OOUNIVERSITY COLLEGE LONDON
FACULTY OF THE BUILT ENVIRONMENT
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INDEPENDENT | DEVELOPERS

The invisible urban regenerators

By Patrizia Emma Bischoff

Being a Report submitted to the faculty of The Built Environment as part of the requirements for the award of the MSc European Property Development and Planning at University College London:
I declare that this Report is entirely my own work and that ideas, data and images, as well as direct quotations, drawn from elsewhere are identified and referenced.

(signature)

(date)

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My special thanks go to the interviewees. They provided a lot of insight and knowledge about the property development business in general and about independent developers in particular.

The interviewees were:

Ashley Nicholson, Verve Properties Ltd.

Ian Lerner, Ian Lerner & Co.

Jan Kunze, Pocket Ltd.

Mazen Touma, Sprunt Solutions Ltd.

Peter Millican, Parabola Land Ltd.

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Abstract

Most of today's urban development and regeneration is being provided by the private sector. Cities are being regenerated and redeveloped by institutional developers with projects that can change entire neighbourhoods and city centres. The majority of these developers are interested primarily in institutional properties and other buildings that are large enough to generate the required returns and revenues without bearing too much risks. There are also areas and neighbourhoods that do not experience institutional development and investment because their developmental values and sites are not encouraging to them. Nevertheless, some of these areas gained economic growth and were regenerated without any institutional developers being involved. These kinds of regenerations are either a result of community development or they are the outcome of independent development. This type of development culture is not much studied yet. Independent developers are the invisibles working in the shadows of the big institutional property developers that are often covered in the media and literature. Hardly anybody notices and writes about these small and independent developers that, although developing smaller projects, still have an impact on and are important for urban regeneration. This analysis of independent developers and their projects will provide information on their approach to property development. The report will discuss the major differences between institutional and independent development and how they each address topics like location, market, intervention and funding. By drawing on examples from interviews, literature and other publications, the report will examine independent property developers in more detail and try to analyse their role and their contribution to urban regeneration.

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1.0 Introduction

Today, private finance and investment in urban development and regeneration is crucial for the economic and social growth of cities and urban areas. The private sector became the 'predominant supplier of buildings in Britain' (Henneberry, 2000, page 4). Institutional investors and developers are regenerating entire city centres and neighbourhoods with projects that have a big impact on a city's or neighbourhood's economic and social rejuvenation and success. Their main interest lies with institutional properties and other buildings that are large enough to generate the required returns. However, these institutions also have limitations and their projects are not always wanted, required and or even possible to conduct. Therefore, the generated economic growth indicated by institutional development does not always reach the areas that could need it the most. Nevertheless, there are examples where neighbourhoods gained economic growth without institutional development. These successes are either a result of community development or are the consequence from an approach that is not much studied yet, namely property development by small and independent developers.

Each city has niches and fringe locations with mixed-uses and typical local culture and citizens, a mix of specific characteristics, which are considered development values by independent developers. These areas also often have pockets, buildings and sites that are degenerated, abandoned or not developed. However, their size is not large enough to tempt institutional development. This is the situation where the importance of independent developers appears: Their kind of development is intended and tailored for projects this size and in locations like such. They particularly develop sites that are small and/or complicated and undertake projects specifically tailored for niche markets and customization. These independent developers enjoy a kind of freedom that is not bound to boards or shareholders. This allows them to create individual and customized projects that respond to their surroundings and may integrate themselves into the cultural, social and economic fabric of the neighbourhood.

Although having a similar if not the same aims for development projects, namely high capital returns or income streams, both institutional and independent developers have major differences in their development approach. Institutional developers, having big budgets to their disposal, mainly concentrate on project size, future occupier, the liquidity of the property market and total return (Guy, Henneberry, Rowley, 2001). Institutional development follows a specific strategy and uses analytical practices that are more concerned with the project itself rather than the local specifics and neighbourhood improvement. Their investments and developments are dictated by market behaviour, loan costs and planning policies (Guy, Henneberry, Rowley, 2001).

Independent developers approach property development differently. They pick their projects mainly in areas where institutions do not go or are not interested. The projects are usually much smaller in size, often redevelopments of existing structures rather then new-built and developed one by one instead of the entire area at once. These developments are considered carefully according to the surrounding neighbourhood, economy, society and culture. Often independent developers work in their home city, knowing their city inside out and are able to observe changes within areas and future trends that are usually not picked up by institutional developers. They are acquainted with local planning policies, community members, cultural differences and other important indicators for local urban development and regeneration. In addition, independent developers are much more likely to have a higher community involvement than institutional developers, responding to local needs and wishes. In contrast to institutional development, which includes projects that are often changing entire neighbourhoods, independent development is a rather slow-growing process, regenerating neighbourhoods step by step, giving them time to adjust, integrate and embrace change over time.

By studying independent development and how it influences the surrounding economy, future development and urban regeneration, the following questions arise: How do independent developers approach property development? What role do independent developers play in urban regeneration, gentrification and rejuvenation? Are independent developers contributing to urban regeneration or have only institutional developments the necessary power to generate economic growth and social change?

This introduction outlines the starting position of the research, which is essentially a set of hypotheses obtained from literature and experience. These hypotheses will then be explored and discussed in greater detail. The analysis will start with a brief clarification of the terms ‘institutional’ and ‘independent’ according to the context they are used in. Following this definition will be a detailed discussion of the major topics and approaches of independent property development. This section is divided into 4 chapters, each highlighting a general topic of the property development sector. Each chapter will start with a general description of how the topic is dealt with or approached in institutional development. Then it will analyse and discuss the independent approach in more detail by drawing on findings in interviews, literature and examples. The chapter on location will discuss where independent developers choose to develop, how they make this decision and why they choose particular locations. The chapter on market will examine how independent developers are dealing with competition and their tendency to pioneer niche markets. The independent developers’ views on planning authorities and their response to communal responsibility will be dealt with in the third chapter, labelled intervention. The last chapter will discuss funding and analyse what kinds of funding strategies are available for independent developers and whether they enjoy greater independence than their institutional counterparts. The dissertation will conclude with an evaluation and analysis of the findings and possible answers to the questions above.

Due to the enormity of the British property sector, I decided to concentrate my research primarily on London and London-based developers and projects. London, being the city where most of the institutional developers are located, is experiencing a lot of development activity at the moment and therefore seemed to be a good choice. It is offering the whole spectrum of property development: from commercial to residential, from shopping centre to mixed-used, from small to large scale, from institutional to independent development. Providing all these different and varying examples at the same location did not just made my research easier but it also offered the possibility for immediate comparison between the two development approaches and how they complement each other.

This particular dissertation topic resulted from a mix of personal background and interest, academic studies and my own experiences. Growing up in a small town in western Germany, in a family that owned and managed a medium-sized business, I understood that these small and medium-sized enterprises (SMEs), the so-called *Mittelstand*, were and still are the backbone of the German economy. Their cumulative contributions and successes are essential to Germany's economic growth. To this came the fact that property development, as practiced in the United Kingdom or the United States, was rather unknown to me. In Germany the majority of the big developments is owner-occupied and most of the Germans built their own homes and then hand them down to their children. Or they simply rent. Property developers are present but this sector is not as pronounced and distinctive as in the United Kingdom or the United States. The majority of the German property developers are operating on a smaller and local or regional level than their British and American counterparts. Then, during my studies in the United States, I became acquainted with a small property developer and gained more insight into this profession. Finally, I came to the United Kingdom, where my studies introduced me to the world of the big and institutional developers, which lead to the opportunity of a 3-month placement with the biggest of them all: Land Securities. This particular insight was fascinating and inspirational and encouraged me to choose this topic for my dissertation. Growing up with the knowledge that the small and medium-sized companies are essential and important to an economic sector, and being confronted with the big empires of the British property developers, I started to wonder whether there are any small and medium-sized property developers at all. And if so, is their contribution to urban regeneration just as crucial as is the *Mittelstand's* contribution to the

German economy? To find a possible answer to this question I started my research, which lead to this dissertation.

2.0 General Definitions

In order to start with the detailed discussion of independent developers and their approach, a short definition to clarify the understanding and meaning of ‘institutional’ and ‘independent’ in this particular context is necessary.

2.1 Institutional developer / development

According to the Oxford Dictionary, the word *institution* is defined as ‘a large company or other organization involved in financial trading’ and as a ‘well-established and familiar person or company’. In the current context, institutional property developer or development can then be translated into a large and well-established company or other organization involved in property trading and development. In more detail, institutional developers are well-established companies that develop, manage and maintain large properties and buildings. Often these companies have a portfolio size of over £100m and manage their assets themselves. In some cases several smaller companies are incorporated within the parent company or group. These smaller companies are either set up for specific development projects, or they are responsible for a specific task within the company, like asset management, or project management. The parent company or group is often a publicly listed company and being traded at the stock exchange. Some of the larger institutional developers are also member of REITs (Real-Estate Investment Trusts). Publicly listed companies have to justify their actions and results to shareholders and in some case their institutional investors.

2.2 Independent developer / development

The Oxford Dictionary defines *independent* as such: ‘free from outside control’, ‘not depending on another’s authority’ and ‘not influenced or affected by others’. Translated into the current context, an independent developer can then be defined as a developer that is not controlled or influenced by another authority. In more detail, this means that they are independent of any authority like shareholders, board of directors or other money-lending bodies. Independent developers are often small size companies with an investment volume or assets worth less than 100 million pounds. These developers mainly finance their projects with relatively independent funding and loans and are therefore not dependent on institutions, like institutional developers. They are operating on a regional and local level and concentrate their development in specific areas, town and regions. Often these developers are property traders rather than property investors and they specialize in specific developments and markets, which makes them less dependent on the general property market. Their revenues and profits are mainly reinvested either in new projects or in the company itself.

3.0 Independent Development

This section is the main part of the report. It draws together the findings of the study, integrating some material from published literature with the information gained from five interviews, which were conducted by the author with representatives of four small independent London development companies and one independent property consultant. It explores the hypotheses and questions above accordingly and tries to answer them so far as possible. Section 4 then summarises the conclusions, including the un-answered questions on which further work would be needed.

In their article 'Development Cultures and Urban Regeneration', Guy, Henneberry and Rowley write that 'independent developers embrace the challenge presented by fringe locations, mixed uses and the local urban culture and aesthetic – and translate these characteristics into development values' (page 1181). According to this statement then, institutional developers do not embrace this challenge and rather seek projects with different characteristics and development values. Obviously, there is a difference between an institutional development approach and an independent development approach. In the same article, the authors compiled a table comparing the 'ideal types of urban development models' (see *Table 3.1*).

***Table 3.1**: Models of urban development: ideal types*

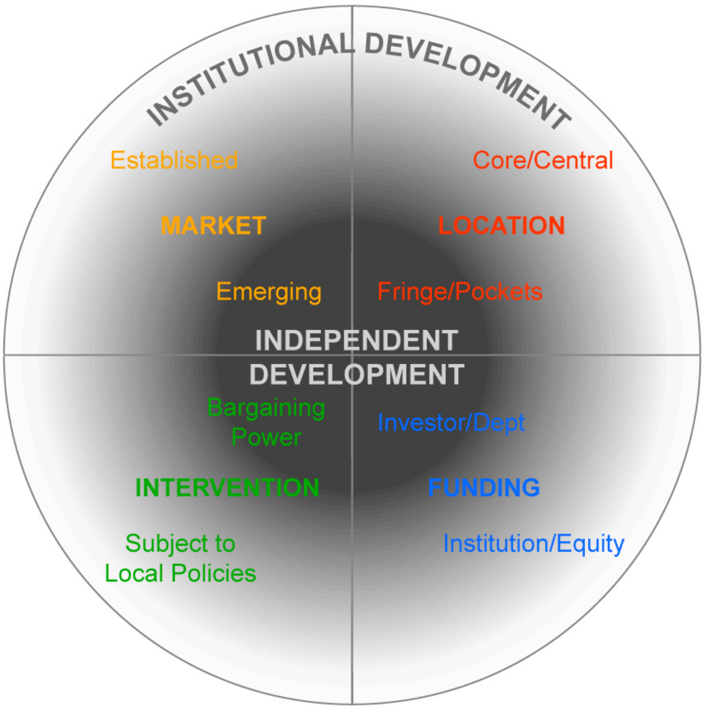
	Model	
Feature	**Institutional**	**Independent**
Location	Core	Fringe
Size	Large	Small / Medium
Tenancy	Single	Multiple
Use	Fixed	Mixed
Lease	Rigid	Flexible
Image	Universal	Vernacular
Design	Blind	Sensitive
Knowledge	National/Global	Local/Regional
Risk	Averse	Positive
Vision	Retrospective	Future
Profession	Insiders	Outsiders
Value	Economic	Socioeconomic

Source: Guy, Henneberry and Rowley (2001).

In this table they contrasted the major differences between institutional and independent development models in terms of tenancies, use, design, knowledge, location, size and other important features. The table gives a good overview of how each development approach is dealing with the different features accordingly. Although the above table is covering important features, on closer study, it is lacking other essential topics that are critical factors in property development.

According to the author's understanding, the majority of the issues the property development sector is dealing with, can be divided into 4 key topics: Location, Market, Intervention and Funding. Each one of these topics covers some of the features named in the table above. Diagram 3.2 suggests how institutional and independent property developers approach these topics in a different way.

***Diagram 3.1**: Property Development Approaches – hypotheses*



It is assumed that institutional development is operating within an established market, whereas independent developers seem to prefer to work within an emerging market. In terms of location, it seems that most of the institutional developments are placed in core and central development areas. In contrast, independent developers appear to be interested in fringe locations. As described above, financial institutions are funding most institutional developers. Independent developers however, have to find alternatives, like investor and dept financing. Concerning the topic intervention, it is assumed that independent developers are developing relationships with local planning authorities in order to establish some bargaining leverage. Institutional developers though, seem to have to deal with the statutory planning regulations.

The topics named above were used as base for the dissertation's analysis and comparison. They are examined and discussed in more detail in the main part. Here, each chapter is starting with an overview of how the particular topic is dealt with in general or how it was affected throughout history, concentrating on London. It is followed by a detailed discussion of how the independent developers are approaching each topic. The chapter about location is discussing fringe locations, pocket locations and the issue of 'home advantage'. The chapter dealing with market is addressing issues like competition and emerging markets and how independent developers respond to it. The following chapter on intervention tries to analyse the developers' autonomy of state intervention and their bargaining strength versus the legal control. The chapter on funding will examine the major differences within this topic and analyse how this affects each development approach.

It is also crucial to understand why people tend to get involved in property development, especially what small developers tempted to operate in this competitive business sector. Although being a very competitive market in general, especially in London, there are many small and independent developers that chose this particular profession on purpose. There are different reasons why they did so. In some cases, the reasons are simple and personal, like having a passion for property in general. In other cases the decision had more to do with social responsibility or urban regeneration. Other developers simply wanted to have the decision-making power of what is getting built. A number of developers are convinced that they can deliver a better project or product and address special demands better than their competition. And then there are the ones who see property development simply as a moneymaking business.

> 'Being an architect, I found that working for a client is very much hiding away from the challenge of the business world, in a way, and I often realized that clients asked for something that I knew from my own experience would be worse than our own proposals. But then they were the ones that decide. I do believe that we could do much better [development projects] ourselves if we were not controlled by a client as such.' (Touma)

> 'I got involved in it, because I thought that a lot of the development going up was very poor and that it was really driven […] by the ability to borrow. […] Most of the money comes from the insurance companies, the pension funds,

> and the city institutions. They have no interest in property or people's demands. […] We are very much interested in what people want and in what isn't being provided in the market at the moment. What kind of businesses, or occupiers, or housing can't you get [but] that is wanted by the people?' (Nicholson)

During the interview with Mr. Nicholson, an interesting topic emerged that was worth considering: Why is there hardly any mention of small and independent developers either in literature, the press or the property world? His point of view was that people in general are rather interested in people, projects or companies with a well-known, established and celebrated status. For example like worldwide-recognized architects (Foster and Partners or Zaha Hadid, etc.), projects with significant impact (Swiss Re Tower, Tate Modern, etc.) or companies that are well established (Land Securities, British Land, etc.). These names draw attention and seem to be much more interesting to write and read about then the small developers with their everyday achievements. It appears, that

> 'People want to hear about big flagship things. […] No one, however interesting or genuinely innovative things are being done, is interested in it, unless it's a big company or there is some kind of celebrity angle to it. […] People always want to write about celebrities or corporations. They are not interested in hearing the reality of what is going on. People seem to be far more impressed by the big investors rather then the small. And I think a lot of people pay lip service to regeneration.' (Nicholson)

But is that really true? Some of the companies and projects actually are simply too small to mention and do not have significant impact to indicate change or merit attention. Or their projects are really not worth the effort because they are too dull and just a variance of previous projects. Nevertheless, there are a lot of examples of successful urban regeneration projects, which are unknown to the public or the greater property world. Often these small and unknown development companies challenge the common regeneration approach and come up with innovative solutions. Each project may be small but there are many of them (and could be more) so their cumulative impact is large and worth considering.

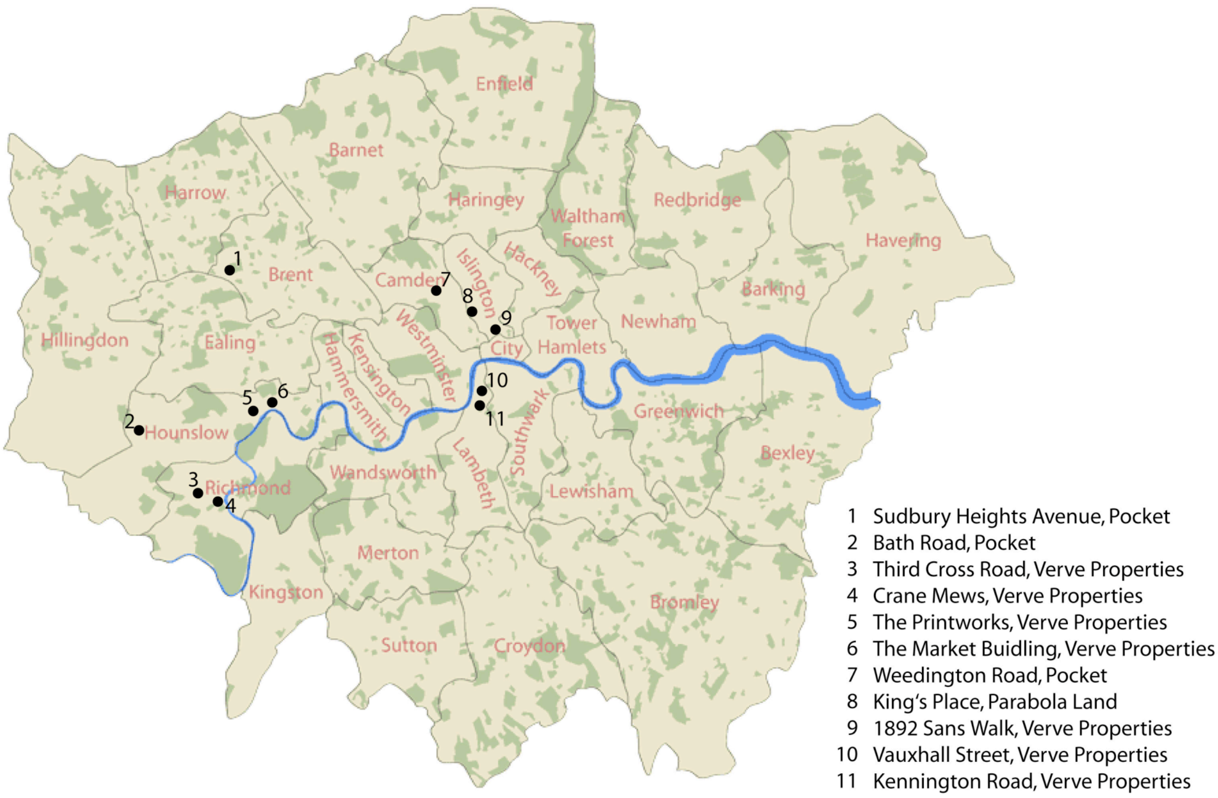
3.1 Location

'Location, location, location!' This well-known phrase highlights its importance within the property sector. Location was always a major factor for property developers and could determine the success or failure of a project. But the importance of a location itself is dependent on economic and demographic changes, as well as the provided infrastructure. The occupation and economy of a specific location can change over time. The neighbourhoods surrounding the City of London, like Clerkenwell, Shoreditch, Hoxton and Bethnal Green, used to be industrial areas with some housing for the working class (Hamnett, 2003). In the 1960s and early 1970s, the City's fringe started to change from an industrial based occupation to a financial and service-based occupation (Hamnett, 2003). This in turn has also caused a shift in the built structure and environment. What used to be factory buildings are now converted into stylish offices and loft apartments. Areas that were dominated by docks and warehouses, like the Isle of Dogs and much of Tower Hamlets, have now been redeveloped and changed into the financial centre Canary Wharf, luxury residential, and office districts. The growth of the service and financial sector caused an increase in 'demand for space to house the rapidly growing financial and business service sectors and their work force […]' (Fainstein, 1994, page 30). It also caused a growth of middle class professional and managerial workers. In addition, the trend from suburbia to city-centre living and the desire to live close to work (Hamnett, 2003), increased the demand for private residential dwellings within the centre. In particular, starting in the 1970s, the demand for home ownership, which used to be the largest type of housing tenure in Outer London, has significantly increased in Inner London (Hamnett, 2003. See appendix 6.1a, 6.1b and 6.2). The development of new electronic technologies, telecommunications and computers permitted a decentralisation of office developments outside of the historic 'square mile' of the City of London (Hamnett, 2003; Fainstein 1994). The importance for the right location of a property development still remained, but the value of location itself expanded and opened up new areas with development potentials. The location for office developments, for example, expanded from the City outwards to the City Fringe into Clerkenwell, Hoxton, Shoreditch and Spitalfields (see appendix 6.3). The shift from suburbia living to city-centre living and the increasing demand for private residential dwellings within central London opened up new locations for residential development, like the old industrial areas of Wapping, Shoreditch, Spitalfields and other neighbourhoods. The top locations with high developmental value were not just located within the City anymore, they spread into the fringe area and even further out, offering more development locations and new opportunities for institutional and especially independent developers.

3.1.1 Fringe Locations and Pockets

Institutional developers mainly operate at global and national level. Their projects are often in city centres, high street locations and core areas with high developmental values. They are more concerned with receiving the highest possible value per square metre and therefore concentrate on well established locations. Institutional developers prefer to operate in locations they are well acquainted with and that experience developmental interest (Guy, Henneberry and Rowley, 2001). In contrast, according to independent developers, location indicates areas that are mainly fringe locations or pockets within core areas and city centres. For example Map 3.4 shows the different locations within London of the projects either undertaken or in pipeline by the interviewed developers. Fringe locations are areas off city centre that are still close enough to offer reasonable interaction and connections to the centre but are also away far enough to have lower values per square metre. In general, independent developers tend to look for such areas, especially locations with no or little development activity. These areas normally do not tempt institutional developers, due to the lower values per square metre and often the smaller lot sizes. This in turn lowers the competition and makes the area more interesting for independent developers.

***Map 3.1**: Project locations in London*



Source: Google Images, 2007. Revised by Author

Being of such crucial importance for the outcome of development projects, location is of even greater importance to independent developers. For them, the projects will only be viable if values per square metre are within a specific amount, which are only achievable in areas or fringe locations, where they are not too high or too low. In addition, not just the location has to fulfil special requirements; the site itself has to satisfy essential conditions in order for the development to succeed. Proximity to public transportation hubs, cultural centres, shopping or schools can be of major importance and add greater value to the project. Others choose their location according to where the project fits in size and type. They pick their sites in accordance to the number of units that would fit on the site, as long as the number will be under the threshold for social housing (Kunze). This particular issue can be crucial for independent developers, because social housing can often jeopardize a project's feasibility.

Institutional developers tend to develop large size projects in general, because for them, 'small size projects often carry a disproportionate management cost' (McNamara, 1993). However, these small size projects are often the right size for independent developers. They concentrate and develop medium to small sites, ranging from ½ acre to 3 acres (Kunze). There are also examples of larger sites, like King's Place (Images 3.5 and 3.6). This mixed-use development is located next to the transport hub of King's Cross Station and has a gross development area of approximately 500,000 square feet (Millican). It seems like an institutional development, but is being undertaken by a small and independent developer. In this particular case the decision on the development location was not made because of market research or developmental value. Here, the developer wanted a site that was big enough and in walking distance to good transport connections (Millican).

One would think that once independent developers have found a location with minimal development and low competition, they would particularly concentrate on this area and maybe even exploit it. The interviews though indicated that this is not necessarily the case. Either there are not enough potential sites available, or other areas offer better development opportunities. If the local market gets too competitive, land and building prices are too high or the market in general starts to cool down, even the small developers start to stray and look for alternative locations. Then they either start expanding their area of operations to neighbouring regions, look for other cities or regions with better development prospects or even consider development opportunities abroad (Touma).

***Images 3.1** and **3.2**: King's Place development (computer generated images)*

Source: Parabola Land (copyright holder; reproduced with permission)

In general, for independent developers, location has more to do with particular development values that support a project rather than the geographical meaning of a location. Whereas institutional developers consider and concentrate on future development locations that confirm 'predetermined investment criteria' (Guy, Henneberry, Rowley, 2001) and statistics, independent developers tend to analyse their locations through close observation and local knowledge.

3.1.2 Home advantage and locality

Independent developers mainly operate at regional and local levels using local and regional supply chains and therefore have the so-called 'home advantage'. Often, independent developers work in their hometown or started off in the town where their office is located. If they expand their area of operation to other towns and regions then there is often some kind of relation to it, whether it is the location of a secondary office or the area is well known to the developer or one of its employees (Touma). Due to their knowledge and their constant presence, they understand the locality, pick up changes and look out for future trends. The majority of the

> '[…] Small developers operate in a local market. Normally, small developers won't stray beyond their local area. […] So they are very knowledgeable as to what the needs are in that particular local area. Whereas obviously, the big companies, they have a national formula. They operate with standard house types and standardisation that they can use in any different region at any

time. […] They don't have the local knowledge in the same way [as small developers do]. (Nicholson)

> 'Clearly local presence has a huge advantage and local knowledge as well. So, we definitely started off looking for sites in Hackney and Tower Hamlets mainly, and only rarely outside the M25. […] It is basically about knowing the planning rules, the designation, knowing small nuances of the environment, the infrastructure, demographic trends or changes of atmosphere within different boroughs.' (Touma)

Some developers work within their hometown or region in order to create a brand or concept and to establish trust and reputation with local authorities and clients, which can be important for future projects (Kunze). An additional reason for small developers to stay within their 'home' area is logistical issues. Often they use local companies for consultancy, construction and management. It can be an advantage that all parties involved in the project are acquainted with the area, limiting the risk of inefficiencies, problems and delays. In addition, using local companies not just helps establishing a working relationship and an efficient supply-chain but also minimizes and simplifies logistics.

> 'Living and working in London [helps] in terms of the logistics. We put a lot of effort in our schemes. If they are a too far away then it is difficult to do many or to do them very well. So we try to do them where they are accessible, allowing us to give them our best efforts and attention to make them good.' (Nicholson)

Since they are often concentrating on specific areas and are knowledgeable about what is going on there, one would think that their projects respond to the local surrounding and integrate themselves into the neighbourhood better than institutional projects. As it turns out,

> 'Small developers do not particularly respond more or less to the surrounding neighbourhood or are more or less successful than big developers' (Lerner)

Their development projects are not designed in such a way that they would respond to the surrounding in any special way. Nevertheless, some independent developers will try to come up with modern and acceptable design that integrates itself with the local building style and culture (Kunze). In addition, independent developers often respond to and supply local demand, which indirectly reflects the surrounding locality and characteristics.

3.2 Market

The shift from an industrial based occupation to a financial and service-based occupation not only produced a change in location but also a change in the general market. The increasing demand for offices, commercial and private residential property in the centre, as well as the shift from a supply-driven to a demand-driven market (Harris, 2002), initiated the diversification of the market itself. Suddenly, conversions of former industrial buildings and warehouses became interesting and worthwhile developments. This trend was also supported by the change of planning legislation in 1987, which offered the opportunity to convert old factories into offices without planning approval (Hamnett, 2003).

These changes in demand and the market opened up a lot of new opportunities and development possibilities for small developers. Where the main interests of institutional developers are in institutional developments (Guy, Henneberry, Rowley, 2001), independent developers recognized the emergence of niche markets and took advantage of it. Institutional developers usually prefer to operate within the common market, in areas that experience development activity and within established markets (Guy, Henneberry, 2002). In general, financial institutions, and therefore institutional developers, favour investing into a market that has existing track records and published information (McNamara, 1993). If there is little information available, which is often the case with an emerging market, institutional developers are less likely to invest. Due to the market's uncertainty, a perceived risk, institutional developers would require a higher risk premium, which would lower their revenues or they would not invest in it at all. Small developers have to look for places without or little competition. In order to survive, they have to come up with alternatives, which will be discussed in more detail in the following chapters.

3.2.1 Competition and Pioneering

Currently, with a lot of people buying, the property market has become very competitive, especially in London. History shows that there is a recession in the property market about every 10 to 15 years (appendix 6.5). In the beginning of the 1970s the flourishing property market crashed after a rise in interest rates and a fall in rents and values collided (Harris, 2002). Then again, in the late 1980s and early 1990s, the property market crashed due to over-supply (Harris, 2002; Fainstein, 1994). The market picked up again in the mid and late 1990s and especially strengthened after the dotcom crash in 2001. There has been no recession since the crash in the late 1980s and early 1990s, which increased competition and forced developers to be more innovative and resourceful in order stay competitive. In addition to the missing recession, in recent years, more and more international money is coming into the UK property market, especially the London property market, which makes it even more competitive. Due to the increasing competition and prices, diversity has risen and became an opportunity for small and independent developers to pioneer markets with no or less competition. They were looking for a market that

> ' […] They can develop without having competition from the established and big developers. […] The big developers normally play safe; they go where they think there is already an established market. […] A small developer normally tries to find a development or a site that he can buy that the bigger developers would not go for. And that is quite often where smaller developers start, in an emerging market. Usually, they are the catalyst for an emerging market, because smaller developers are more inclined to take a chance on something [and] pioneer an area or a concept. (Lerner)

In order to stay competitive small and independent developers are taking higher risks to pioneer an emerging market. However, their 'home advantage' and knowledge of the area, as well as their established relationships and supply-chains, lower the general risk. In addition, they have a lower risk of missing the market, since they are undertaking much smaller projects, which are usually thoroughly researched and developed faster, lowering the risk of missing the market. In addition, some of the independent developers develop schemes that address alternative demand as well, making them more flexible and allowing them to sell or rent their product, even if they missed the market (Lerner).

> 'The risk is higher. Although we think it's a pretty calculated risk. Therefore, our margins are often higher as well. The most important thing is [that] we are not competing [with the big developers].' (Nicholson)

3.2.2 Niche markets and tailored projects

People's taste is becoming more and more specialized and customization and individualization are becoming important characteristics. Something similar is happening in the property market, which used to be driven by supply and is now driven by customer demand (Harris, 2002). For example, in the office sector, what used to be a 'one-size-fits-all' supply, is now a diverse market with different offers like serviced offices, pay-as-you-go or private real-estate partnership offices (Harris, 2002). There is similar demand for diversity or customization within the residential sector.

> ‘People become more demanding. This offers the opportunity for more diversity and niches. And it is the small companies that provide these different products in commercial property and housing.’ (Nicholson)

In order to avoid competition independent developers look for niche markets and other special demand that is not yet provided for. In addition, some developers offer tailored and customized projects that makes their product unique and compatible, like the affordable housing, specifically for low-income and key workers that is provided by Pocket (Image 3.3 and appendix 6.6).

Image 3.3: *Pocket development proposal: Weedington Road, Camden*

Source: Pocket (copyright holder, reproduced with permission).

Nevertheless, there are some developers that do not address a particular market like the example above but rather concentrate on other specialties, like sustainability or modern construction techniques, like this developer:

> ‘We would like to stand for extreme modern assembly of buildings, with a high emphasis on environmentally friendly buildings – that is definitely our main target. […] I have a strong believe that these potentials been promoted a lot, advertised a lot, but in most cases have been unsuccessfully applied. Not unsuccessful in terms of the technical aspects but in terms of the economical

> profit that comes from it. […] There is a huge improvement to accelerate that process.' (Touma)

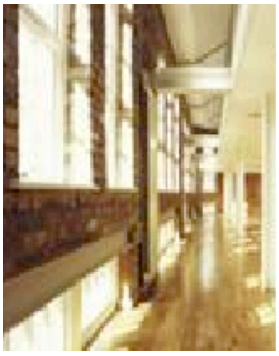
Other independent developers respond to special demand. That was the case with one developer that started their business on the basis of increasing demand for small residential units for sale. According to them there existed a demand to buy small flats but none were available. So they started to redevelop large buildings and divided them into smaller flats, which they then sold off (Nicholson).

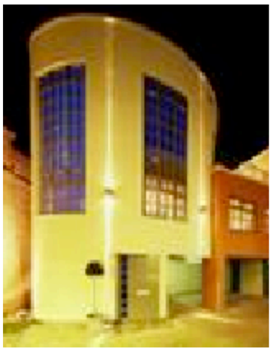
> 'We try to identify a frustrated market or demand and therefore provide it, which is a different approach to the money driven side of it. […] We are very much interested in what people want and is not being provided in the market at the moment. What kind of businesses, or occupiers, or housing can't you get? […] We always have a product, which isn't like anything else. […] We might only aim at about 20% of the market, but we probably get 80% to 90% hit-break within that smaller section. So we have very little competition. […] And if we sell it right, our margins can even be higher. […] That's what we do: providing more choice.' (Nicholson)

Often independent developers do small to medium sized developments ranging from 5 to 50 units (Kunze, Touma). However, there are also developers who do projects, which are similar to the size of institutional developments, like Parabola Land Ltd. and its development of King's Place. This mixed-use development has an approximated gross area of 500,000 square feet and with a cost of £200 per square foot (Millican), it can be considered as an institutional-sized development undertaken by an independent and small developer. If these developers decide to undertake a big scheme, then they often develop them one by one due to their limitations in staff and capacity. In contrast, developers undertaking small to medium sized projects are doing several at once, have them in pipeline and search for new development opportunities while working on other projects (Kunze, Nicholson, 2007).

During the interviews with the different developers, it became apparent that, contrary to the assumptions, small developers do not necessarily concentrate on refurbishments or redevelopment of existing buildings. In the case of Pocket and Sprunt Solutions, their schemes have to be primarily new-built developments in order to be efficient and deliverable. But both developers stated that they would also consider existing structures if these could accommodate the requirements and be viable. In contrast, Verve Properties Ltd specializes in the redevelopment and conversion of Victorian industrial buildings. Their ‘main interest is, rather than demolishing buildings, retaining them.’ (Nicholson).

Images 3.4, 3.5 *and* ***3.6****: The Printworks development*





Source: Verve Properties (copyright holder; reproduced with permission)

3.3 Intervention

Intervention, in this context, is primarily the understanding of the autonomy of state intervention in development projects. Here, the intention is to analyse how institutional and independent developers are dealing with local authorities, in this case planning authorities, and whether they are more or less successful in receiving planning permission. It is basically discussing the bargaining strength of developers versus legal control. Emphasis will be given to the relationship and dealings with planning authorities in general and how developers address social and communal responsibilities. Just like institutional developments, small developments too have to apply for planning permission in order to commence their projects. The assumption arises that, since small developers concentrate on specific locations and specialize their product, they would, over time, establish a relationship with local authorities, which might help receiving planning approval. One would also assume that, because of their limitations, they try to work closely with authorities early on to secure approval even before they would acquire the land in question, because

> 'Planning [permission] is probably the most important bit about small development. Being able to get the planners to agree to your scheme is crucial' (Lerner).

3.3.1 Planning Authorities

Every project, whether undertaken by a small or a big developer, has to be reviewed and approved by the local planning authority. Each one has to go through the same processes and deliver a similar set of documents, which then will be reviewed and, if agreed with, approved by a planning committee. Even though small developers concentrate on development concepts and are in contact with planning consultants, usually even before they acquire a site, does not mean that they will receive planning approval. Interviews with small developers clarified that

> 'It doesn't matter whether you are a small developer or a big developer to get planning approval (Lerner).

Independent developers may have greater problems to get planning approval or need to make more adaptations to local policies. It is more likely that larger developers get their schemes approved, due to the monetary, deliverable and recognizable power they have and their ability to afford better consultants. In addition, big developers have much higher track records than small developers and are usually known for the quality of their projects and their ensured delivery. With small developers, there is always the risk that due to unforeseeable reasons, the development project might not go ahead. This in turn makes

> ‘Local authorities always fear that they are accountable. They are worried that if they deal with a small developer, certainly on regeneration projects, the project might not go ahead. They prefer dealing with big companies where they feel more certainty that things will go ahead. Local authorities are like politicians: They want big flagship developments that are safe (in terms of delivery) and that make them look good.’ (Nicholson)

Small developers might have even more problems to get planning consent. They can lack significant backup from consultancies and specialists, sometimes in order to save money (Lerner). Or they simply cannot afford a planning consultant or architect that can present the scheme to the planning authority and the project’s concept and intention across appropriately.

> ‘You have to choose an architect or a planning consultant who has a relationship with the local planning officers. In that way they know what the planners will accept. It is important for small developers to have an architect that understands the general architecture and the feel of the area. […] You need an architect that has a vision. And you need a planning officer that has a vision. You get the two of them together and you have a scheme [that will get planning consent].’ (Lerner)

> ‘Planning departments have a very high fluctuation of staff, which makes it difficult to establish a relationship. Getting support for your scheme mainly depends on whom you are dealing with. In some cases I find the planning authority still have a very – I would say – uncooperative approach, in which they try to hide behind regulations more than reading between the lines of the rules that they are part of developing themselves. […] Larger developers get more professional advice and they simply have a different weight in their negotiations, due to the financial pressure that they can execute. This is not only the case with the planning officer, but also with the planning committee, which is in the end the deciding body.’ (Touma)

But there are other examples as well. There are some developers who need to work closely and early on with the planning authority since planning permission is crucial for acquiring the necessary sites and the project's viability (Kunze). In addition, some developers even establish a relationship with the local authorities in order to be able to negotiate things like exemption from the social housing threshold or other requirements for the project's feasibility (Kunze). In one case, this developer had the experience that the local authority was very interested in their development scheme. But even this developer admitted that it was the first and the only time the planning authority showed any interest in a working relationship for possible future schemes. (Nicholson).

3.3.2 Social Responsibilities

There is an assumption that due to their local presence and maybe even established recognition, development projects from independent developers might have higher interaction with the local community. Just like the big institutional development projects, development proposals from independent developers have to be publicly announced. The information about the project has to be made accessible to the public so they have a chance to give feedback and opposition. It seems that small developers are involving the public and local community not more nor less in their development projects than institutional developers. One developer believed that on a scheme that is well planned from the beginning, small things may be tweaked or changed but the local community has little say over the type of building or what is being built (Millican). In general, small developers are getting similar objections from the local community like the big developers. There seems to be no differentiations whether the developer is a big or small company. It appears that people are in general very suspicious of developers, no matter what size they are (Nicholson).

> 'Our experience has been in the past that every time anyone sees any change in their community, there is a resistance to it. Even though our projects are attractive and pleasant, the perception is that change is bad. People are in general suspicious of developers per se and suspicious and concerned about change.'(Nicholson)

But when being asked about their social responsibilities, independent developers see as crucial to give something back to the local community. They all stated that they consider it their duty to be socially responsible, because

> 'Ultimately the return is better if it works for everyone. Sometimes you can make a quick buck, but in the long run developments that work on many different levels (commercial, community, authority, developmental) are actually better' (Millican).

> 'We work in a very regimented area, that means whenever you do something you always have to give something back, simply by law, e.g. via Section 106 agreement. This can include social housing or contributions to educational facilities. Even tree-planting is regulated that way.' (Touma)

This contribution to the local community can take place on different levels and be approached in many different ways. One developer stated that their return to the community is through the project they deliver. The provision of affordable housing, allows the locals to stay and not have to move away to a cheaper area where they can afford a home. (Kunze, 2007). Another approach to social and communal responsibility is through sustainability and environmentally friendly buildings and construction, like this developer stated:

> 'On top of the [Section 106 agreement], I think there is this grey area and, like I said before, that environmental constraints are there but have been surprisingly weak actually for a European country throughout the last years. This is where we saw our competitive advantage and our contribution to society to really challenge these regulations and push them even further than what was required. There is a lot of scope to improve what is already there. […] To be better than what current regulations require will actually be a strong demand. […] That is something we simply do believe in. We do this more for the passion than just because for the sheer requirement.' (Touma)

Others deliver yet another approach altogether by keeping existing structures rather than demolishing them, which preserves and saves the local architectural heritage. Or they try to encourage inter-reaction with and between people by developing buildings with hub spaces where people can meet and interact and that enhance social life (Nicholson). In addition, some perform their social responsibility by encouraging the use of public transport by deliberately developing buildings close to public transport connections and support cycling by providing cycling facilities and changing rooms within their projects (Nicholson). One developer even admitted that they started working with institutional developers who were interested in adopting their principles of inter-reaction and humanity into their schemes

(Nicholson). Although these are encouraging examples, it still seems that the size of the development company is no indication whether its goals are improving local neighbourhoods or moneymaking. As Mr. Lerner pointed out, there are ‘socially aware developers and then there are the developers who develop to make money. As simple as that.’

3.4 Funding

The financing of property development usually involves three major participants: the developer or borrower, the short-term moneylender, and the long-term financier (Adair, 1993). The sort-term finance, mainly used for the construction phase of a project, is generally more expensive since it contains higher levels of risk. Banks primarily provide this kind of funding. In contrast, long-term finance, in general used on the completed buildings for selling or letting purposes, has a much lower level of risk and is therefore less expensive. Financial institutions like, insurance companies and pension-funds primarily provide this kind of funding (Adair, 1993). There are lots of different types of funding available for property developers. However, due to its complexity and the extensive literature available, property development financing will not be discussed in this chapter. A rather broad and general approach of the differences between institutional financing and dept financing within property development will be taken.

Large institutional developers are either funded through their own equity or financial institutions, as their description already suggests. But when it comes to financing development projects, the small developers in general have more difficulties.

> 'Unless small developers have a friendly bank or have an cash themselves, it is very difficult for them to raise money, particularly and obviously when the market is booming' (Lerner).

The funding section is divided into two chapters, Dept financed versus institutional financed and Independence versus dependency. The first chapter deals with the different funding possibilities, concentrating mainly on the possibilities for independent developers. It draws on examples from the different development companies interviewed. The second chapter discusses how the funding situation can influence property development. It also analyses whether the institutional or the independent development companies are more or less dependent on their money lending body and the property market.

3.4.1 Dept financed vs. institutional financed

In 1980s, the Government encouraged financial institutions and property companies to get involved into the process of stimulating and establishing 'commercial confidence and environmental transformation through property development' (McNamara, 1993, page 5). Especially insurance companies and pension funds were encouraged to support the property development process (McNamara, 1993). Although having vast financial resources to their disposal, financial institutions, like insurance companies and pension funds, cannot make investments without analysing and evaluating the asset. Restrained by their responsibilities to policyholders, shareholders and others, these institutions have to ensure that their investments will acquire specific returns and not loose money. They are selecting their investments according to the level of returns that can be expected in the future and the perceived level of risk the investment is exposed to (McNamara, 1993). In general, these institutions would want a higher return or lower purchase price that reflects the asset's risk profile (McNamara, 1993). This makes them rather cautious investors that will invest in projects and markets, especially within the property development sector, that are showing a low level of risk and a relative secure return. These kinds of projects can be found in established markets and familiar locations. These institutions are primarily investing in development projects that satisfy 'predetermined investment criteria within markets, which possess certain specific investment characteristics' (Guy, Henneberry, Rowley, 2001, page 1185). These criteria and characteristics can be defined as project or lot size, occupier demand and liquidity of the market (Guy, Henneberry, Rowley, 2001). Mr. Nicholson described it as such:

> '[…] It is difficult to borrow such large sums of money, needed to build large developments. Most of this money comes from insurance companies, pension funds, and other city institutions. They have no interest in property. They just have a list, a checklist if you like, of what they think the building should have. Therefore, if developers want to borrow money from these institutions, then they just go through their checklist and build to that specification' (Nicholson)

In contrast, small developers, due to their lack of track records and the danger of not delivering the project on time or facing bankruptcy while pioneering an emerging market or a new concept, often have more problems to raise money (Lerner). They have to use alternative funding solutions. Often, this alternative is a mixture of investor and loan finance, whereas an investor funds about 20 percent of the project and the remaining 80 percent is financed via loans (Touma, 2007). There is also the case of joint venturing with a landowner, where the landowner provides the site, which in turn serves as security for the loan-giving bank (Touma, 2007). Some small developers have a shareholder, like a family trust or other such money-lending body, who is looking for long-term gain and not short-term profit (Nicholson, 2007). Another form of financing is through secondary funding institutions, which specialize in property development. However, these institutions often have high requirements towards the development project, which can be positive or negative (Touma).

But in general,

> 'What will happen is that [small developers] will find a bank, normally a secondary bank, that will put up the money. To start developing, some of the money will come from private investors, providing the capital and the remaining money will come from a bank.' (Lerner)

3.4.2 Independence vs. dependency

Due to their structure and being publicly listed, institutional developers often have less 'freedom' than small developers. They limit themselves by using standardizations and checklists, which development projects have to fulfil (Guy, Henneberry, Rowley, 2001). They also depend on the demand and requirements of their money-lending institutions, because

> 'It is driven by the ability to borrow and the end-user is secondary. It has more to do with where the money is coming from. […] A lot of the big developers follow the institutions' checklists and wants. If they suddenly decided they want secondary offices or shopping centres, then [the developers] would go, find a piece of land where they get planning permission, design the project accordingly, ask the institutions for money (who will give it to them) and build it.' (Nicholson)

Being a publicly listed company, they have to be seen trading and therefore produce profit all the time. Institutional developers have to perform according to the shareholders' and cities' expectations putting them under pressure and concentrating only on profits and revenues. (Guy, Henneberry, Rowley, 2001). They often have a higher turnover in staff. Therefore they standardize and departmentalize in order to keep projects manageable. This in turn means that a lot of different people are doing different things within a project, like marketing, asset management, etc. With a lot of different people working on a project, the sense of ownership and therefore care decreases and causes the projects to become standardized as well.

Small and independent developers are less dependent than institutional developers. Their freedom in development is not bound to shareholders, board of directors or money-lending institutions to the same degree or in the same way. Once the investor and/or banks have agreed to their scheme, they have no more decision-making power over the development project (Kunze, Touma, 2007). In some cases the investor has a right to veto but no decision-power over how or what will be developed (Kunze, 2007).

In terms of dependency on the property market, small developers are just as dependent on the market's behaviour as the big ones. However, the independent developers have much less or no influence over the market whatsoever. If they work within a niche market though, which they often do, they are less dependent on the general property market since their market sector is much smaller and might behave differently. In addition, independent developers, due to their small-scale projects, are more flexible then their big counterparts, which allows them to react to market changes accordingly.

4.0 Concluding Comments

Research concluded that some of the approaches listed in the table by Henneberry and Guy need to be adjusted and extended with additional features that are just as important to be considered. These features include subjects like market, demand, funding, competition and some more. (Table 4.1). As mentioned in the beginning, all these features are to some degree sub-topics of the four major topics, location, market, intervention and funding. Henneberry's and Guy's table is adjusted to these findings accordingly.

***Table 4.1**: Models of urban development: ideal types – adjusted and extended*

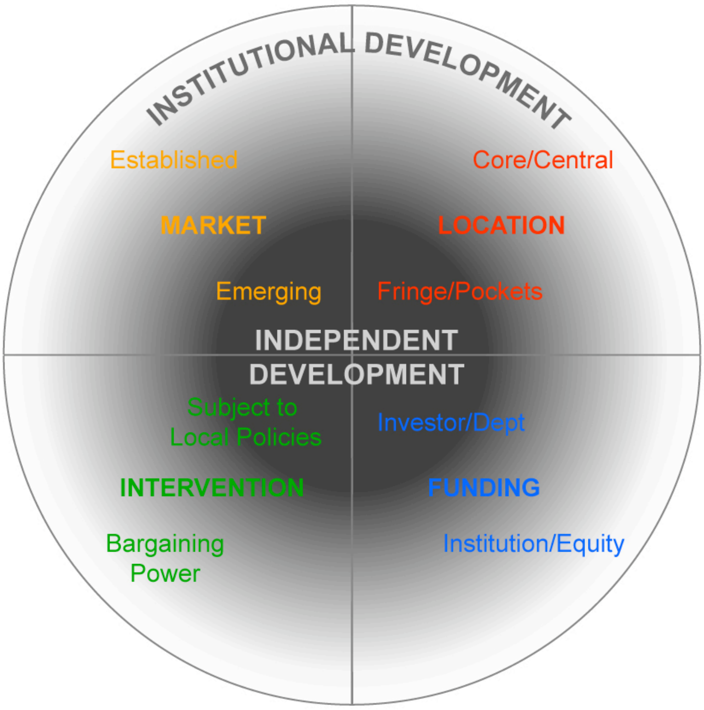
		Model	
Topic	**Feature**	**Institutional**	**Independent**
	Scheme	Conventional	Innovative
	Location	Core	Fringe / Pocket
Location	Size	Large	Small / Medium
	Design	Blind	Sensitive
	Knowledge	National / Global	Local / Regional
	Market	Established	Emerging
	Demand	General	Particular
Market	Competition	High	Low
	Use	Fixed	Mixed / Flexible
	Image	Universal	Vernacular
	Funding	Institutional / Equity	Investor / Dept
	Lease	Rigid	Flexible
Funding	Tenancy	Single	Multiple
	Risk	Averse	Positive
	Value	Economic	Socioeconomic
	Intervention	Autonomous/corporate	Subject to local policies
Intervention	Vision	Retrospective	Future
	Profession	Insiders	Outsiders

Source: Guy, Henneberry and Rowley (2001). Adjusted and extended by author (green).

In terms of independent development, the topic location does not just entail fringe locations but also pockets, which can be within the core and central development areas. Also, being dependent on the location, the feature scheme needs to be added which is often rather conventional in institutional development and more innovative in independent development. The topic market includes the use of space, which is not just mixed but in some cases flexible allowing independent developers to address a greater market and react to demand changes. In addition, demand and competition, crucial features in the property development market, need to be added to the table, just as the topic market itself. As it turned out, institutional development mainly takes place within established markets with high competition, whereas independent development prefers emerging markets with little competition. This concludes that the institutional developers respond to a rather general market and the independent developers to a particular and specialised market. The features dealing with value, income and finances, like lease, tenancy, risk and value can be summarized in the topic funding. The funding of institutional development is primarily coming from financial institutions and the developer's own equity. Independent developers however, finance their project mainly with the help from investors and additional dept financing. The features vision and profession can then be added to the topic intervention, since they, to some degree, can influence a development project. Contrary to previous believes the research showed that institutional developers seem to have greater bargaining power with planning authorities than independent developers, who are subject to local policies and politics. The now adjusted and extended table is explaining the major differences between institutional and independent development.

The diagram about the two different property development approaches also asks for some adjustment (Diagram 4.1). The research affirmed most of the hypotheses. The interviews and research confirmed that independent developers are mainly operating in emerging markets and institutional developers prefer to operate in established markets. It was also confirmed that institutional developers concentrate their developments in core and central locations, whereas independent developers seek out pockets and the fringe locations. The hypothesis about the funding situation for each development approach proved to be right as well. Institutional developers are mainly being funded by financial institutions and pension funds or finance their projects with their own equity. Independent developers however, have to find investors providing the necessary capital in addition to loans and other secondary funding. Surprisingly, the topic intervention turned out to be a false assumption. It became clear that independent developers have less or no bargaining power and are a greater subject to local policies and politics than anticipated. The institutional developers however, have the means to afford good planning consultants and bargaining leverage.

***Diagram 4.1**: Property Development Approaches – revised*



Nevertheless, the question, how independent developers approach property development still needs further answering. Independent developers approach property development in a similar way as institutional developers. They follow the same principles and laws of economy and property development as their big institutional counterparts. Independent developers apply the same or similar analysis and strategies as big developers; they just do it on a different level and scale, namely in smaller markets and more focused locations. By paying more attention to markets and locations and identifying emerging demand and trends, allows them to pioneer a market with no or little competition and respond to frustrated demand. They react in a different way as institutional developers to competition or market slow-down: Either they look for an alternative market within the same location or they look for better development opportunities in a different location. Institutional developers can, to some degree, rely on their existing portfolio and do refurbishments or they push into emerging markets as well. Independent developers hardly have such possibilities. They will always look for new or alternative opportunities. In addition, by having just one person, or a very small team of people managing a development, a smaller firm can ensure better integration of the various aspects of the scheme and avoid the need for standardisation and routine.

So are they contributing to urban regeneration and what role do they play in urban regeneration, gentrification and rejuvenation? Their contribution to urban regeneration is crucial and highly important. Although developing small projects scattered all over London, they fill in the missing gaps that are left behind or not being developed by the big developers. Independent developers often develop sites that are not of interest to institutional developers and that would otherwise be abandoned or neglected. They often start the rejuvenation and gentrification of an area by responding to local demand and pioneering emerging markets. Once these markets are picked up by others and established, the institutional developers take over and finish the gentrification process. Due to the local knowledge of the small developers, they tend to develop more or less what the local area is demanding and therefore respond indirectly to the area's surrounding and requirements. Although they each play a minor role in urban regeneration, cumulatively, they can be very important and influential in an area's emergence, success and survival.

And do only institutional developers have the power to create urban regeneration? Yes and no. Institutional developers have fewer limitations in terms of project size and project costs. They can simply spend more money, build bigger projects and have greater bargaining leverage. This allows them to gentrify and regenerate entire neighbourhoods. Small developers would not be able to achieve that due to the scale of their projects and their financial limitations. Nevertheless, small developers are important for urban regeneration since they deliver the small and characteristic projects defining an area and giving it its charm. Whereas small developers pioneer new markets and concepts, in some cases even locations, large developers establish and settle them. Both, institutional and independent developments are important for urban regeneration and in some cases complement each other. They each approach it in a different way and on a different scale. The big and institutional developers deliver urban regeneration that is fast, oriented for the mass of people and has big impact on the surroundings. In contrast, small developers deliver urban regeneration that is small-scale, characterising its surroundings and a slow growing process. In some cases institutional development is indispensable, because independent developers would not have the necessary powers and resources to achieve the required regeneration. Independent developers however, are just as important to urban regeneration because their projects are more custom-made and responsive. If a city would be considered as an organism, then independent developments can be seen as a self-healing process, responding and reacting to the given situation rather than superimposed master plans, asking the city to adjust to them and try to integrate them into its urban fabric. Basically, the distinction between institutional development and independent development can be summarized as follows:

> ‘The bigger ones (developers) are averagely good and more consistent. But […] there is more variation with smaller developers.’ (Millican)

Independent developers are invisible urban regenerators. They are working in the shadows of the big developers and their contribution to urban regeneration often goes unnoticed. Since hardly anybody studied them in more detail, there is no profound information available. Further research would be necessary in order to find out to what degree they are involved in urban regeneration and how their impact compares to the impact of institutional development. In addition, due to their local knowledge and constant observations of trends and demands, it might be interesting to find out whether their developments have a longer live-expectancy than institutional developments. Their contribution to urban regeneration and the property market might be much higher than anticipated. Just because their projects are smaller in terms of size and costs does not mean that they are less successful or less important. They are the ones that question conventional and established schemes and come up with innovative solutions and new concepts. They are the counterbalance to institutional development providing urban regeneration that is not exchangeable and that actually regenerates. They maybe not as essential to urban regeneration as is the *Mittelstand* to the German economy, but important they are after all and – in my opinion – deserve more credit and attention.

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5.4 Images

Map 3.1: Google Images (2007), London Map, available from <http://www.londonhotels-cheap.com/london_map.bmp> [Accessed 09 September 2007]

Image 3.1 and **3.2:** Parabola Land (2007), King's Place, Parabola Land Ltd.

Image 3.3: Pocket (2007), Weedington Road Development, Pocket

Images 3.4 and **3.5***:* Verve Properties (2007), The Printworks Development, Verve Properties Ltd.

Figure 6.5a: IPD Index (2007), Long run: income & capital in % per year, available from <http://www.ipdglobal.com/results/indices/uk_annual/index_uk_annual.asp> [Accessed 11 September 2007]

Figure 6.6.1: Pocket (2007), Pocket Doughnut, Pocket

Image 6.6.1: Pocket (2007), Pocket Unit, Pocket

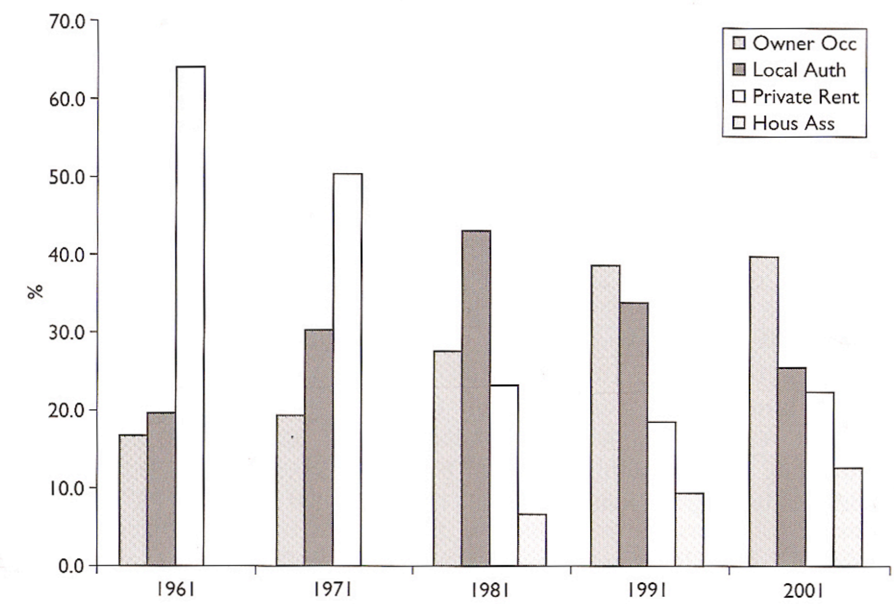
Image 6.6.2: Pocket (2007), Sudbury Heights Avenue Development, Pocket

Image 6.6.3: Pocket (2007), Bath Road Development, Pocket

6.0 Appendix

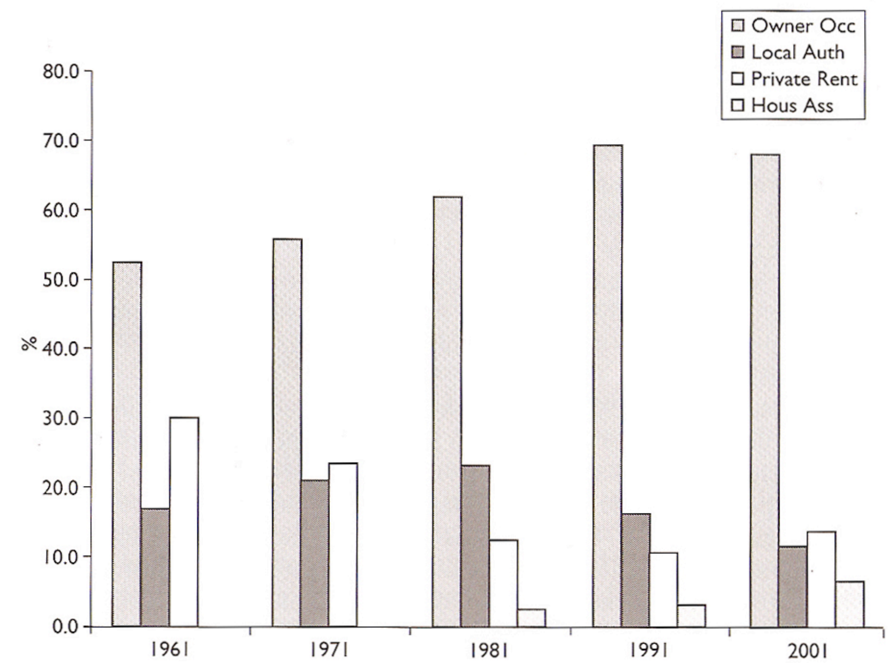
6.1 Housing tenure London

Figure 6.1a: *Housing tenure in Inner London, 1961-2001*



Source: Census of Population, 1961, 1971, 1981, 1991 and 2001.
From 'Unequal City: London in the global arena'

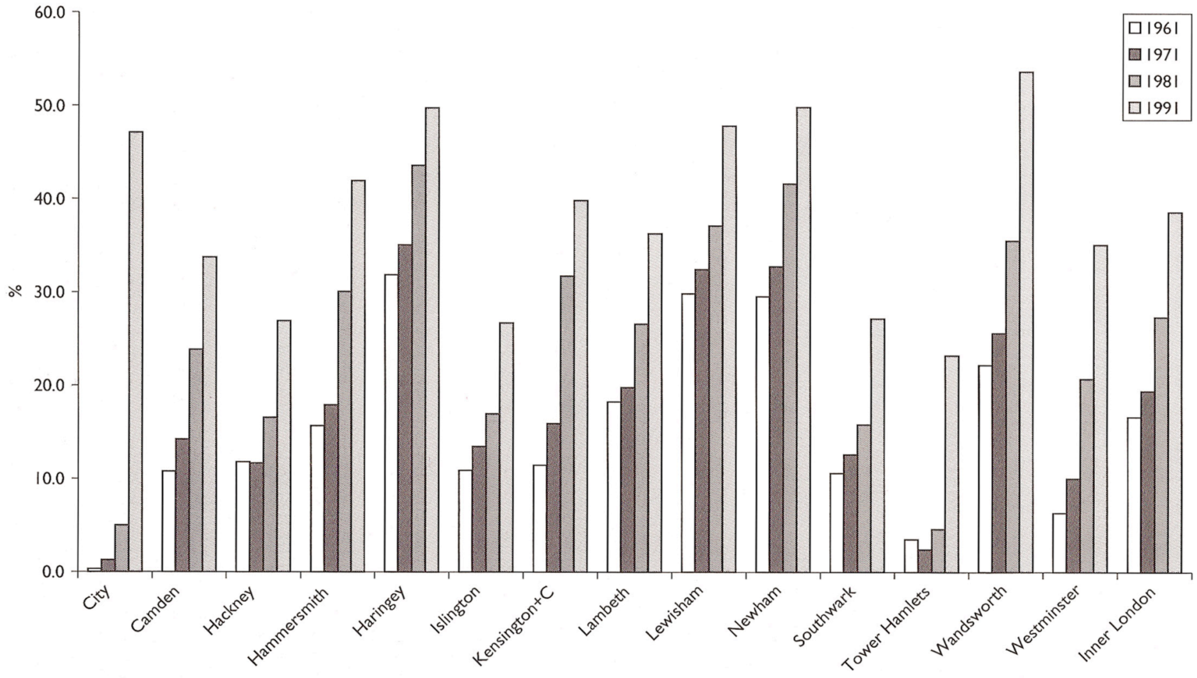
Figure 6.1b: *Housing tenure in Outer London, 1961-2001*



Source: Census of Population, 1961, 1971, 1981, 1991 and 2001.
From 'Unequal City: London in the global arena'

6.2 Owner-occupation London

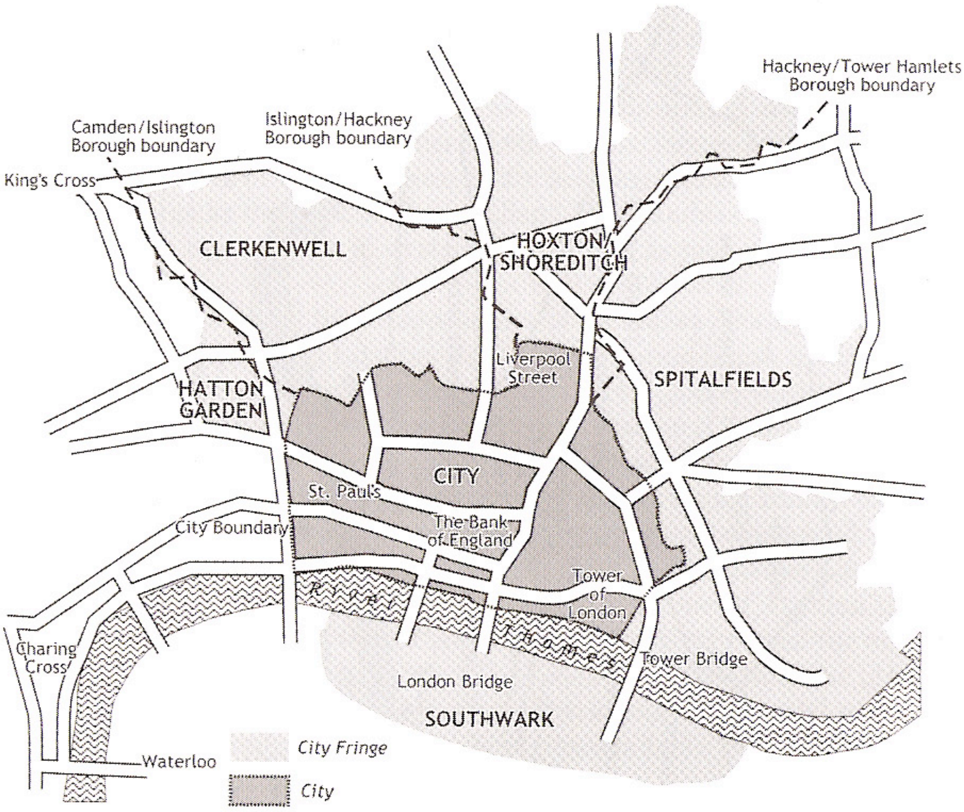
Figure 6.2: *Percentage of owner-occupation in Inner London, by borough, 1961-91*



Source: Census of Population, 1961, 1971, 1981 and 1991. From <u>'Unequal City: London in the global arena'.</u>

6.3 The City Fringe

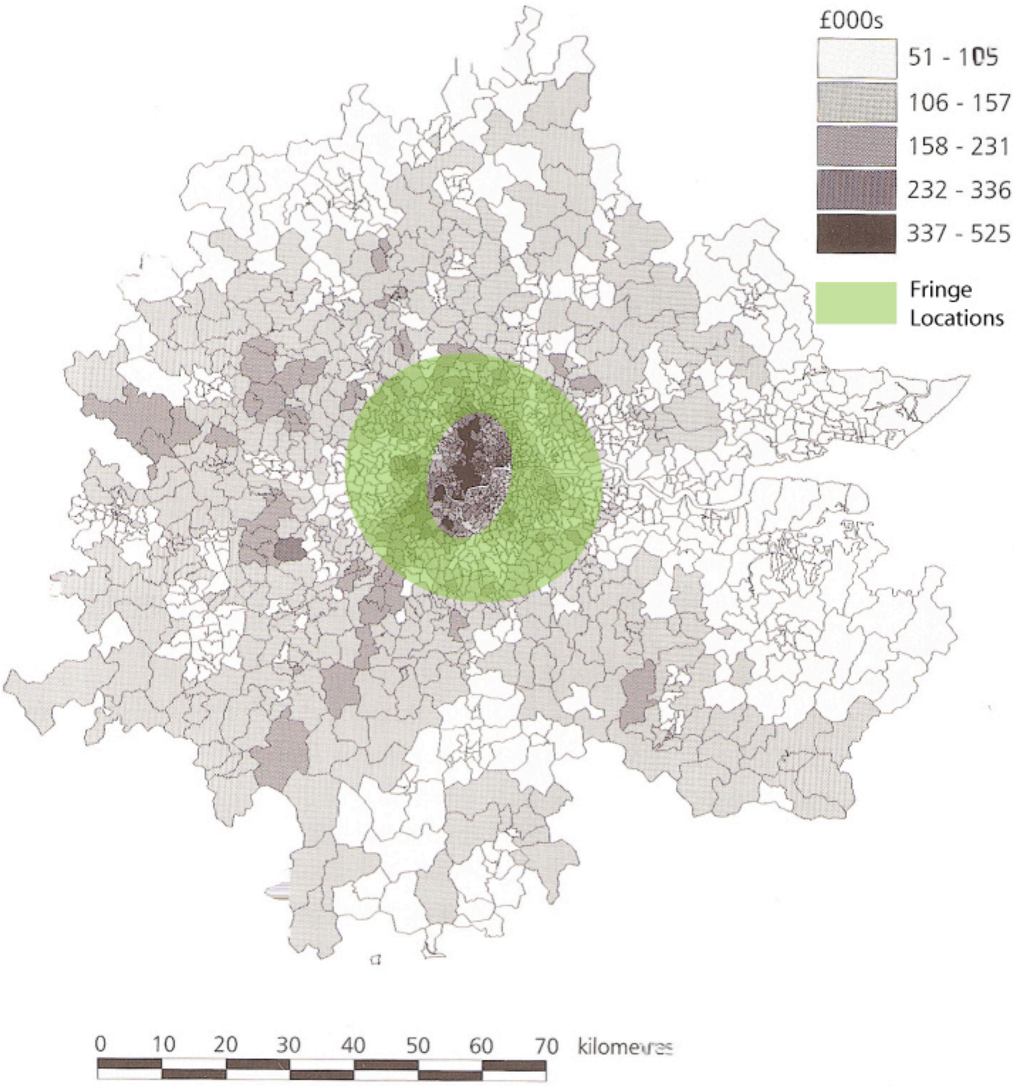
Figure 6.3: *The City Fringe*



Source: The City Fringe Partnership. From *'Unequal City: London in the global arena'.*

6.4 Fringe Locations

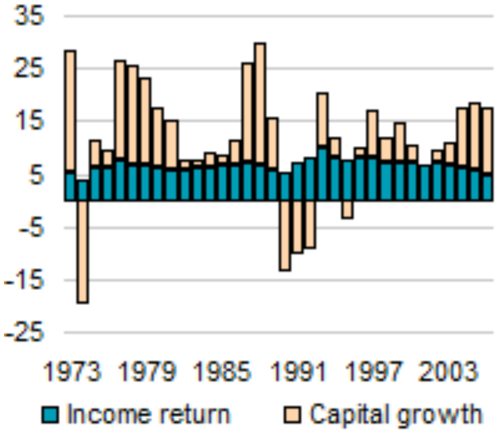
Figure 6.4: *Fringe locations according to average house prices 1995-2000 by postcode sector*



Source: Land Registry data from Experian database. From ***'****Working Capital: Life and Labour in contemporary London'*. *Edited by Author.*

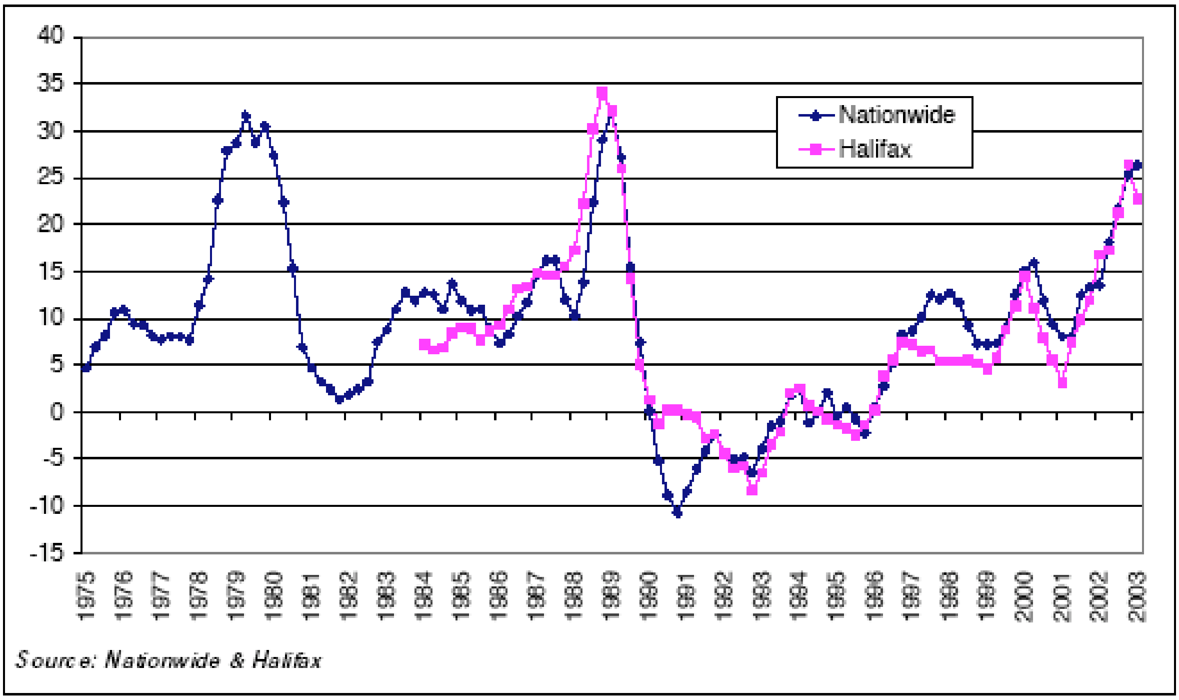
6.5 Property Market UK and London

Figure 6.5a: *UK Long run: income & capital (in % per year)*



Source: IPD Index, 2007.

Figure 6.5b: *House prices UK (% year on year change in quarterly house prices)*



Source: Nationwide & Halifax. From GLA Economics, 2003.

6.6 Case Study: Pocket

Pocket is a small and independent developer that specializes in providing affordable and intermediate housing for low-income and key workers that would not be able to afford a home in the local residential market. Concentrating their developments mainly in the fringe locations and areas of Greater London where the value for square foot is lower, allows these kinds of schemes to be viable (Figure 6.6.1).

Figure 6.6.1: *Pocket Doughnut*

Source: Pocket (copyright holder, reproduction with permission)

They concentrate on residential development but also do mixed-use schemes, depending on location and site requirements. Their developments mainly consist of 1-bed units but there are also some studios and 2-bed units available. They developed a specific unit type that is primarily a one-bedroom flat, which is ideal for single people and couples (Image 6.6.1). With these compact units, which range between 37 and 45 square metres (Pocket) and high specification standards, they manage to develop quality flats that offer design for modern living but that are also still affordable. This standardization and the use of modular construction techniques helps to achieve the most efficient use of the site and construction, which in turn maximises the outcome and lowers the costs of the end product. Their units' selling prices are estimated to be between 135,00 to £170,000 pounds, which clearly marks them in the affordability range (Kunze, 2007).

Image 6.6.1: *Pocket Unit (1:20 scale model)*

Source: Pocket (copyright holder, reproduction with permission)

The buyers will be the 100 percent owner of their property. With this kind of development, Pocket provides the opportunity for low-income people and key-workers to become homeowners rather than renting their home. This in turn increases the possibility that these people stay within their neighbourhoods and will not move to other areas or out of town where house prices are significantly lower. Currently, they received planning permission for three of their development projects: Weedington Road in Camden, Sudbury Heights Avenue in Ealing and Bath Road in Hounslow.

Images 6.6.2 *and* ***6.6.3:*** *Sudbury Heights Avenue and Bath Road developments*

Source: Pocket (copyright holder, reproduction with permission)

Erratum

On page 49 the sentence

Concentrating their developments mainly in the fringe locations and areas of Greater London where the value for square foot is lower, allows these kinds of schemes to be viable (Figure 6.6.1).

should be replaced by the sentence

The company is making its schemes viable and affordable by a range of factors. However, their developments do not work in areas of extremely high land values and the demand is limited in areas of very low land values. They are thus concentrating on the very large area that is illustrated in the Pocket doughnut (Figure 6.6.1). This figure is representing areas with significant values where key workers are priced out of the market and where affordable housing is lacking.