8. Reflections

Up so far no other research has been done to this mind blowing phenomenon. Television programs made the phenomenon known to the public mind, but did not touch the underlying market aspects that played part. Based on literature, expert knowledge, land value data and sensitivity analysis this research has described the basic theory for understanding how the phenomenon works, and when to expect it. Thereby the results of this research look to be quite valuable. Part of the aim of this research has thereby been completed. In addition the aim was to prove the existence of the phenomenon. However, no decisive evidence has been found. On the other hand some conclusions can be drawn on the existence of the phenomenon in the current market situation and the role of the municipality in it.

Use of results

The results of this study might be used by a broad number of actors. First of all it can help the municipality to reflect on the use of the normative residual land value method. Does the municipality want to catch all created margin, or is the risk and fluctuation in land prices it involves too high for the municipality to write policy? Investors might use this paper to see what effects not correcting for incentives might have on the asset’s value and ergo the willingness for tenants to move in. Also the identification of the impact the difference in lease term and investor horizon has on the effective rent level. Tenants might use this paper to reinforce their negotiation position. Understanding the phenomenon could well help them obtain higher quality assets for lower rents. Finally the developer might use the results of this research. Although most developers are well aware of the functioning of the method, the supply of incentives might continue to be profitable on the long run.

As stated earlier this research has purposely not given any attention to moral and societal values. It is out of believe that actors will always do business within the limits that the market mechanism defines. If the market is not functioning as the society pleases, then change the market mechanism. Furthermore it remains unbelievably unclear to what extend this phenomenon can be considered moral hazard. A wide number of both advantages and disadvantages on the use of this phenomenon can be mentioned. This is also why no recommendations to any party is given: should you use it or try to deny its existence?

Applicability

Concluded might be that results from this research in general are only applicable to the office segment of the Dutch real estate market. For transposing the results to i.e. another real estate segment, or other country, three main aspects should be looked into: changes on how the effective rent level is determined (land pricing methods?); changes on how incentives are used in the marketplace; temporary changes in market conditions allowing for temporarily lower development costs.

Execution

Reflecting on how this research has been executed compared to its design a number of aspects can be stated. The design sketched a linear process of a preliminary interview being followed up by a theoretical study being followed up by two empirical ones. However halfway along the process a parallel process showed to be necessary, enabling the gaps in literature to be filled up by interview data and vice-versa. A continuing exchange between theoretical and empirical data was the result. This certainly made the whole picture more difficult to comprehend, but it was the only way possible (see the figure below).
In return this led to some difficulties. First of all the clear border between theory obtained from literature and theory obtained from interviews started to blur. Furthermore the research was executed at the municipality of Amsterdam. New data on residual land value methods was heard daily, which made it even harder to separate heard data from obtained data. This resulted in major difficulties in setting out a legitimate document structure. Another difficulty that was the result of the parallel process was the fact that interview questions evolved. Thereby initial interviewees did not obtain the same questions as later interviewees did. Although the interview method assumes for interviewees to speak freely on their knowledge of the subject, some steering questions were thereby not discussed. Thereby certain validity methods for interviews could not be applied. Validity had to be checked in another way, certainly in relation to the social impact of this research, which was time consuming and difficult to obtain.

Reflecting on the research subject, some difficulties were noticed as well. The subject is a very precarious one. Due to a growing interest of the public opinion during the research it was particularly hard to obtain the necessary case study data. In the early going it was thought case studies seemed a promising research tool. From the press a few prominent cases were known: where tenants were induced to move from existing offices by unusually competitive pricing on offer from buildings under development. The new rule of the AFM on incentives was thought to help in convincing tenants in cooperating, though a television program made an abrupt end to that goal. Almost no tenant was willing anymore to cooperate, in side of being brought into a social spotlight. Incentives being a primary focus, real data was hard to obtain: incentives were titled sensitive.

The subject was quite broad and included knowledge on subjects which were not closely related to the teachings of the university, or to the actor’s roles. Thereby it was quite difficult to comprehend quickly. Too many aspects could play part. Many hours have thereby been spend on reading and processing literature sources, which sometimes proved not to be of importance after al. Much earlier the choice should have been made on focusing primarily on the role of the developer’s side of things. Even then so many aspects played part. This also led to some confusion in interviews. The subject was too broad to be discussed within one hour, without any proper research and mindset prior to the interview. After listening back many interviews could be heard that interviewees too were struggling in understanding exactly what could all possibly be going on. In the end though as more and more interview data was processed more straightforward interviews were taken: interview questions could be sharpened.

The excessive use of all kinds of aspects names was a particular difficult aspect to tackle. There are a number of aspects having almost the same names but complete different meanings. In effect though they’re also used interchangeably. Especially in interviews it was sometimes difficult to determine what exact aspect the interviewee
referred too. Sometimes this led to the situation in which was thought someone was constantly speaking of contract rent when using the words market rent, while at the end of the interview he used market rent for market rent.

**Research design**

Although the final research design has undergone some changes during the process, it does seem to be the best way in order to understand the phenomenon at hand. The subject was a very broad one, difficult to comprehend, with very limited access to data and without a proper written theory base, or prove of existence. The only way was to interview market actors in order to be able to get an overview of all involved aspects and their implications. Rechecking this with literature substantiated the theory. Quantitative and qualitative validity methods could not be performed: interview questions developed along the way. A questionnaire was the only way in which the stated theory could be checked on validity, and even then the timeframe of this research did not allow for a larger group of participants to be formed than the group of interviewees already was. In addition in most interviews the phenomenon proved to be quite complex, even for the involved actors. Although pre-setting up questions helped letting the interviewees identify certain aspects, doing so also decreases validity. Furthermore only a small group of people has been interviewed, of which only three developers. Result is that validity of this research might still be lacking. In addition the subject being so broad surely has had effect on the selection of involved factors and aspects. Not every tiny detail could be properly examined. Therefore it might be that some essential aspects might still not be identified as such. Furthermore a number of identified aspects could -apart from rational ‘proof’- not be confirmed nor declined.

Proof of the phenomenon’s existence could only be given in the form of case studies with the use of the detailed financial insight into the developer’s business case. Apart from this being unlikely to happen, the selection for the right cases could not even have been made. It has been through the sensitivity analysis and small dataset analysis on residual land values that a more narrow selection can now be applied. In relation to researcher bias a number of aspects need to be mentioned: continuously is focused on keeping societal values of the agenda. In interviews too was continuously described that the functioning of the method was the only focus of this research. Though it was quite hard for interviewees to keep these two aspects separated: the eye of the public was focused on this phenomenon! Still with the most intense care has been tried to refrain from influencing results and to describe them in the most factual and neutral way possible. Though it needs to be stated that this researcher was continuously hoping to find proof of evidence. Still I’m under the impression that researcher bias has played a non-significant part in this research. This is for others to decide.

Altogether it reflection shows that results of the research give a good basis for the phenomenon’s existence. Additional qualitative and quantitative research is surely needed to improve validity, to encompass the magnitude of the phenomenon and to make sure all involved aspects are determined.