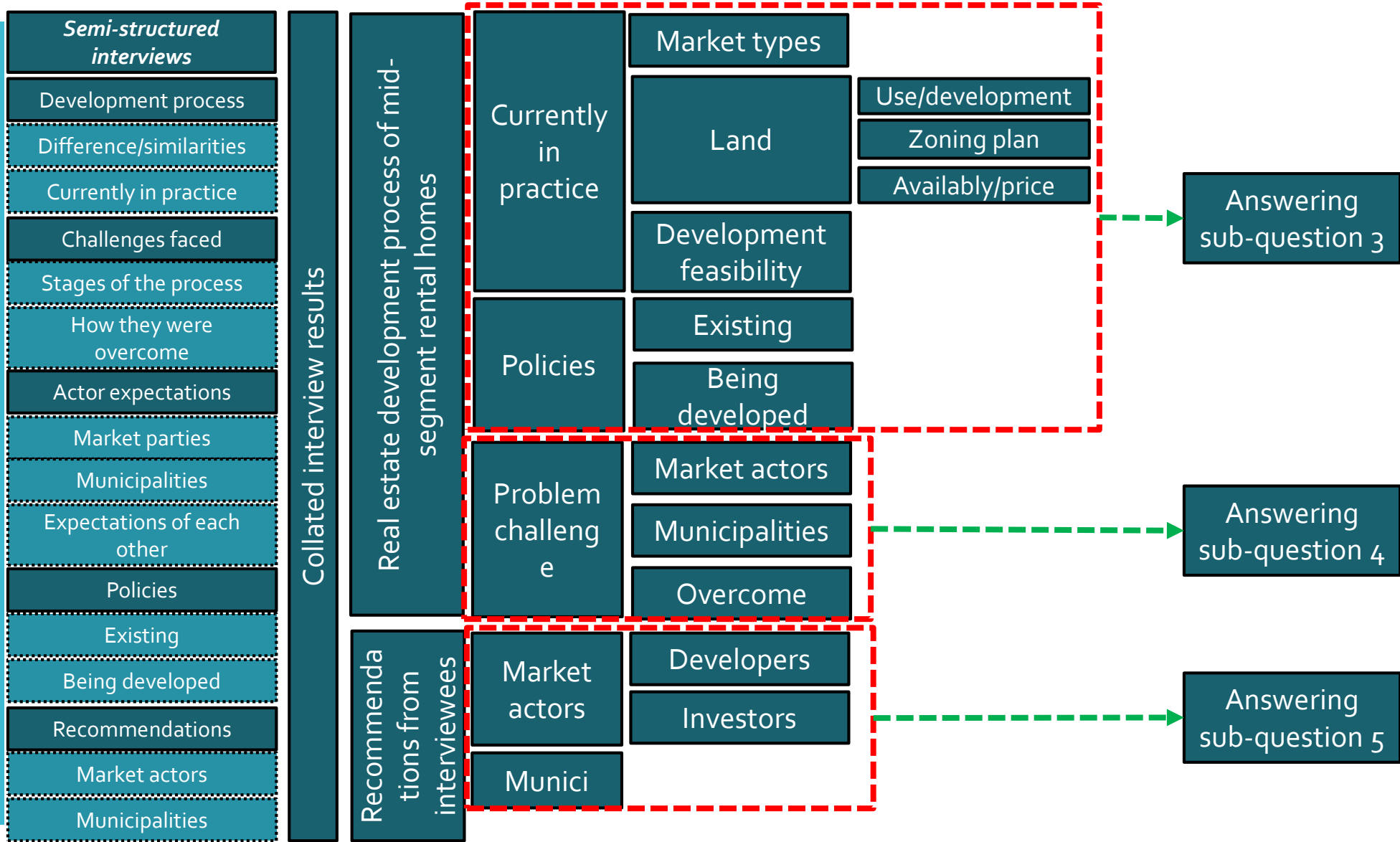
- Interviews completed (12 completed)
 - Project developers – 6
 - Investors – 2
 - Municipalities – 3
 - Contractors – 1

(Source: Capital Value, 2019)

Phase 4

Results

Categorising interview results



Results

Answering sub-questions 3

What is the development process and policies available for mid-segment rental homes, in practice, within different market types?

- **Process currently in practice**

- Currently in practice – two approaches are seen – land owned by municipality – public tenders and privately owned land – municipality can only influence through land use/zoning plans.
- Only key difference based on market types – shorter planning phase – Other Randstad & Regional Municipalities.
- Preference for land acquisition – municipal provided land.

- **Policies**

- Existing policies – regional developed.
- Mainly regulative
 - Quality
 - Rent increase
 - Allocation
- Lack stimulative policies
 - Arguable land prices
 - No incentives/subsidies.

Results

Answering sub-question 4

What are the problems encountered by the different actors, in practice within the process, and how are they overcome?

- **Market actors (Developers and Investors)**

- Building feasible business case
- Tendering based on price
- Market level land prices.
- Long waits on permitting
- Unclear on municipal visions and goals
- Rising construction costs – increasing building regulations – achieving all municipal goals.
- Availability of land

- **Municipalities**

- Initially focused on stimulating – resulted in very small homes.
- Limited land resource – as they do not buy land to provide as before.
- Market actors finding loopholes – mid-segment being part of the free market – comparatively lower authority when privately owned land.

- **Overcoming**

- As most of the challenges seen are in the planning phase – extensive negotiations was in place.
- In some cases – extensive court cases – in lieu of the ownership of the land

What is the opinion of actors involved, in practice, to improve the development process of mid-segment rental housing in the Netherlands?

Recommendations of interviewees & similar studies

Developers

Seek opportunities

Innovative design & construction methods

Early contractor involvement

Shift focus from inner city developments

Redevelopment/transformation – inner city

Lower margins – lower risks

Investors

Support by forward funding

Shift focus from inner city developments - Diversify

Own program of requirements

Resale condition – retain within the mid-segment

Municipalities

Provide clear visions and goals.

Financial incentives for developing mid-segment rental homes

Sharing risks

Flexibility – building regulations

Increasing skills and capacity

Tender focused on quality

Tax breaks – market parties

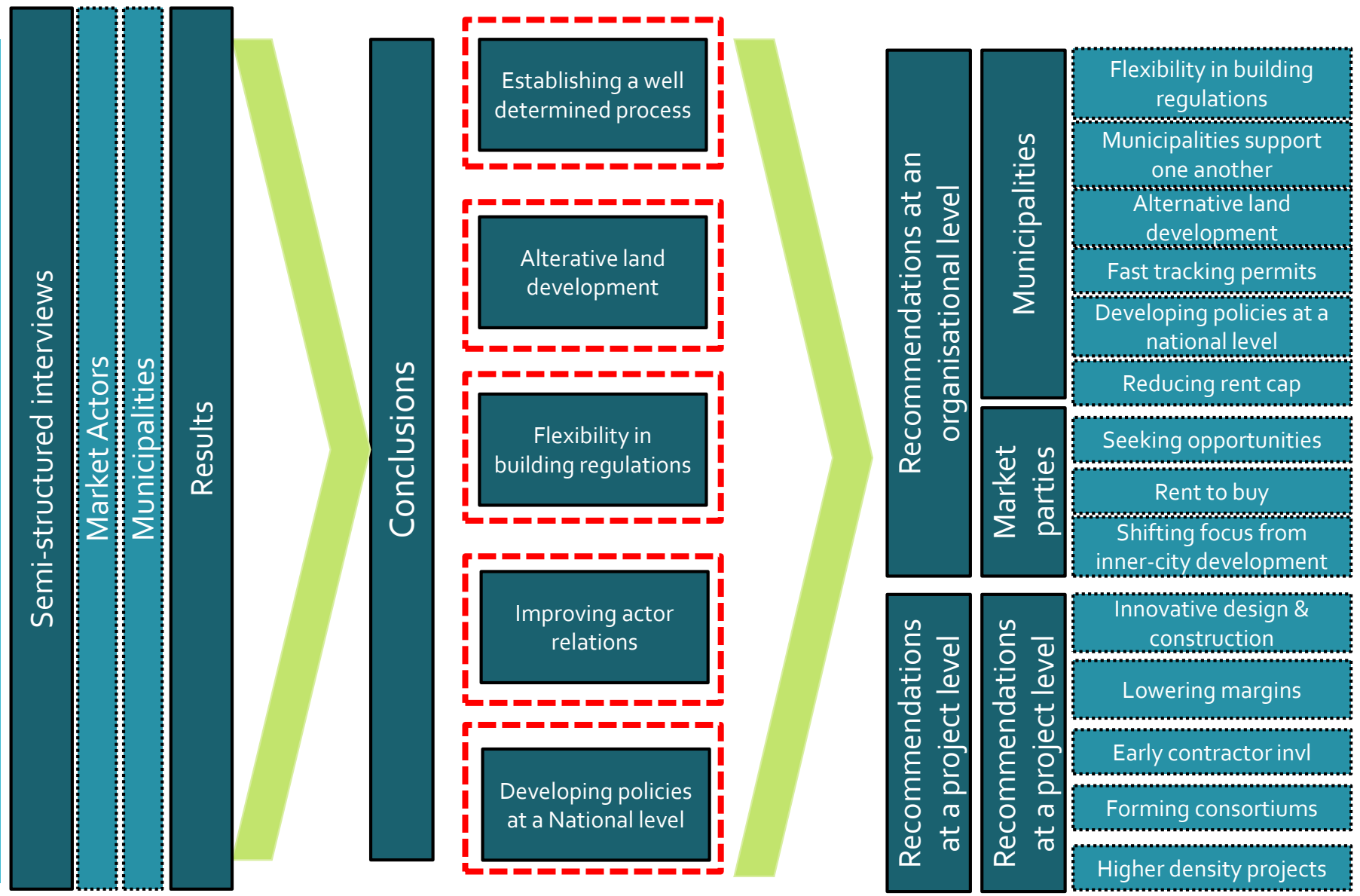
Results

Answering sub-question 5

Main Research Question

How can the development process of mid-segment rental housing, in the Netherlands, be improved to meet the rising demand in this segment of the housing market?

Conclusions & Recommendations



Distinctive Recommendations

- Municipalities support on another.
- Developing policies at a National level.
 - A sense of certainty.
 - Providing subsidies – building material.
- Alternative land development
 - Municipalities – supported by investors.
 - Creating attractive opportunities in Other Randstad Areas and Regional municipalities – investing in infrastructure.
- Forming consortiums
 - Sharing risks
 - Municipalities adopting a more active role.
- Taking initiative – both – market parties & Municipalities – establishing trust.

Questions ?