

Prague, 27 May, 2008

Regions: The Dilemmas of Integration and Competition?

Regional Studies Association Annual International Conference



Towards demand inducement, sustainability criteria, and passive government roles? The economic geographies of real estate development in urban regeneration

Tom Kauko, Associate Professor, Department of Geography, Norwegian University of Sciences and Technology, NTNU, Trondheim, Norway, telephone: +47 73591919; telefax: +47 73591878; email: tom.kauko@svt.ntnu.no and OTB Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology, Delft, The Netherlands.

Abstract

When understanding how the built environment is produced as well as consumed, either by the user or investment markets, much is determined by the way in which investors and developers respond to differences in policy environments. Furthermore, if only profit, and not use value, is considered in a real estate development project, such a project will be unsustainable in the long run. Demand side motives intuitively cover the use value as the prospective owner-occupier is supposed to live in their dwellings themselves, but even here the level of sustainable investment is arguably an issue of education of attitudes. For the supply side, in turn, there is a crucial difference between only-for-profit motives and motives where normal profits are reaped and the remaining margins are fed back to the use value of the project in the form of various amenities and public services. This conceptualisation, involving the drivers of and variations in property development, is subsequently investigated empirically using qualitative evidence from four neighbourhoods (three of which represent inner city and the remaining one post-war housing are) in two cities (Amsterdam, Budapest). In general, sustainability is achieved on one hand, by increased demand side motivations, bar harmful effects (inflation, environmental hazards or urban sprawl), and on the other hand, by retaining strong government control, but then primarily by stimulating a certain more responsible market behaviour through financial incentives (taxes or subsidies). Both Amsterdam and Budapest contain such districts. Thus, in some cases the combination of government incentives and a demand driven process is sustainable.

Introduction

In academic discussions concerning the role of the built environment in the urban economy, two arguments are often heard. One stresses the need to facilitate all commercial functions in efficient real estate markets; the other develops the causality the opposite directions by showing the market in real estate as an indicator of urban economic performance (see d'Arcy and Keogh, 1998). According to Bryson (1997, p. 1439) the built environment of the city exists, on one hand, to service the economy, and on the other hand, is a product of the structure of the economic activity and the social organisation of the city. Bryson (1997, p. 1440) furthermore asserts that "... an understanding of the ways in which the built environment is produced as well as consumed, either by the user or investment markets, is essential for the study of all processes that operate in cities". Here much is determined by the way in which investors and developers respond to differences in policy environments.

This paper deals with the different geographies of how the real estate industry is driven, given the institutional and cultural variations in local real estate and housing markets. It attempts to ascertain empirically different micro- and macro tendencies and influences, in disentangling *where* and *why* certain changes in the built environment happen. One particular aspect of how the built environment is produced may be important in some cities, but not in others. This conceptualisation involves three interlinked elements: one, the behaviour of producers (and supply in the broad sense) in relation to that of consumers (demand); two, the motivations of profit in relation to those of sustainability; and three, the more 'active' role of government in relation to that of a more 'passive' government role.

While inherently unobservable and omnipresent, real estate markets, institutions and cultures are vital factors related to the provision and attractiveness of urban regeneration areas. The argument put forward in this contribution concerns the variations arising from space and time dependent patterns in urban regeneration activity. What drives the renewal and refurbishment processes? Are these primary related to economic structural conditions, or to factors at a meso-level such as the system of subsidies and tax incentives, or the nature of the motivations for certain types of urban regeneration projects? Is it profitability or is it sustainability?

In the current literature on spatial economic relationships within urban restructuring – including gentrification – it is common to look at either supply or demand side issues in isolation. According to economic geographers Bryson, Daniels and Warf (2004), to separate production from consumption is oversimplification and meaningless in any characterisation of production systems. In other words, one should never isolate supply and demand from the whole picture of the market. Now, if we accept this general postulate to apply for all markets, it should not then be used only for the characterisation of how markets for *ipods* or trousers operate but also for the characterisation of the market in the built environment – that is to say, real estate services and products.

In the following some relevant literature is reviewed in relation to the way real estate markets are linked to changes in the urban fabric. The main body of the study concerns residential property, although also some general issues involved in real estate development are discussed.

Outlining an integrated approach to the analysis of urban real estate price dynamics

In this study the assumption is that developments in attractiveness (often approximated through transaction price) and provision of new housing supply tend to be associated spatially

and temporally. In this way the local house price development may be seen as a by-product of the provision of the built environment, and thereby, ideally, makes a convenient indicator of relative attractiveness of an area. Here three possible general effects are relevant to understand. First, whether various regulations together with other factors contribute to the housing production by either stimulating, facilitating or impeding it. Second, whether this housing production together with changes in the existing stock, including refurbished dwellings and buildings, contribute to a supply increase of housing. Third, whether – and how – this supply increase of housing together with the determinants of demand, notably gentrification driven by conversions from rental occupancy to ownership, contribute to a change in house prices. The most intriguing aspect herein pertains to the role of institutions and public interventions with the purpose of improving the market in one way or another.

In European cities the main instruments for influencing the structure of housing markets are *planning policy* and *area-based regeneration initiatives* such as physical neighbourhood improvement, counteracting bad reputation, change in tenure, support for private service facilities and attempts to attract new firms. The experiences of these two strategies are however not yet promising, as such policies have not delivered convincing results in terms of long-lasting amenity improvements anywhere in Europe, except on small-scales. The evidence that conditions have improved in the supported areas is only limited. For example, in Britain the deprivation rankings of urban areas have changed only little despite ten years of implemented regeneration policies. Potential reasons for this are that, the European initiatives are rarely implemented with any overall strategy, and that one cannot control for random events that cause fundamental changes through cumulative processes of upgrading and decline in the environment regardless of the intentions of planners. (Meen and Andrew, 2004)

Suburbanization, urban renewal and gentrification are complex processes of urban change, and as a result, the literature here is vast and eclectic. However, in the mid 1980s, Neil Smith's rent gap theory was generally considered the most satisfying explanation of urban development activity. Rent gap is a condition, which steers decisions made with an impact on the built environment. According to Clark (1987), the rent gap illuminates one crucial aspect of the transformation of the built environment. The roots of this theory are in fact old; already for agricultural land Marx distinguished between Differential, Absolute and Monopoly rent, and these concepts were applied by urban land rent theorists since the 1960s. Rent gap concerns the difference between potential value and current value. Following Clark, the value gap comprises a part of the rent gap: that between capitalised contract rent and the market-based sales price of the dwelling. Closing the value gap then implies partial closing of the rent gap. The complete closure of the rent gap nevertheless implies realising the potential rent or price level of the dwelling. This understanding, common for neoclassical and Marxist analysis of rent gap, is, furthermore, compatible with other views of urban change.¹ Since this initial consensus the undisputed significance of rent gap and even gentrification has been played down, however. It needs to be stressed that this explanation of gentrification is supply-sided, and involves only economic value and profitability calculations, although the value gap theory also pays attention to rent and price regulation aspects.

Zietz and Sirmans (2004) review the literature on inner-city property market analysis and conclude that it is likely that reaping positive returns from revitalization efforts requires government intervention. They emphasize the investment perspective and the need for sound investment and policy strategies pertaining to the inner-city environment. Zietz and Sirmans furthermore note that the redevelopment of the inner city involves several spatial issues, gentrification being one of them, albeit an overvalued target for research. It is also not clear

that the rent gap – a relatively minor occurrence in relation to spatial restructuring – always is connected to gentrification, according to these authors.

Musil (2007) notes that land use regulations often are the most critical variables in relation to the success of a real estate development. When he evaluates the development regulation processes and community attributes across 68 jurisdictions in the Twin Cities Metropolitan Area, Minnesota, US, his results show a lack of correlation, and thereby a minuscule importance, which, however, he attributes to the relatively low development fees and permitting costs in relation to the total development cost of a project rather than to principally unsubstantiated findings. The general role of regulation is nonetheless today considered an ineffective practice, due to the difficulty of controlling processes in an environment where the market often is in the driving seat (see e.g. Levy, 1992). Speaking in general terms, the role of planning is today questioned in the face of the near universal change towards entrepreneurial, open and flexible governance taking place (e.g. Allmendinger et al., 2005). Bertaud (2006) also claims that micro-management of land use is never successful because planners lack operational detail, and because necessary rezoning is slow, costly and difficult. Nonetheless, planning is not to be seen as a ‘bad’ by default (see Kauko, 2003; Leung & Hui, 2005).

Three research questions can now be formulated related to the spatial unevenness of three phenomena: (1) What are the motivations for the production of the built environment? (2) What are the aggregate effects of these market actors? (3) What are the aggregate effects of market regulation and public policy? Urban regeneration processes in four different neighbourhoods in two dynamic European metropolises, Budapest and Amsterdam, are investigated based on the development of house prices and other characteristics of the areas in question, as well as the housing development processes taking place there. Whether the driver of urban regeneration then is more demand or supply oriented is an empirical issue and has to do with the balance between two different development strategies: ‘profit-making only’ and ‘use values too included’. This is an issue that has been left without much attention. The results from ongoing work attempts to fill this lacuna in the literature. The relationship between *pure profit making motivations* and *motivations where use value is considered too* has to do, among other things, with the balance of social vs. private housing: the more there is social housing in relative terms, the more the use value matters. The results show that the former relationship: purely profit, characterises the Budapest cases (share of homeownership is more than 90%), whereas the latter relationship: the use value too was considered, provides a more valid description of the Amsterdam cases (share of homeownership is 21%).

Evaluation of sustainability

As already asserted, the demand-supply balance is an empirical issue dependent on particular cultural and institutional market circumstances. These circumstances vary, and tend to change, and furthermore the criteria to assess these circumstances varies and may change too. That the consumer preferences matter for the price formation is easy to see via the utility concept, and the short term price formation mechanism that is demand driven, but what perhaps is more difficult to see is that also the producer preferences matter and here the issue is about the supply side driver – long term goals and motivations of developers, investors, planners and other relevant decision makers.

The first target is to relate the development of house prices to localized development, landownership and land use circumstances in search for an ‘artificial’ price element. The second target is to classify areas into ‘sustainable’ and ‘unsustainable’. Table 1 makes a

distinction between four different ideal situations on the basis of the balance between house prices and quality of the dwellings and the vicinity. From a non economic perspective one would expect a situation with good quality (Q+) be favourable regardless of whether the price level is considered high (P+) or low (P-). Likewise, from an economic efficiency point of view one would expect a situation where good quality associated with high price, and poor quality (Q-) associated with low price are acceptable situations: the market needs affordable packages too. Thus the cases that are favourable with respect to social equity and environmental sustainability criteria are indicated in the right-hand side of the scheme, whereas those that are favourable with respect to economic efficiency criteria are indicated in the diagonal quadrants. A different situation in turn occurs in times of shortages, when even low quality dwellings generate a price premium (i.e. the case in the upper left quadrant). This is arguably an unfavourable situation from both economic efficiency and social justice points of view.

Table 1. Evaluation of sustainability based on the development of house prices and quality.

<i>Effects on quality and prices</i>	<i>The quality does not increase</i>	<i>The quality increases</i>
<i>The price level increases (effective project)</i>	P+, Q- : market hotspots and price bubbles without a link to quality improvements; an unsustainable outcome	P+, Q+: economic efficiency and equality/sustainability is achieved; sustainable market in economic terms
<i>The price level does not increase</i>	P-; Q-: economically efficient but poor neighbourhood/dwelling quality; debatable outcome	P-; Q+: bargains, economically inefficient but environmentally and socially sustainable; debatable outcome

The two cases on the left hand side of the table are unsustainable, because whether or not the price level is affected is not corresponding to any improvement in QOL or affordability conditions. The outcome in the lower left quadrant is at least to be considered ‘economically efficient’ outcome, whereas the outcome in the upper left quadrant simply notes a situation of ‘artificial’ value formation that is neither efficient nor sustainable in any ways. The two cases on the right hand side of the table in turn are sustainable, but whether both or only one of them are considered sustainable depends on the criteria applied. The outcome in the lower right quadrant is considered sustainable in non economic dimensions, because an improvement in QOL or/and affordability conditions has taken place even if this is not reflected in the price level. The outcome in the upper right quadrant in turn is to be considered at least economically sustainable, that is to say, the market is sustainable in the sense that an increased price corresponds with an improved quality. This outcome is also to be considered economically efficient, because price increases correspond to quality/affordability increases. It can be concluded that, as both right side quadrants involve economic security or QOL considerations, they are to be considered more sustainable, and thereby more favourable outcomes than the outcomes of the left side quadrants.

A rehabilitation program is defined for this study as all kinds of targeted active or passive government effort to bring about a physical, economic and/or social change in an urban area. It includes both large scale urban renewal as well as piece-meal rehabilitation of buildings, and can be more comprehensive or more fragmented in nature. While in some cases it is more profitable to demolish and redevelop instead of refurbishing², it is always more sustainable to refurbish than redevelop – with emphasis on the environmental and energy saving aspects.

The contextual element of urban rehabilitation is different in each city, and also largely different in each neighbourhood within one and the same city.

The case studies of Budapest

According to Kovács (1998), the case of Budapest highlights the problem of how unlimited privatization increases the unfavourable tendencies of polarization and segregation of social groups. He noted that during the first five years after privatisation the income inequality increased in Budapest so that approximately one third of the population was living below the poverty line.

Following the *Urban Renewal Programme (1997)* in Budapest a system of subsidies is available for both local government and household group initiatives, and the actors are expected to actively acquire government subsidies. In this system renewal occurs (1) for profit-making through real estate development; and (2) for antiquarian value, where such is oriented towards protection of heritage buildings and sites; however, (3) social sustainability that would be predominantly oriented towards the inhabitants is not on the agenda. According to Locsmándi (1996) the problem is that due to the serious financial constraints that the local public economies face, and because planning as an ideology is not popular, the system is not clear and there is plenty of ambiguity in terms of the specific instruments of land use regulation and environmental policies in Hungary. In many cities in Eastern Europe, the context changed from complete planning to no planning at all. Currently some planning is on the agenda but people tend to distrust the authorities as former communist leaders are more often than not still having their say on political and economic decisions. Földi (2006, p.118-125) analyzed quality and density changes within the area subject to value preserving rehabilitation between the CBD and the rust belt of Budapest and concludes that functional conversion from apartment to offices and from lofts to apartments took place elsewhere in the inner city except in the districts VIII (Józsefvarós) and IX (Ferencváros). In these two districts privatization was blocked, which resulted in substantially more preserved old housing units than elsewhere.

Inner Budapest is much shaped by pre-socialist times, and then neglected by socialists. The heritage of more than forty years of socialism has led to a dilapidated inner city – also socially. In the new capitalist system the questions to answer are: who invests and under what conditions? And for whom do we build? While sporadic opportunities arise for developers, a guiding strategy at the national level is still missing. As a result most of the inner city continued to become disadvantaged. (Földi, 2006)

In Budapest the supply side driver of urban regeneration is the profitability of the housing development or urban regeneration project. Also a demand driven gentrification may be true in some pockets in Budapest, but in general the issue is not the same as in cities in the UK or in de Pijp – one of the neighbourhood cases of Amsterdam chosen for this study. The demand side driver, tenure change triggered by tax benefits or mortgage financing is not an issue in Budapest; neither is the supply side goal of social, or physical comprehensiveness such an issue of relevance as the developer has a goal in improving the ‘market’ and the ‘value’ – not the ‘social’ side of it as already discussed.

As noted above, privatisation of dwellings is counter productive to comprehensive renewal; apart from middle parts of districts VIII and IX (see Fig. 1), where the higher share of public housing has facilitated a gradual social renewal³. The good news is that the development of a

private housing market sector is impeding the pace of spatial segregation. There are, however, other, more pessimistic and even sinister considerations too as party politics cause tensions within the district council, and between district councils. Another reason for the weak demand for the urban renewal is that increased suburbanisation has led to a considerable loss of the population of the City. (Locsmáncsi, 2006)

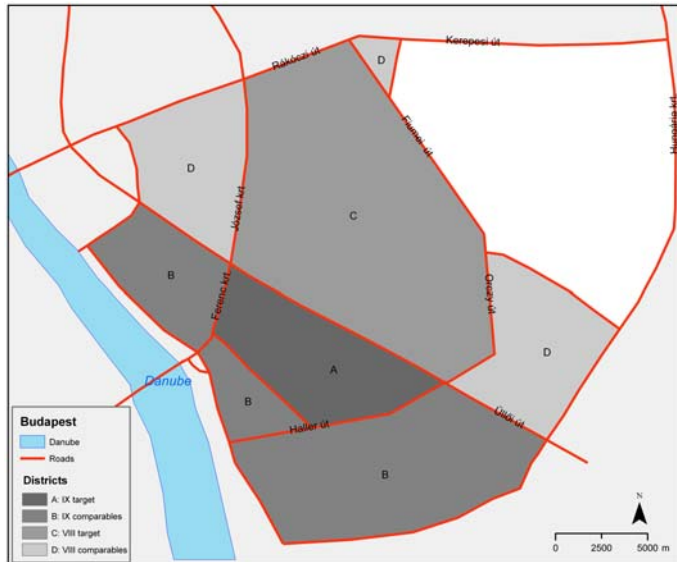


Figure 1. Budapest case-study areas. (Source: http://www.filolog.com/images/bp_attek.jpg)

According to Földi (2006) profit-making is the key to analyse the change in residential status of Budapest neighbourhoods. She notes that a massive rent gap occurred in some neighbourhoods during the 1990s, and as a consequence, the market has shaped these areas – often in a two stage process: (1) speculation stage; (2) building stage. She notes that ‘status upgrading’ takes place in district IX at the price of neglect of community building. When the social aspect is weak, the result is a replacement of the old population with an upwardly mobile new population. Földi (2006) furthermore asserts that differences in *district administration* influences the urban renewal strategy, which is a unique feature in CEE. She concludes that the neighbourhood dynamics in the Budapest inner city varies across and within districts in relation to the type of renewal process.

It was noted above how in Budapest attracting subsidies and the absence of social rehabilitation are crucial issues. This is a manifestation of the broader picture of urban restructuring in post-communist countries. CEE policy makers have adapted neo-liberal policies to circumstances where old social equality considerations have been substituted, rather discontinuously, for typically western urban management and development jargon such as ‘image creating for city marketing’ and championing of PPP. Moreover, this takes place in an environment, where there is, on top of financial constraints, other problems related to the competence of the authorities. These are obviously due to the general handicap caused by the communist regime, but there is another, country specific explanation too. The fact is that in Hungary really substantial changes did not happen as in the neighbouring countries. A sad and paradoxical observation at the macro level is that in Hungary it was ‘lukewarm communism’, and therefore, after 1989 the communist elites quickly adapted comfortable positions, and later more leading roles, in the new system.

During 1990-2005 uncoordinated, irrational and unconsidered urban development activities took place in Budapest, with the result of losses and missed opportunities. Even at present, the

conservation of architecture is not comprehensive nor efficient; and ‘science and technology parks’ and most recently also projects of ‘cultural use’ are debatable; and developments of industrial lofts to residential use is more difficult than into office use due to lack of institutional framework. (See Barta et al., 2006)

A lot depends on how local regimes can be coordinated to strengthen the policy making environment in facilitating a change towards the better. In many Western countries a relatively centralised approach has been the key to creating successful housing and environment. In a CEE context such an approach is obviously unpopular – also in Budapest planning and policy is decentralized and fragmented, as already noted. In Budapest there is currently hardly any urban policy making related to housing and real estate, and given the current trend it looks unlikely that the focus will be turned back on affordability issues. *In attractive areas the market takes care of the development.* In other areas the passive planning system cannot improve the situation and these areas are left derelict; any active planning lacks resources and political support.

To underline some general similarities and differences between the middle-Ferencváros and the middle-Józsefváros neighbourhoods, these comprise adjacent urban renewal areas, and share the same history of lower-class neighbourhood image and more recently, anti-privatisation municipal housing policy.⁴ Yet the differences between them today are like that of night and day. The former is considered a success story. The latter faced and still faces four kinds of problems – external as well as internal:

- (1) The area is originally much more heterogeneous and much bigger than the neighbouring middle-Ferencváros.
- (2) Regeneration began only recently, and since the consensus of the eighties and early nineties transition period the times have changed so that the economic and political preconditions have become unfavourable.
- (3) The public sector is not a ‘welcome’ or trusted party in partnerships, yet it ought to be involved in urban development projects on moral and rational grounds, which causes tensions.
- (4) The image of the area is most unfavourable, although it is anticipated to change eventually.

In the Budapest cases the urban renewal and rehabilitation outcomes were compared partly based on house price trends at the street level (dataset of the Hungarian statistical office, KSH), and partly based on narratives and documents such as interviews of stakeholders and experts, and official accounts on the development. Unfortunately, in the Budapest case useful records on quality are lacking altogether, and even house-price data is available in large quantities only on an aggregate level (district and street). This is not an ideal situation, as more indicators undoubtedly would enhance the quality of the analysis based on house prices.

The method involved comparison of the target cases inside the area with comparable cases just outside it (see Fig. 1). A set of residential property transactions, the *target cases*, were formed for the locations inside the middle-Jozsefváros and middle-Ferencváros areas, respectively, and another set, the *comparable cases*, for the locations outside the respective target areas but nevertheless situated close to the target locations and within the boundaries of districts VIII and IX. For compiling the latter set, an *ad hoc* definition of 500 meters from the boundaries of the area under study was used. When relevant, the street was disaggregated by the two main house types: condominium or panel houses.

On a general level, the street and district wise aggregated data set (KSH) tells us that, particularly for condominiums, prices in the IX district by far exceed those in the VIII district (see Figs. 2a and 2b). Clearly this house type, which comprises the majority of the dwelling stock in the Budapest inner city, is considered a more attractive choice in the IX than in the VIII district. The exception being the brand new condominium blocks known as ‘residential parks’ constructed in the southeast corner of the VIII district. The results show further that the nature and pace of the changes are different in the two affected target areas, when related to respective unaffected comparable areas: in district IX the price-level of the target area is higher and the increase less steep than in the comparable area, whereas in district VIII the price-level of the target area is lower and the increase steeper than in the comparable area. In the latter case, the steep rise together with the absence of tangible development indicates an element of ‘artificial’ value creation.

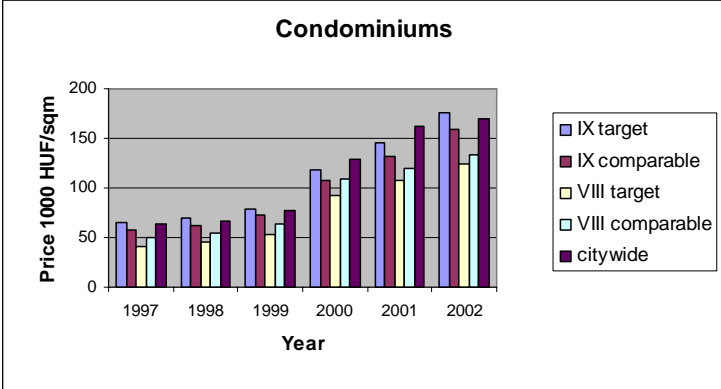


Figure 2a. Mean price development for condominiums disaggregated by area (target or comparable) and citywide.

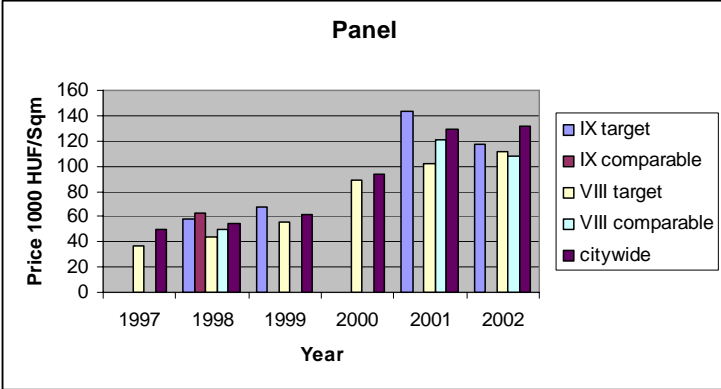


Figure 2b. Mean price development for panels disaggregated by area (target or comparable) and citywide.

The case studies of Amsterdam

In general, the conditions for a regeneration process are shifting away from the more active local government towards the more passive government in Amsterdam. The process is nonetheless complex as urban regeneration has both supply and demand side drivers: production and consumption motives. An important condition is that the City of Amsterdam owns much of the housing land (erfpacht), and builds owner-occupied housing also in less favoured areas. It is exactly because of such active anti-market policy that Amsterdam has managed to avoid segregation.

Below the urban renewal and rehabilitation outcomes are evaluated partly based on house price trends at the individual transaction level, and partly based on narratives and documents such as interviews of stakeholders and experts, and official accounts on the project implementation (Buurt Negen) and the development plan (de Pijp). Like with the Budapest cases, quantitative data was linked with case study material and statistics on house prices. This research was carried out using a micro-level dataset used for taxation purposes in Amsterdam. This set consists of more variables and observations than in the Budapest dataset, and it is also more reliable, where indicators of maintenance, dwelling quality and micro-location quality were utilised and related to the price changes in time for a particular neighbourhood subject to revitalisation. Two cases were selected: in the western and southern sectors of the city, respectively (see Fig. 3).

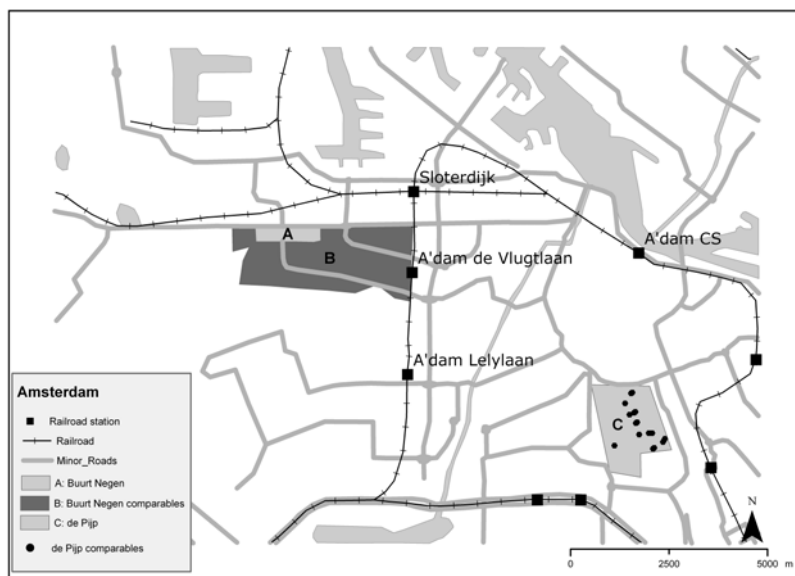


Figure 3. Amsterdam case study areas.

In anticipation of a large-scale urban renewal operation the municipality of Amsterdam awarded each district with extra funds for an exemplary project. The district of Geuzenveld-Slotermeer selected the neighbourhood of Buurt Negen as its exemplary project. The social problems in this neighbourhood to a great extent occurred because of conflicts between the original residents and the new population, which was of a younger and more ethnic composition.

Buurt Negen is situated close to a railway station (Sloterdijk), a highway (A10), a quickly developing Business District (close to Amsterdam Lelylaan) and a big park (near Amsterdam de Vlugtlaan). Buurt Negen has an open structure mainly consisting of middle high-rise complexes divided by green areas. This type of architecture and layout pattern is typical for most of the *Westelijke tuinsteden* (the part of Amsterdam outer suburbs located south of Buurt Negen). Characteristic for this part of the city is a quickly increasing number of single and two person households, a growing average income, a reasonable large group of middle and high income households, a very large social rental and private rental sector and a very low percentage of single family dwellings, and there is a high demand for owner occupied – or higher quality – dwellings. Urban renewal and redevelopment projects are meeting this demand. The planning for the *Westelijke tuinsteden* was to renovate (both demolishing/rebuilding and refurbishment) around 40.000 dwellings.

In 1998 the municipality of Amsterdam and three housing associations (*De Key, Het Oosten* and *De Dageraad*) agreed on a public private partnership for the urban restructuring in Buurt Negen. This public private partnership took form in a collaborative development vision. The realisation of the development vision was considered relatively effective and the public private partnership well-functioning. However there were some ambiguities. During the implementation problems were mainly due to the lack of co-ordination between district and departments.

The neighbourhood de Pijp in the southern sector of the inner city of Amsterdam is seen as one of the classical examples of Dutch urban restructuring processes, as the pro-market change in policy led to an upgrading of de Pijp. Since the 1960s, the area has housed more students, and less ethnic groups than in other 19th century areas in Amsterdam. In the beginning of the in the 1970s, the share of public investment was higher (and share of private investment lower) than today. The ‘big change’ occurred in 1998, when subsidies were stopped. As a consequence, more private individuals entered the market. This is because prices doubled in seven years (1995-2002) on a district level.

Both individual (organic change) and government policy and subsidy have initiated the renewal. The starting point is dwelling improvement, and demolishing and new building development has taken place only when necessary. Where demolition and new building took place, it was about functional change and on building-technical grounds; never on social-aesthetic grounds. While the first new dwellings were built in 1960s, plenty of renewal took place in the 1980s. The main actors were the housing corporations on one hand, and individuals, including renters, homeowners themselves, and investors, who own a small number of dwellings. (Thus no large-scale private owners exist.) Since the late 1990s, no dwellings are owned by the City, but instead, a new corporation, Ymere, was founded.

The outstanding feature of the restructuring process in de Pijp is its organic nature. The area is divided into an older (Oude Pijp) and a newer (Nieuwe Pijp) part. According to Boer (2005) gentrification of de Oude Pijp was not particularly quick and not much influenced by the local government. Hence the passive type of government involvement: letting it happen. As a consequence, the renewal areas and non-renewal areas are well mixed in space, as renewal is scattered and proceeding in a piece-meal fashion over the whole area.

A dataset comprising the sales of ca. 46,000 dwellings was prepared by the tax authorities of Amsterdam municipality (Gemeentebelastingen Amsterdam). Each observation indicates a specific dwelling transaction, at a particular address, and with recorded information of the selected attributes. This set comprises a seventeen-year panel dataset (1/1/1986-28/2/2002). The 1990s boom in the Dutch housing market is clearly seen in this set. The increase in price levels is almost threefold, when comparing the transactions that took place in the beginning of the period with the ones that took place in the end of the period.

Using a similar method as with Budapest above, a case-study of two neighbourhoods in Amsterdam was carried out by comparing the addresses used as identification. The variables of interest that are recorded in the dataset are the house price, floor space, year of building, year of sale, the quality of the dwelling, the quality of the micro-location, vicinity, the maintenance, and house type. In principle, the samples for Buurt Negen and de Pijp are picked from the same dataset of dwelling transactions in Amsterdam, and the variables, and the criteria for screening and partitioning the dataset (house type; reasonably same quality level and size; nearby situation) were also the same. For both Amsterdam neighbourhoods

under study the average house prices of target and comparable cases were compared with city wide averages for the same house types. For de Pijp a somewhat alternative strategy had to be selected due to the mixed nature of the renewal area: one cannot draw boundaries between homogeneous areas, where rehabilitation ‘has’ and ‘has not’ taken place.

In Buurt Negen four different effects could be identified in relation to the three house types under study: high-rise, row house and semi-detached/end of a row house. The *time-trend* component was found to be responsible for a lion’s share of the price development depending on the house type and exact location within the area. The interesting finding was however that also *formal rules*, latent, *informal factors* such as the anticipated new image, and the *improved physical quality* contributed to the price increased. However, the area was small, with majority of social housing, and the time-period under study did not cover the whole rehabilitation project, which is still ongoing. In the case of Buurt Negen the balance between tangible and intangible change is difficult to ascertain, but it is likely that both have played a crucial role.

There was however less price inflation than in the city as a whole for these two house types and this time period. Namely, during a ten-year period (1992-2002), the price increase in that area was well below the price-trend for the city as a whole for this time-period. Thus the price increase was partially caused by components with a spatial dimension that affected only the part of the city under study (see Figs. 4a and 4b)

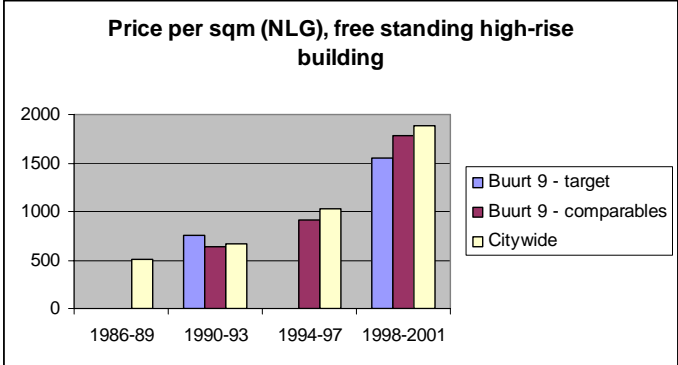


Figure 4a. Mean price development in Buurt Negen for target and comparable cases, and citywide for free standing high-rise (more than six storeys).

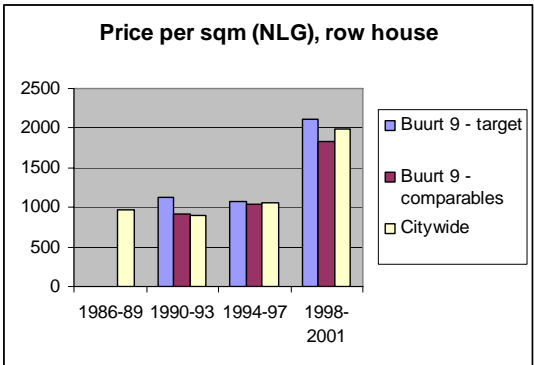


Figure 4b. Mean price development in Buurt Negen for target and comparable cases, and citywide for row house.

In de Pijp it was possible to identify a few streets and blocks where absolutely nothing has taken place, and also nothing has taken place opposite or next-door (see Fig. 3). A substantial price increase could indeed be observed for both of the two dwelling or block types in this

neighbourhood (see figures 5a and 5b). For the ‘Pre WW1’ type, the price increase in the targeted cases was less than for the comparable area and citywide. For the ‘interwar’ type however the price increase in the targeted cases was more than for the comparable area and about the same as the increase citywide. Notably, the increase that occurred from 1994-97 to 1998-2001 is particularly steep for both targeted segments as well as citywide. However, much a similar trend occurs for the comparable cases, the difference being that during the late 1990s the price increase in the interwar segment was steeper for the target cases than for the comparable cases. On the other hand, even though rehabilitation is supposed to have taken place here, given the process described, neither the dwelling quality nor the quality of the micro-location has increased, when using these cases (i.e. target vs. comparable cases) as evidence.

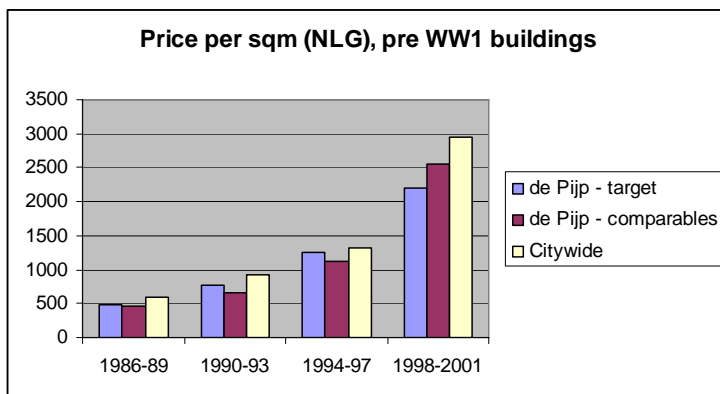


Figure 5a. Price development in de Pijp for pre-WWI ‘workers’ block’.

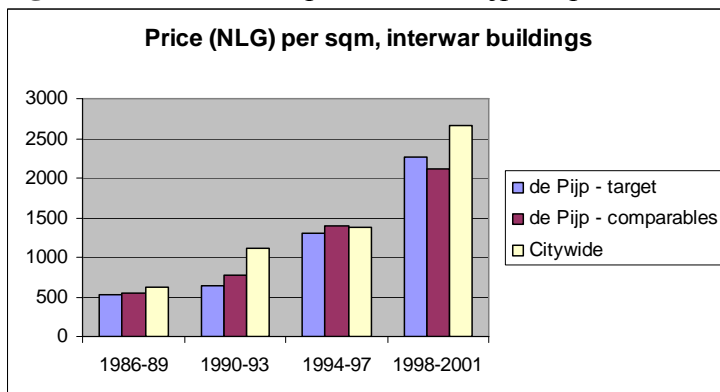


Figure 5b. Price development in de Pijp for block with three or more floors and built 1915-45.

Summary and conclusions

In Budapest the non-profit sector is missing and more than 90% of the housing stock is owner-occupation (although this figure is considerably less in district VIII). As the social goals are lacking, the motivations for real estate development pertain to supply-side and profit. In Amsterdam the situation is different. Social housing is still significant (21% on the city level; 12% in Buurt Negen; 16% in de Pijp), and consequently then prospects for supply- and demand-side sustainability are relatively good.

For the case study areas in questions the following applies:

- For Budapest, district IX: still a relatively active government type;
- For Budapest, district VIII: from an active to a passive government type

- For Amsterdam, Buurt Negen: still the active government type;
- For Amsterdam, de Pijp: from an active to a more passive government type.

What are the characteristic differences between the two city contexts in terms of the dimensions under study? In Budapest the situation is that differences between the two areas are 'black and white'; this becomes clear, even though inferior data was used. In Amsterdam the situation is that differences between the two areas are subtle and part of a total picture; the dimensions under study cannot be isolated easily even from high quality data. The paradox here is that the more and better the data, the less clear the result becomes.

The study has developed the conceptual framework/model for explaining how institutions and cultures, in an urban restructuring context direct local housing market and development processes, some of which are more tangible and others more intangible. This framework concerns the housing market, the quality of the built environment and the role of government intervention. The empirical material showed that, in the present Amsterdam context of urban regeneration in general and the context of housing development in particular, the development strategies are (1) more demand driven; (2) more sustainable environmentally, socially and economically (i.e. from a long-term market perspective); and (3) still influenced by a more active government (as social housing still has a more dominant position) than in Budapest, although we can identify a government agenda in the latter case too. There is furthermore a causality between these elements insofar as the real estate sustainability is dependent on both an increased demand influence – when products need to be targeted for the right consumer groups, bar urban sprawl, environmental hazards, price inflation or other harmful effects – and having strong housing policies – to assure that the society's interest is considered too. Besides, policies can also be designed as to stimulate demand (e.g. mortgage interest tax relief, MITR).

References

- Allmendinger, P., Morphet, J. and Tewdwr-Jones, M. (2005) Devolution and the Modernization of Local Government: Prospects for Spatial Planning, *European Planning Studies*, 13:3, April, pp. 349-370.
- Barta, Gy., Beluszky, P., Czirfusz, M., Györi, R. and Kukely, Gy. (2006) Rehabilitating the Brownfield Zones of Budapest. Centre for Regional Studies of Hungarian Academy of Sciences. Discussion papers No. 51|, Pecs.
- Bertaud, A. (2006) The spatial structures of Central and Eastern European cities. In: Tsenkova, S. and Nedović-Budić, Z. (Ed.): *The Urban Mosaic of Post-Socialist Europe. Space, Institutions and Policy*. Physica-Verlag, Heidelberg, 2006, pp. 91-110.
- Boer, J. (2005) Gentrification van de Oude Pijp en de Jordaan: een onderzoek naar de rol van de overheid en het particulier initiatief (in Dutch), Master's Thesis, Utrecht University.
- Bryson, J.R. (1997) Obsolescence and the Process of Creative Reconstruction. *Urban Studies*, 34(8), 1439-1458.
- Bryson, J.R., Daniels, P.W. and Warf, B. (2004) *Service Worlds. People, Organisations, Technologies*. Routledge, London.
- Clark, E. (1987) *The Rent Gap and Urban Change. Case Studies in Malmö 1860-1985. Meddelanden från Lunds Universitets geografiska Institutioner, avhandlingar 101*, Lund University Press, Lund.
- D'Arcy, E and Keogh, G (1998) Territorial Competition and Property Market Process: An Exploratory Analysis. *Urban Studies*, 35(8), pp. 1215-1230.

- Földi, Zs. (2006) Neighbourhood Dynamics in Inner-Budapest. A realist approach. *Nederlands Geographical Studies* 350. Utrecht University, Utrecht, 2006.
- Kauko, T. (2003) Planning processes, development potential and house prices: contesting positive and normative argumentation, *Housing, Theory and Society*, 20(3) pp. 113-126
- Kovács, Z. (1998) Social and economic consequences of changing housing policies in Hungary. In A. Holt Jensen and N. Morrison (Eds): *Social housing: International Comparison of Planning for the Weakest Social Groups*. Report from an International Cross-disciplinary seminar in Bergen – Fotlandsvåg, 12-16 November, 1997. *Geografi i Bergen, serie B: Monografier fra Institutt for geografi – Bergen Nr. 3*, pp. 98-107.
- Leung, B.Y.P. and Hui, E.C.M. (2005) Evaluation approach on public-private partnership (PPP) urban redevelopments. *International Journal of Strategic Property Management*, 9, pp. 1-16.
- Levy, J.M. (1992) What Has Happened to Planning? *Journal of the American Planning Association*, 58(1), Winter, pp. 81-84.
- Locsmáncsi, G. (1996) Property rights, urban planning and the environment - the case of Hungary in transition, lecture in Aix-en-Provence, France at the conference *Droits de Propriété et Environnement (Property Rights and Environment)*.
- Meen, G. and Andrew, M. (2004) On the use of policy to reduce housing market segmentation. *Regional Science and Urban Economics*, 34, 727-751.
- Musil, T.A. (2007) What Development Regulatory Variables Say – or Don't Say – About A Municipality. *Journal of Real Estate Research*, 29(2), 159-171.
- Zietz, E.N. and Sirmans, G.S. (2004) An Exploration of Inner-City Property Markets. *Journal of Real Estate Literature*, 12(3), pp. 323-360.

Notes

¹ The realist view might be a conceptual improvement however.

² If the house has an architectural value, this will increase costs as refurbishments have to be made within the existing structure, whereas it would be cheaper to knock the building down and build a new one. Because of this the owners often object against their buildings becoming heritage listed.

³ In the most dilapidated part of district VIII the share of public rental stock is still as high as 25%.

⁴ For a more thorough description of the social, ethnic and housing quality aspects in this part of the town, see Kovács (1998, pp. 72-78).