2017

Strategic renovation in social housing

THESIS

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Master Facility & Real Estate Management

SAXION – UNIVERSITY of GREENWICH

18-6-2017

Master Facility & Real Estate Management

MSc Real Estate Management

Title assignment	: *''Strategic renovation in social housing''*
Name module/course code	: **Master Thesis**
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Full-time / Part-time	: Part-time
Greenwich student nr.	: 000866656
Saxion student nr.	: 414111
Academic year	: 2016/2017
Date	: 18-6-2017
Word count main text	: 19.833

However beautiful the strategy, you should

occasionally look at the results.

- Winston Churchill -
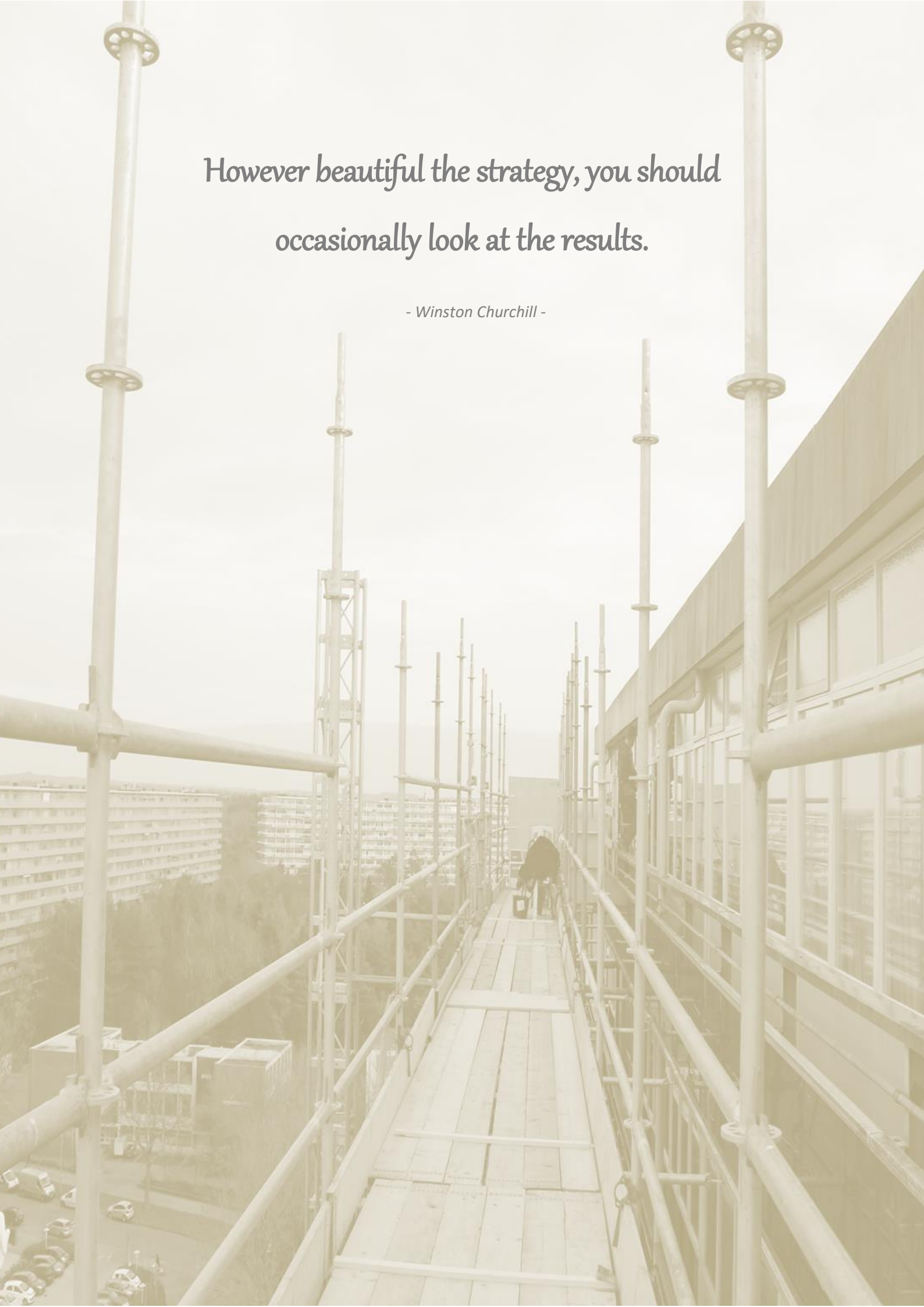
In remembrance dedicated to:

Bart Schenk

† 12-6-2015

&

Lady 🐾

† 29-4-2015

Obtaining my fourth degree. Another intensive period that I can never get used to. A period that is the end of a busy period that involves an exciting study career.

The Master Real Estate Management has been a study program that has asked much of my surroundings and me. Mentally, studying while having a busy job with many deadlines is similar to top sports. This period has brought me much experience and knowledge about the industry, and it has improved my way of thinking.

I could not have done this period without the help of various people. First and foremost, my sincere thanks to my parents, who supported their busy and sometimes stressed-out son during this period. Then, I would like to thank my employer Cees van Dillen of Bouwbedrijf Van Dillen in Culemborg. His guidance, facilities made available, openness, and motivation with a cheerful note enabled another thesis.

Next, my sincere thanks to Dr. Rob Palstra, the graduation supervisor who gave me several new insights and helpful tips, and who took the time to give feedback despite the delays. In addition, thanks to all the interviewees who gave advice from their knowledge and experience. Also, everyone who gave me tips, advice, and mental support. In addition to these fantastic people, I would like to express my appreciation to all the authors of the literature used.

In 2007, I started my study career. Today, I finish it (for now at least).

Maarssen, May 31, 2017

Chris van den Bos

Summary

The growing demand for affordable and sustainable houses combined with the large existing real estate stock and Europe's sustainability objectives makes it likely that renovation is a fixed part of the real estate strategy of housing corporations. The apparent postponement of the strategic decision has given the impression that corporations are still looking for a real estate strategy to exploit the existing real estate portfolio.

With qualitative research methodology, consisting of literature study, desk research and interviews, the answer to the following question was sought: *"What kind of real estate strategy do housing corporations have regarding the renovation of their real estate portfolio?"*

The literature study contains recent reports and scientific articles on the corporation sector. The desk research is an analysis of annual reports and business plans of twenty randomly selected corporations, which results in the corporation matrix developed during this research. Six strategy makers have been interviewed to verify the findings and view on their own strategy.

The corporation sector has just had a turbulent period dominated by political (legal) influences and reputational damage. The twenty corporations have not included renovation in any of their missions, and a generalized mission/vision is not possible. The mission and vision guide corporations towards the real estate strategy. The real estate strategy is influenced by external and internal developments, the existing real estate stock, internal real estate labels, and subjectivity in the decision making.

There is no clear real estate strategy for the existing stock, but three strategic directions have been identified in this research; maintain, increase, and repel. Renovation is a strategic policy form (part of the strategic direction of maintaining) that produces quality improvement and sustainability of the existing real estate portfolio; however, there is no clear definition for renovation in the sector.

Keywords

Repel, existing, real estate, portfolio, corporation matrix, influences, Dutch (housing) corporations, maintain, renovation, strategy, increase, stock policy.

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A human being has various needs. As Maslow showed in his need pyramid in 1943, *"the safety needs"* come second; security and safety are found as part of the basic need (Maslow, 1943). Safety and security can be found in a house. A house is a precious need that is traditionally bought or rented. However, not everyone is able to provide for this need independently.

In the nineteenth century, governments worldwide have taken on the task of providing housing for less fortunate people. The (re)-construction after the Second World War contributed to the strong growth of social housing (Stephens, Elsinga, & Knorr-Siedow, 2014), especially in the Netherlands where about thirty percent of the houses are social housing (De Jong & Van der Moolen, 2014). Partly due to European regulations, the Dutch government has begun privatizing social housing in the 1990s (Elsinga, Hoekstra, Van 't Hof, Van der Leij, & Van Rijn, 2014, p. 34).

Corporations had to become independent 'social entrepreneurs,' according to be government (De Jong, 2013), resulting in accelerated professionalization and strengthening of the position of corporations in the social power field in the housing market. Nieboer (2009) notes that starting from the 1990s, a professionalization and enhancement of market orientation occurred. This led to a merger wave as a result of the withdrawing government. For example, corporations could buy maintenance on a large scale, expand geographic areas, etc. The reduced government interference and newly found independence lead to the need to formulate one's own policy with regard to the organizational objectives, investments, and real estate (RE) portfolio.

However, at the beginning of the twenty-first century, much criticism on corporations' behavior has emerged (Elsinga *et al.*, 2014, p.7). With the new independence, corporations did not only focus on social RE; they also speculated with money, like starting commercial RE projects, derivative projects, etc. There was also much to do about construction fraud, high executive benefits, risk projects, and mismanagement (Elsinga *et al.*, 2014).

Eventually, fourteen corporations (CFV, 2016) are under enhanced supervision and all corporations have to contribute €674 million to enable large corporations to survive. In 2012, the Hoekstra committee has conducted research into the supervision of corporations. As a result, corporations are under stricter checks, and a parliamentary inquiry was held in 2014. A result of this is a revised housing act in 2015. Corporations must focus on the core task; building, renting out, and managing social housing for low-income people.

Housing corporations are a non-profit organization and do not have to have a return on their equity (Elsinga *et al.*, 2014, pp. 10-13, 139), (Pittini & Laino, 2011, pp. 23-26). Portfolio management[1] as described by Van Driel (1998), meaning the focus on the core task, applies only partially. Corporations mainly aim for a single "investment form:" social housing.

The large stock of existing houses is becoming outdated (Aedes, 2016C) and must be made more sustainable/modern. Affected by technological developments, time and workplace independent work, changing family compositions, performance objectives, sustainability requirements, changing mobility, and financial resources, many asset managers are looking for the right solution for their RE portfolio.

The recent landlord levy removes much financial investment capital from the corporations (Aedes, 2015B, pp. 39-36). Consequently, renovations, energetic improvements, and new construction projects have been postponed and adjusted. At the same time, there are performance requirements from Europe and the governments that force corporations to become more sustainable.

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[1] See Cheaper (C) 9 Definitions.

The houses must be ready for the future, fireproof, energy efficient, without asbestos, accessible, and ready for care facilities. The Netherlands awaits a big sustainability "renovation." At strategic level, the policy is determined with respect to the rent increases after renovation as well as the renovation performance. Strategically speaking, one will have to look at the housing stock differently to provide a structural solution for an affordable, sustainable, and high-quality stock.

A difficult challenge in a complex context for the strategy makers of housing corporations is the result. Strategic choices such as building additional houses, repelling or renovating for another target group are possible strategies that corporations can follow (Nieboer, 2009). Not only the tenant, the internal organization, and the stakeholders affect these decisions; the current state of the RE has an impact on a profitable exploitation. After all, does the RE in the RE portfolio still meet current and future standards? Construction companies experience that asset managers at housing corporations are under strict supervision by management because the plans are too costly or do not meet the RE strategy[2]. Consequently, renovation projects are postponed or adjusted. Sometimes, there are decisions of which one wonders whether they are strategic RE management at all. The question that can be asked is: *What is the real estate strategy for renovation projects?*

It should be clear that as of the WW2, many things have changed in social housing. From European legislation, governments are obliged to target social housing to vulnerable households in the low-income scale (Scanlon, Fernández Arrigoi, & Whitehead, 2015, p. 11). The transition in management of these houses means that housing corporations must also change organizationally. As Scanlon, *et al.* suggest: *"It will have to become more efficient and consumer oriented."* (2015, p. 11). These organizations will have to adapt to changing housing needs and regulations.

The impression is that corporations are still looking for a RE strategy with which the housing corporation can renovate and exploit its existing RE portfolio (Liesbregts & Bergen, 2010). This thesis is aimed at gaining insight into the strategic RE approach with which corporations can renovate their existing RE portfolio.

The research report first addresses the theory with respect to housing corporations, RE portfolio, RE strategy, and renovation projects. Subsequently, using a conceptual model, the problem is formulated, the research question asked, and research results analyzed. All this to answer the research question:

"What kind of real estate strategy do housing corporations have regarding the renovation of their real estate portfolio?"

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[2] During a meeting 3-3-2015, Mr. C. Van Dillen is director and owner of Bouwbedrijf Van Dillen, a construction company that specializes in renovation projects of housing corporations.

1   Literature study

To gain insight into the context of the issue, a literature study has been conducted (Verhoeven, 2011, pp. 151-154). First, the history and context of housing corporations have briefly been discussed in order to visualize the complex playing field in which the corporations operate.

Subsequently, strategy formation and external strategic influences on the determination of a (RE) strategy in the corporate sector are outlined. Following that, RE strategies for existing RE have been discussed. Consequently, a balance can be found in strategy for the exploitation of RE. In a structured way, this literature study aims to provide insight into literature about:

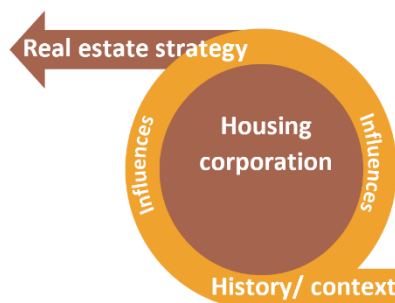|		
-	The context and history of Dutch housing corporations	Cheapter 1.2
-	Influences on strategy formation	Cheapter 1.3 and 1.4
-	Real estate strategies for existing real estate	Cheapter 1.5 and 1.6

Figure 1; Literature study

The literature study/desk research is structured as a diagnosis of the corporation sector; a descriptive research of the current context has been made, with relationships between the various corporation-related topics. This context description secures a sense of direction for the problem statement and background information for the conceptual model. Diagnostic literature combined with desk research from (where possible) recent qualitative and quantitative data establish the context and sector developments.

1.1   Conceptual model

Chapter 2 examines the structure of this research, the methodology of the literature study, and the conceptual model used. The conceptual model (Figure 2) shows that a connection between dependencies (internal and external), stakeholders, and various subjective factors influence the decision making in strategy formation. The model features characteristics of Heeger's strategic stock policy (2007) and Porter's five forces model (1979), which identifies the force fields influencing an organization (Ten Berge & Oteman, 2004, pp. 14-39).

Figure 2; Conceptual model

Residential buildings around a courtyard are the first form of social housing in the Netherlands, which are built by nobles in the thirteenth century to house the poor and sick. In the industrial revolution, companies, construction companies, individuals, and labor parties across the world build workers' homes in major cities. Later, mostly Dutch municipalities did so in the Netherlands. In the United Kingdom, local authorities did so. Germany had a variety of social housing offerings by individuals, corporations, and housing companies. The United States builds rental housing with subsidized rental rates (Stephens *et al.*, 2014).

Much social housing was built after WW2 (Elsinga, *et al.*, 2014, p. 5), (HBZK, 2016, p. 18). Commissioned by the government, much social housing has been built in Germany, France, the Netherlands, and Great Britain (Stephens *et al.*, 2014), (Scanlon, *et al.*, 2015, p. 2). From the 1970s and '80s, the privatization of social housing started (Elsinga *et al.*, 2014), (Scanlon *et al.*, 2015, p.2). Governments stopped subsidizing the companies/agencies that managed the houses and started subsidizing low-income families so that they could pay the rent.

Therefore, many governments now use subsidy programs rather than housing programs (Stephens *et al.*, 2014). In addition, the trend of private homeownership (Pittini & Laino, 2011) is visible in Europe. This trend has been encouraged greatly by an encouraging policy of homeownership, especially through tax benefits for home buyers and programs to promote the sale of social housing (such as the right to purchase in GB in 1980). Nieboer (2009, pp. 33-39) refers to Kemey's division of unitary and dual rental housing market (1995, 2001, and 2005). In a dual system (such as in GB and France), social housing is shielded from market influences through government regulations, especially for lower-income target groups. In a unitary system, there is little government interference in the social housing sector (such as the Netherlands[3] and Germany) as social housing providers can also serve the more commercial rental housing market.

In recent years, the low interest rate and competitive mortgage market have been an incentive to buy (Pittini & Laino, 2011, p. 11). Research by Dol and Haffner (2010)[4],[5], (De Jong & Van der Moolen, 2014)[6] and (Pittini & Laino, 2011, pp. 22-24, 65) shows that percentage-wise, the Netherlands has the most social housing of Europe (approximately one-third). Due to the privatization in Europe, social housing is rented out by municipal companies, cooperative associations, and commercial providers. In the Netherlands, this is done by non-profit organizations (housing corporations) (De Jong & Van der Moolen, 2014), (Pittini & Laino, 2011, pp. 22-35).

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[3] With the changing housing act, there is more government interference for the Dutch housing corporations sector, which could lead to a more dual system in the Netherlands.

[4] See table 1 *Housing tenure of dwelling stock of source*; Source: Scanlon, *et al.*, 2015.

[5] Percentages mentioned in Table 1 are of different years. In addition, the definition of ''housing stock'' is not consistent.

[6] For the determination of the number of social housing, the definition of social housing is based on housing subsidized and rented out below the liberalization threshold.

1.2.1 Housing corporations in the Netherlands

In the Netherlands, public housing was greatly improved by the housing act in 1901 (Elsinga *et al.*, 2014, p.5). The housing shortage after WW2 caused even greater government influence to build even more (affordable) houses (Stephens *et al.*, 2014). For a long time, the Netherlands maintained government subsidies for the construction of social housing through municipal housing companies. For accession to the European Union, the government debt had to be reduced drastically, which was influenced by tens of billions of loans/subsidies for social housing. In 1995, the grossing-up operation started (Elsinga *et al.*, 2014, p. 34), which transformed municipal housing companies into privatized housing corporations (Stephens *et al.*, 2014).

Municipal and government policy has provided a division of tasks between housing corporations and municipalities, which aims to give housing corporations the authority to rent out social housing independent of the municipality. Governmental and municipal interference did not fit in that; corporations had to survive the housing market themselves, without government subsidies for social housing. Due to growing prosperity, demand for housing grew. Consequently, housing corporations received much financial liquidity with the sale of existing houses and started invested with it (Elsinga *et al.*, 2014, p.4-19).
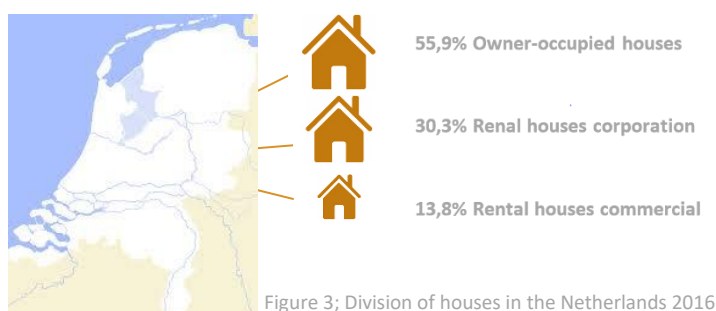
Living in the Netherlands

55,9% Owner-occupied houses

30,3% Renal houses corporation

13,8% Rental houses commercial

Figure 3; Division of houses in the Netherlands 2016

In 2016, the Netherlands has about seventeen million inhabitants (CBS, 2016A) and 7,664,043 houses (CBS, 2016B). In 2012[7], the share of rental houses was 43.1%, divided into 30.8% corporation houses and 13.8% in the possession of other landlords (CBS, 2014).

1.2.2 Developments

Eventually, corporations became more or less independent as 'social entrepreneurs' (De Jong, 2013) and responsible for social housing in the Netherlands. Corporations started to engage in social property, owner-occupied houses as well as speculations, such as commercial RE projects, investments, etc. After that, issues of construction fraud, high executive benefits, risk projects, derivative projects, and mismanagement arose (CpeW, 2015), which led to major financial problems for housing corporations. Starting from 2012, fourteen housing corporations with an increased risk have been placed under enhanced supervision by the Authority housing corporations (Aw in Dutch). Together, they proposed a recovery plan for improvement (CpeW, 2015). In society, the wrongs led to feelings of incomprehension and dissatisfaction towards the corporations, De Jong says (2013).

This led to the 2013-2014 parliamentary inquiry (CpeW, 2015). Meanwhile, corporations have seen their income plummet due to the compulsory payment of the landlord levy (approximately 1.7 billion in 2017) (Aedes, 2016D) and the financial contribution that protects other corporations from bankruptcy. All of this resulted in a new housing act (2015), in which the tasks of corporations are limited. Corporations should focus on the core tasks;

- Providing housing for low-income people
- Providing housing for people seeking a suitable home
- Services of general economic interest (SGEI[8])

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[7] CBS has no recent figures on the distribution of housing stock to owner.

[8] See C9 Definitions.

1.2.3 Financially healthy

Dutch housing corporations are a non-profit organization. Unlike commercial parties, they should not achieve return on equity. For strategic reasons, small corporations have merged into large corporations. Due to capping limits[9](approximately seventy-two percent of the rent to be paid), an unprofitable peak is created. The average monthly rent of a corporation house amounts to €502[10] (Aedes, 2016F, pp. 10-11). Compared with the private sector, this is a big income difference. Corporations have a number of core tasks other than making available affordable social housing. These tasks are called services of general economic interest (SGEI).

However, due to changes in the market and government interference, such as the landlord levy (Aedes, 2015B, p. 33) (see Appendix C[11]2.1.1), sustainability objectives, rent points system (WWS)[9] and appropriate allocations[9]. Housing corporations should examine the possibilities to limit the unprofitable peak[9] (Luijkx, 2014), stay financially healthy, and fulfill their core tasks. Because of this, renovations, energetic improvements, and new construction projects have been postponed and adjusted. It is a difficult challenge in a complex context for the strategy makers of housing corporations.

Municipal performance

According to municipal housing policy, corporations are required to make performance agreements (see Appendix C2.1.2) with the municipality. These agreements relate to restructuring, development of the housing stock, affordability, accessibility, special target groups, and sustainability of the housing stock and residential environment. The housing act obliges corporations to choose one region (MBZK, 2015, p. 4) as the primary work area of their RE portfolio. This means that corporations can maintain their current properties outside of their primary work area but not expand them. As a result, much property is being restructured. The performance agreements and restructuring have a strong impact on the RE strategy of the corporation and its RE portfolio.

Division and revaluation of property

In accordance with the 2015 housing act, housing corporations must revalue their properties at market value (MBZK, 2015, p. 4) as part of the separation of SGEI and non-SGEI RE. This new valuation is the result of a discounted cash flow calculation widely used in the commercial RE sector. It centers around the cash flows that can be realized in the market rather than the capped cash flows. This restructuring affects the value of the RE portfolio and future RE strategy. Examples are an investment being sold early (with a loss) or a merger/reorganization taking place in the primary area. This often leads to internal unrest and procrastination when it comes to (strategic) decisions.

1.2.4 Conclusion housing corporations

Dutch housing corporations have seen a far-reaching professionalization in the 1990s due to the independence from the government gained (Stephens *et al.*, 2014). Mismanagement, lack of boundaries, competitive spirits, etc. have ensured that the sector took major financial risks, funded with social money (Elsinga *et al.*, 2014). The landlord's levy, parliamentary inquiry, and new housing act have caused the organizations of corporations to change. The new core tasks established, municipal performance agreements, and primary work area offer a framework to the organizational goals that strongly influence the policy of housing corporations. The organizations' objectives, policy, RE strategy etc. ensure that 30.8% of the Dutch can enjoy affordable housing. The revaluation of property, performance agreements, and focus on primary work area have an effect on strategic decision making.

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[9] See C9 Definitions.

[10] Price level December 2016.

[11] C stands for chaepter, in this thesisrepport or appendix.

1.3 Strategy formation

People, companies, and organizations all have a goal or a "reason for existence." Ten Berge and Oteman define an organization as *"a purposeful collaboration"* (2004, p. 15). In order to determine the strategy for renovation in housing corporations, insight into the origin of strategy formation is required. Strategy provides routing to the steps the organization needs to take in order to achieve the goals (De Wit & Meyer, 2010). Mintzberg defines strategy using 5Ps: Plan, Ploy, Pattern, Position, and Perspective (Mintzberg, 1987).

1.3.1 Business definition

It is difficult to project general business strategies, such as Porter's competitive strategy, onto the corporation sector. Indeed, corporations do not really have to compete. The same goes for Ansoff (1984), who focuses on commercial parties with strategy due to the importance of result: *'a systematic approach to deciding where and how the firm will do its future business".*

In the current market, there is (much) demand for the house product, with the degree of demand depending mostly on location. Derived from Porter, De Wit & Meyer claim that "strategy includes a selection of activities in which an organization will excel and by which it will distinguish itself in the market" (2010).

Distinctive features

There is no single correct strategy (Mintzberg, 1987). After analyzing various strategies (see Appendix C2.3.), it has been found that for this research, it is wiser to identify strategic directions. In C1.6, a derivative of the Treacy and Wiersema model is used to identify the distinctive features of the portfolio strategy.

Even though housing corporations are non-profit and urban corporations enjoy a big demand (Aedes, 2016B), corporations can distinguish themselves through work processes, operationalization, housing quality, and housing supply per region. In many of the annual reports and business plans, target group and customer focus are reflected in the strategy. According to Treacy and Wiersema

Product Leadership

Operational Excellence

Customer Intimacy

Figure 4; Value strategy Treacy and Wiersma

(1995), there are three different value strategies (Figure 4) that organizations use to create added value and distinctive features (De Wit & Meyer, 2010, pp. 103-132). For instance, Mitros' 2015 Annual Report called 'Focused on satisfied tenants' focuses more on Customer Intimacy and Portaal's 2015 Annual Report called 'Renting out good houses' focuses on product leadership. Corporations all rent out houses; distinction is usually found in the type of RE and the way of working.
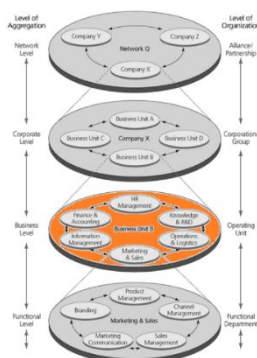
Corporation level

Figure 5; Level of strategy, (Meyer & De Wit, 2010)

The strategy of corporations focuses more on policy strategy than on competition strategy. De Wit & Meyer state that there is a level of strategy in the context of an organization (2010, pp. 100-102), meaning that the formation of a strategy occurs at different levels in different departments. The corporation staff guides the policy by defining organizational goals.

This research is not based on case studies, but the RE strategy of housing corporations is examined from the business perspective (business level) of corporations. Renovation strategy in alignment with market demand, market forces, and supply of social housing is being sought for, which is a combination of business strategy and asset strategy level (Van Driel, 1998) (see figure 5).

1.3.2 Mission, vision, and strategic objective

Strategy is interpreted and defined in various ways. Strategy expert Mintzberg says: *"The field of strategic management cannot afford to rely on a single definition of strategy"* (1987). Strategy cannot be defined as a single activity with standard rules but is often based on strategy theories (De Wit & Meyer, 2010, p. 3). Identifying the mission, vision, and the objectives does provide guidance when trying to make strategy and tactical choices effectively and achieving sub-objectives. Following this, Harnish (2015, p. 121) states: *"Words like mission, vision, and values in the context of strategic planning probably became popular because they sound good. However, we use these words differently, and our definitions differ from the regular definitions."*

Broadly speaking, strategy includes the mission and vision of an organization. In some sense, strategy only includes the objectives, scenarios, and accompanying measures to achieve this objective (Kaplan & Norton, 2000). In other words, each organization sets its own strategy to achieve its own mission, vision, and objective. The foundation of a strategy formation thus begins with determining the mission and vision.

Figure 6; Strategic foundation

Mission

The mission guides the organization and answers questions like reason of existence, organizational identity, the primary function or primary assignment, etc. For a corporation, the primary function can be interpreted as: *"Ensuring that low-income people can live well and affordably."* (MBZK, 2015).

Vision

The vision defines what the organization wants to be, in what direction the organization wants to go, and with what ambitions and core values it wants to fulfill the mission. It is a common, ambitious picture of the future with key success factors. Corporations can give more direction to their vision. After all, this is inspired more by the organization. Given that this vision is derived from the mission, it is likely that it shows many aspects from the legal housing policy. A vision of a corporation can be *"Providing healthy and sustainable housing to low-income people in the region."*

Strategic objective

The mission and vision form the starting point for formulating organizational goals. Scenarios can be established with the objectives. Then, at the tactical and operational level, an elaboration of scenarios and measures will be made. Strategic objectives can be measured in concrete terms with Key Performance Indicators (KPIs). *This example is an addition to the example of the vision: In order to have a sustainable RE portfolio, the corporation is to belong to the leader group of the Aedes Benchmark.*

1.3.3 Strategy formation

From the internal organization, mission, vision, and goals are established and the strategy is formed. However, the organization is strongly influenced by internal and external aspects. Therefore, strategy formation begins when analyzing the context in which the organization operates (De Wit & Meyer, 2010, pp. 158-183) (Ten Berge & Oteman, 2004, pp. 49-63) and influenced by the cognitive thought process of the strategy makers. Appendix C2.1.4 gives a detailed explanation of this process. The influences are discussed in C1.4.
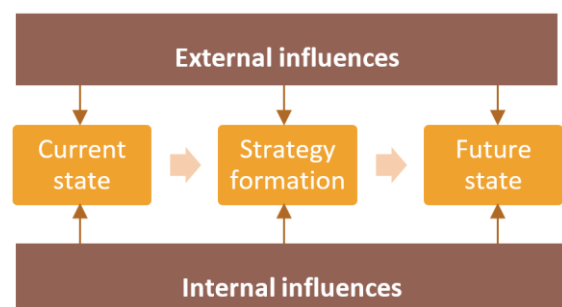
Figure 7; Analyses and development of strategy

1.3.4 Conclusion strategy formation

One unambiguous correct strategy does not exist for corporations, but corporations do have the same objective. Corporations can distinguish themselves. For this purpose, the strategy value model of Treacy and Wiersma (1995) has been used. Strategy formation starts from the mission and vision of the organization to determine the strategic objective, leading to strategy and policy. The success of a strategy is influenced by internal and external factors and their impact, which is complicated by the many differences in interpretation and definition. The same applies to words such as mission, objective, vision, strategy, etc. (Harnish, 2015).

1.4 Influences

For strategy formation, the internal and external situations are analyzed first, which also constitute the context of the organization (Ten Berge & Oteman, 2004, p. 51), (De Wit & Meyer, 2010). Given the fact that the internal influences depend on the individual corporation itself, this is discussed briefly. The external influences apply to almost all corporations and are discussed in detail in Appendix C2.2.

1.4.1 Internal influences

The internal influences on strategy can be defined using McKinsey's 7S model (1981). The model has established factors for the analysis of a company's performance. These factors are integral and greatly influence each other. Given the fact that the internal corporations differ and no case studies have been researched, the 7S analysis is missing. This is a limitation of the research results.

It should be noted that the new housing act and social pressure have led the corporations to transform into a more corporate institution. To perform better both financially and socially, corporations are increasingly transforming into a ''rental corporation'' (Dreimüller, Gruis, & Snoeijs, 2013, pp. 20-25); this internal change has a high impact on the strategy.

1.4.2 External influences

Figure 8; Analysis level

The external influences are aspects on which the organization has no influence, resulting from stakeholders and developments at meso and macro level (Ten Berge & Oteman, 2004, pp. 51-59). Organizations are dependent on the external environment. Simonis (1983)[12] substantiates this with the premise: *"Objectives do not form the point of reference from which activities are studied as implementation processes; changes that occur in a particular social situation do. From this, one asks how these changes are related to the activities of the various actors."* To conclude, the external analysis is more important than the basic determination of objectives.

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[12] See Nieboer (2009, pp 30-33).

For the external influences, the DESTEP analysis was used (Ten Berge & Oteman, 2004). To analyze as many DESTEP impacts on the renovation strategy of the existing real estate as possible, it includes a macro-environmental analysis and meso-environmental analysis of the environment in which housing corporations act.

In Appendix C2.2, based on extensive desk research, the DESTEP analysis is conducted for the Dutch housing corporation sector. External influences have also been discussed in C1.2. The main external influences are shown in figure 9 and the conclusion.

Figure 9; DESTEP Corporation sector

1.4.3   Conclusion influences

Corporations are strongly influenced by external factors such as political, legislative, and financial developments. This not only relates to the organizations themselves and their working methods but also to the vision (and hence the strategy) towards which the housing corporations want to work. The reputation of the housing corporations has also done little for the sector, because of which (strategic) decisions were often postponed by the proposed reorganizations. To conclude, the housing cooperation sector is changing rapidly and becoming increasingly more complex. The alignment between housing supply and demand depends on demographic, political, and social developments in Dutch cities (LSE Cities, 2014). Housing corporations should tailor their housing supply to market demands and match it with the core task (CpeW, 2015).

In the long term, there is a growth in single-person homes and the demand for housing in cities. This growth is caused by seniors and immigrants. In the short term, the approach to holders of a residence permit and refugees has a strategic impact on the corporations. Demand for flexible contracts is growing, also in the rental sector. The changes to rental prices and income-based rent increases should stimulate the housing market and affect the form of supply in housing products. The housing vision of the municipality in question also directly influences the vision of the corporations.

Developments like social media and working from home affect the way of living and the assessment of corporations. In addition, automation has an impact on the organization's conduct of business, structure, and processes. Due to all developments, corporations are transforming into a management corporation increasingly more often (Dreimüller, *et al.*, 2013).

Sustainability is stimulated by legislation and subsidies. An average energy label B for 2020 is established in the energy agreement. Alignment with the living environment is becoming more important but depends on the SGEI activities and the work area of the corporation.

Politically speaking, there are (continuously) changing laws, such as the landlord levy, market value determination, housing act, appropriate allocations, rent points system etc. These dynamic changes seem to give the corporations little stability to implement new policies. Corporations have had to sacrifice financial reserves and have to go without government support. It is assumed that many projects are postponed by the high contributions to the landlord levy, while demand for housing is growing.

The Netherlands has 2.4 million social rental houses, which is approximately 30.3% of the Dutch housing stock (HBZK, 2016, p. 11), (Aedes, 2016E). The size of the housing stock of corporations has remained stable for years, but it changes because of demolition, sale, new construction, and purchases. Between 2009 and 2014, the number of rental houses has grown with approximately 16,900 rental houses (Aedes, 2016E).

The existing housing stock is diverse. Most of it dates from the period 1960-1989 (see Figure 10); this construction period, energetic performance of RE was not yet a priority (Liesbregts & Bergen, 2010). About fifty percent of corporation houses are apartments (Aedes, 2016E). These home typologies can mainly be found in urban environments. About forty percent of the social rental houses are single-family homes (see Figure 11).
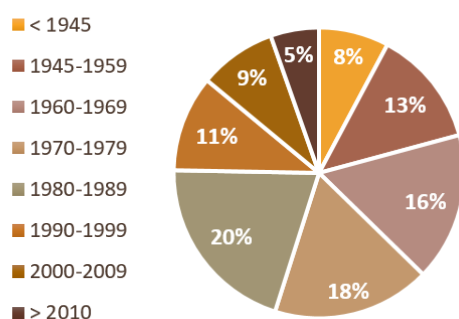

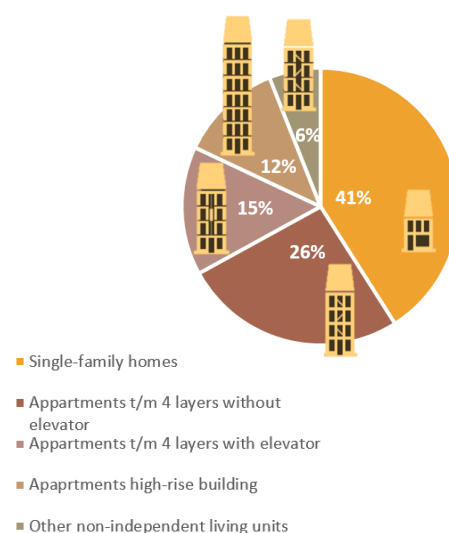Figure 11; Overview social housing stock 2015

Figure 10; Division construction period social housing

This current RE stock should respond to the customer demand of *this* moment. However, the demand changes over the years and it takes time to anticipate this changing demand. Changes arising from external developments (see C1.4.2) ensure that adjustments to the RE stock are required to secure a profitable RE performance.

Housing performance

With the Dutch rent points system, value is given to the quality of social housing, divided into four rent price categories. The average Energy Index of social housing is decreasing due to stimulus from the 2012 Covenant Energy Saving Rental sector (CEH in Dutch), which aims to achieve an average energy index of 1.25 (SER, 2013). In 2015, 27.5% of the corporation houses were labeled B or higher. Compared to 2012, this is an increase of nine percent (Aedes, 2016C). This means that the corporations still have to make approximately 72.5% of the other houses more sustainable (see Appendix C2.5 table 11) in order to comply with the CEH. Furthermore, the demand for care homes, so that people can live at home longer, requires adjustments to the houses. Maintaining housing affordability for these target groups is also prioritized more.

Housing exploitation

RE is calculated for forty to fifty years in the investment budget (the accounting amortization period). However, many RE objects (certainly houses) exist for an average of 120 years (Van Nunen, 2010), taking into account regular maintenance and periodic renovations to allow the RE to meet the new performance demands. As a result of the use of a house, there are continuous adjustments to the facade, comfort, layout of the space, etc., which is motivated by the changing desirable (living) quality. Hence, exploitation time can best be described as *"The period of time a building is actually used."*

Each year, approximately 35,000 new rental houses are built according to recent housing preferences. The number of houses newly constructed can mainly be found in the urban area (EIB, 2016, pp. 33-46). This expectation is in contrast to Aedes' finding (2016E): *"Housing corporations will build fewer homes over the next five years. The corporations have continually adjusted their intentions downwards in recent years."* Despite the growing demand (LSE Cities, 2014), the EIB finds that building production is significantly behind. Aedes' finding is based on the forty-percent decrease in new construction investments in 2014, which is the year that the new housing act was prepared and the corporations received the bills for the landlord levy and the like. It is plausible that the corporations lowered investments in response. One may ask whether the RE strategy is properly tailored to the growing market demand for affordable housing.

Following this, sustainability will play a more prominent role. One can assume that more will be demanded from energy performance and housing at a lower cost price.

1.5.1   Conclusion real estate stock

The corporations own 30.3% of Dutch houses, of which about seventy-five percent date from before 1990 (Aedes, 2016E). In view of the growing and changing demand for affordable rental houses in the urban area (EIB, 2016, pp. 33-46), these houses should match future use with new housing preferences. As there is much pressure to make existing houses more sustainable, renovation will be an essential part of the RE strategy.

As a follow-up to the strategy, RE strategy is examined. Commercial RE organizations use the management of financial risks and market position as motives to set up a market-oriented, strategic stock policy (Van Driel, 2010). These developments are also important for (re)structuring the RE portfolio of corporations. Given the decrease of financial resources, one can assume that corporations should divide the budget over the RE portfolio policy even more strategically.

1.6.1   Corporation level

Figure 12 presents the strategic, tactical, and operational core tasks (aggregation levels) in accordance with the pyramid model of business process levels, which is a derivative of Mintzberg's 1992 organizational structures (Ten Berge & Oteman, 2004, pp. 83-85). This model has been widely used as inspiration for models regarding strategic RE policy, such as Van Leent and Van Vliet (1992), Miles (1996), Van Driel (1998), Van Os (2007), and Heeger (2008), to clarify RE management tasks in corporations (Nieboer, 2009, pp. 39-52). Van Driel combined the model with the levels of RE management: portfolio management[13], asset management[12], and property management[12] (Van Driel, 1998, pp. 22-25). The division and common ground at tactical and strategic levels can also be seen in Van Os's 2007 process model; for further explanation of strategy models, see Appendix C2.3.

Figure 12; Level of management, Source van Driel (1998)

1.6.2   Real estate portfolio

Each corporation has its own RE portfolio that includes a strategic stock policy (also called portfolio management). Van Driel (2010) defines portfolio management at the strategic level of RE management as "periodically producing a strategic RE plan," in which principles are set for the RE policies that support the organizational goals. By matching the plan, the RE portfolio, and the services with the needs of the organization's main activity, maximum added value can be realized for the organization (Van Driel, 1998).

Strategic stock policy as a term is widely used from a commercial viewpoint. It also says something about the system of decision making from various objectives as a return on social, quality, and technology. Van den Broeke (1998, pp. 42-44) defines the term 'strategic stock policy' that portfolio management manages (Van Driel, 1998) with four characteristics:

- Specification of policy objectives regarding the housing stock (such as scope and composition) with an elaboration/specification to achieve these goals with the available resources.
- Integral approach to the housing stock (primarily the composition of the RE property; secondarily the individual complexes).
- Integration of policy. For instance, technical management, financial strategy, budgets, and rental should be aligned.
- Market-oriented approach that meets the dynamics in the housing demand.

Nieboer (2009, pp. 6-9) agrees with this definition but finds the addition of "systematic" to be necessary for the strategic aspect. This is a rightful addition from the working method of corporations and new developments, such as Governance codes and transparency in corporations.

- Policy options are selected according to one or more fixed principles or a set pattern.

The development of the policy options translates into asset management. Nieboer (2005) argues that the concept of strategic stock policy has come in vogue, meaning that the dividing line between

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[13] See C9 Definitions.

portfolio management and asset management has become less clear. This makes sense given the many connections that the issues have at the strategic and tactical level. It can be questioned whether the term is still covered by the department to which it belongs. After all, the development of this policy addresses various questions. *What kind of stock do we want? What should we realize or repel? Should we invest in new construction or in renovation?* (Nieboer, 2005, p. 2).

Following that, strategic stock policy constitutes the framework within which choices regarding policy on exploitation of the housing stock are made (Nieboer, 2005). Therefore, strategic stock policy is not just limited to the large property of the portfolio, but also to all types of investments and divestments in the housing stock, such as consolidation, renovation, sale, and demolition.
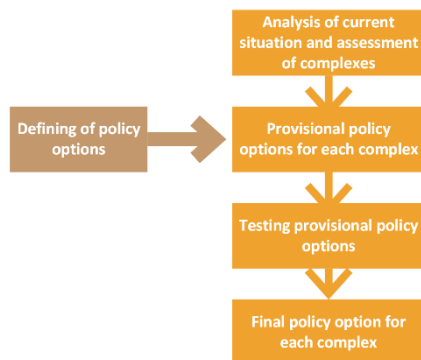
1.6.3 Real estate strategy models

Figure 13; Generalized and simplified outline of existing models for strategic stock policy. Source: Nieboer (2009)

The conceptualization of business models is part of the strategy formation of the policy plans for the organization. In his research, Nieboer (2009) has assessed different methods and techniques for the development of strategic stock policy in the social housing sector. In order to gain insight into renovation as part of the RE strategy, a model analysis of published RE strategy models has been conducted in Appendix C2.3. based on desk research.

To conclude, Nieboer (2009, p. 49) has summarized several process models into a shortened and generalized model (see Figure 13). The business model is a methodological way of linking the financial performance, market position, RE complexes, and (RE) strategy labels together (see examples in Appendix C2.7).

1.6.4 Testing of strategy

Most models (Van den Broeke, Heeger, Eskinasi, Van Vliet) contain a testing of the strategy, based on the achieving of organizational goals. In line with the assumption of Eskinasi and Nieboer, the anchoring of the development of stock policy in corporations seems *"to fall short"* (Nieboer, 2009, p. 47). Given recent developments regarding housing cooperatives, it is doubtful whether the testing of the strategies happens (sufficiently). Often out of opportunism and team success (Ernst & Young, 2013), the testing is carried out less rigorously and more risks are accepted (De Jong, 2013).

Similar to the formal and informal organization (Ten Berge & Oteman, 2004, pp. 68-75), there is a difference in the formulated strategy and the policy implemented. It can be said that implementation of the strategy does not always happen as thought, resulting from communication, capacity, organization, and the like. Nieboer (2009) has found a number of studies in this field, including Simons, who says that during implementation research, the same mistake is made as in the formulation of the policy itself: *"Too much is assumed from the policy developer's point of view; the point of view of those who are being subjected to the policy are hardly considered or not at all."*

This is in line with a recent sampling test by Ortec Finance (2013). Seventy-four percent of housing corporations have drawn up a portfolio plan, but only forty-eight percent have also set up an associated portfolio management process. It seems that the corporations guide strategy policy too little, and the same applies to renovation policy.

The strategy regarding the RE portfolio and reporting activities through asset management can be classified in several ways. Terms like "by exploiting, selling, and demolishing" or "consolidating, improving, and repositioning" are examples of characterizations for the strategic management of RE. Nieboer emphasizes the importance of classification and labeling in his research (Nieboer, 2009, pp. 43-45).

In this research, *increasing*, *maintaining*, and *repel* have been used for the labeling, which stem from the life-cycle phases of RE and which from a business perspective connect to Ansoff's (1984) growth strategies. Expansion strategies by growth or shrinking are characteristic as market position strategy. With these three strategic points of departure, strategic directions can be categorized based on the value strategy of Treacy and Wiersma. These three strategic directions are briefly explained below.
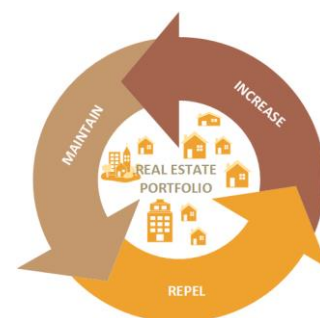

Figure 14; Strategic choices real estate portfolio

Increasing

The RE portfolio is being expanded. New houses are being built or purchased or a building is being repurposed/transformed. The expansion of the RE portfolio stems from the growing demand for (a type of) housing, area development (urban renewal), etc., which are commonly motivated by demographic and social changes. Expansion does not have to mean that corporations have more housing. With a demolition/new construction project, the qualitative housing stock is expanded mainly, or another type of housing (single-person households, etc.). The number of houses remains the same or even decreases.

Maintaining

In order to maintain the RE portfolio, houses must be maintained due to wear, use, and weather. Houses can also be adjusted because the demand or user changes.

Maintenance is an important part of property management (Corbett, 2004) and primarily a task of asset and property management (Van Driel, 1998), (Van Os, 2007). Distinction is made in the level of measures. Figure 15 shows a short division. In view of the context and relevance of this research, not every maintenance aspect is discussed in a substantive way, just renovation.

Type of maintenance	Description / characteristics	Involved	Costs[13]
Daily maintenance	Recovery of complaints/defects and damage.	Property management	€ 325.00
Mutation maintenance	Repairs and improvement work in the house when changing tenants.	Property management	€ 210.00
Planned maintenance	Projected maintenance from the real estate vision on the complex.	Asset management/Property management	€ 1,230.00
Renovation (big maintenance)	Investment project, large-scale technical performance improvements of the house, often coincides with planned maintenance.	Asset management/portfolio management	Not known

Figure 15; Overview maintenance and costs

Repelling houses from the RE portfolio can be divided into sales (to the tenants, individuals or other (commercial) RE managers) and demolition (when houses are at the end of the technical life cycle and new construction will take place on that land). Sales of houses occur on a large scale. The corporations need financial resources to get their budget in order (Elsinga *et al*., 2014, pp. 4-19). Selling houses from regions that do not belong to the primary work area helps this.

1.6.6 Renovation

Renovation is a term used for several major maintenance work activities. The word renovation comes from Latin: renovare means renewal. Merriam-Webster describes the verb renovate as *"to restore to a former better state (as by cleaning, repairing, or rebuilding)."* Hence, renovation is seen as improving or renewing the existing situation. In the case of major maintenance, it usually involves the repair or replacement of parts of the house, which ensures that living comfort and performance remain the same.

However, the work in major maintenance and renovation hardly differs. Nowadays, distinction is made from the right to relocation allowance. Major maintenance would include fewer activities; thus, contrary to renovation, it can be carried out in occupied state. An unambiguous definition seems to be missing. There have already been several legal cases between tenants and landlords[14] regarding the relocation allowance.[15]

In this research, a renovation project is seen as work categorized as replacement and improvement[16] performed with quality improvement and lifespan extension of >30 years. This type of renovation includes new bathroom, toilet, kitchen, window frames, roof coverings, thermal shield improvements, and asbestos removal, after which the house complies with current standards again.

For the renovation strategy, labels that specify (quality/technical) performance are meaningful (Nieboer, 2005) (Nieboer, 2009, p. 44). The labels represent a single aspect of the house as well as the desired quality. For renovations, a performance label that serves as a measurable performance objective is often used. Terms like *"maintaining, replacing, and improving"* or *"gold, silver, and bronze"* show performance levels after renovations.

With the growing demand for affordable housing, housing performance demands are also becoming higher. Requirements such as EPC <0.4 (sustainability performance), flexibility, low CO2 footprint, accessibility for seniors etc. are becoming increasingly more important KPIs of RE. Therefore, the existing housing stock must also be prepared for these new housing performances (Liesbregts & Bergen, 2010). Renovation of existing buildings is more sustainable than demolition-new construction. After all, renovation is a nice form of a circular economic approach because many materials (the structure, facades, etc.) are completely reused or preserved instead of using new raw materials.

Since 2.4 million social rental houses cannot simply be replaced by demolition/new construction (see C2.1.5) and the sustainability goals in the energy agreement are binding, corporations will have to make the existing houses more sustainable. Approximately 72.5% of the houses (see Appendix C2.5 table 11) are lower than label B. According to Aedes, approximately seventy-five percent is from before 1989 (2016E). To be ready for the future, these homes will have to be (made) energy efficient, fire-

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[14] By way of illustration, see; Verplichtingen verhuurder bij renovatie of onderhoud?, Court of Utrecht; case 764941 UV EXPL 11-294 aw/4074; 2011.

[15] See C9 definitions.

[16] By way of illustration, see Appendix C2.6.

resistant, without asbestos, and, wherever possible, accessible and adaptable for care facilities. Hence, the Netherlands awaits a great sustainability renovation. This necessity will be transformed into policy at strategic level to increase the performances of the RE portfolio.

Renovation decision

It is assumed that renovation is deemed necessary by a housing association when the technical condition of the houses is lower than the desired performance level. However, with his empirical research, Aikivuori (1999) concludes that decision making is not always an objective choice from technical-economical optimum; rather, it is primarily a subjective choice (forty-four percent). One can conclude from the definition differences of renovation (see, inter alia, interviews NK#130, RS#181, AK#154) that (strategic) RE managers have no clear zero point when it comes to making a renovation decision.

- Failure in building: corrective refurbishment
- Change in use: space-altering refurbishment
- Optimization of economical factors: optimizing refurbishment
- Subjective features: pleasure refurbishment
- Change of circumstances: opportunity refurbishment

Figure 16; Motivation to renovate; Source Aikivuori (1999)
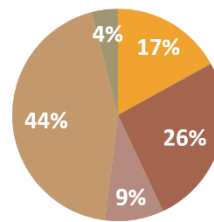
This assumption of subjectivity and unclear definition of renovation is very plausible. In principle, there will be replacement/renewal when the end of the functional life span has been reached, meaning when the user is no longer satisfied with what one is receiving. However, who determines that moment? The functional lifespan has to do with (manner of) use as well as color and taste, which are subjective choices. Therefore, the end of the economic life span is often used. The yield is lower or the necessary maintenance intensifies. At this 'natural' moment, the choice to switch to replacement (or simultaneous improvement) is often cheaper. As a last choice motivation, the technical life span is a determining factor. Elements like sealing often still comply, but from the perspective of cost, use or efficiency, replacement is started. The fact that only seventeen percent (Aikivuori, 1999) of the changes are prompted by degradation argues this.

Influences on choice

The subjective choices are influenced by various interests of stakeholders (such as tenants[17]) and the corporation. The strategic choice for a renovation project depends on various topics and many subjective and objective aspects, such as money, time, quality, life span, organization etc. Without elaborating on these property/asset management-related details, it is important to understand the complexity and dependencies of various decisions. This presupposes that, due to the complexity, many policy decisions are postponed.

Ultimately, one seeks the optimal balance in quality, time, and financial feasibility. If one wants more quality, this will increase the cost price and create an imbalance. Similarly, accelerated execution leads to higher costs. These parameters depend on each other and are also called the devil's triangle (Hedeman, Vis van Heemst, & Fredriksz, 2009).
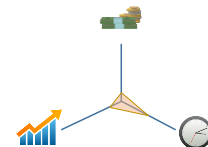
Figure 17; Balance, high performance

Figure 18; Imbalance, focus on money and time

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[17] See C9 Definitions; Consent of tenants.

Corporations have aggregation levels: strategic (portfolio management), tactical (asset management), and operational (property management) for the organizational core tasks (Van Driel, 1998, pp. 22-25). Strategic stock policy is characterized by the divide of portfolio management and asset management, which is the aggregation level of this research.

Portfolio management weighs internal and external influences in the portfolio analysis. A business model provides a methodological way to link financial performance, market position, and RE complexes to corporate strategy. Nieboer (2009, p. 49) has summarized the different process models into a shortened and generalized model (see Figure 13) for strategic stock policy. Virtually every model has a testing framework. However, in the implementation, it appears that the strategy does not always happen as formulated (Nieboer, 2009, p. 47). Given the recent (negative) developments regarding housing corporations (Elsinga *et al.*, 2014), one can conclude that strategy and policy testing is often missing.

Strategic stock policy is characterized by a structured, transparent working method where a corporation makes management and exploitation decisions (Nieboer, 2005, pp. 1-14). With labels, strategic directions are characterized (Nieboer, 2009, pp. 43-45). In view of the growing importance of sustainability, housing demand etcetera, renovation will have to be a permanent part of the RE strategy of corporations.

From the business perspectives (Ansoff, 1984), labeling (Nieboer, 2009, pp. 43-45), and distinctive features of organizations (De Wit & Meyer, 2010, pp. 103-132), three strategic directions for housing corporations have been established, using the value strategy model of Treacy and Wiersma (see Figure 19).
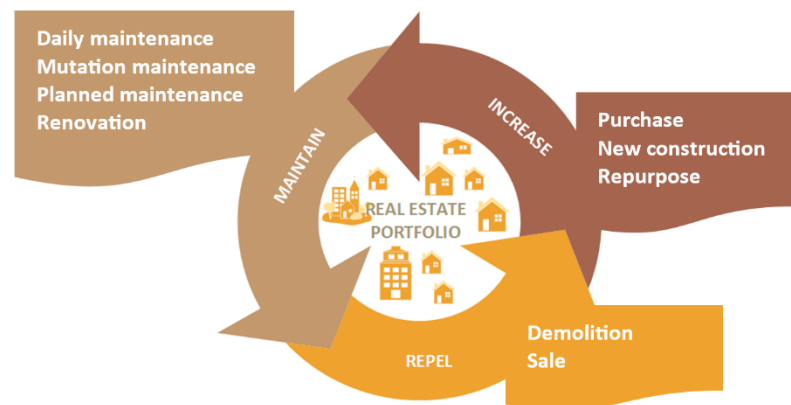

Figure 19; Strategic choices real estate portfolio

The chosen mission, vision, and emerging strategy have an impact on the RE portfolio of the corporations and, thus, the renovation policy. A stakeholder-adjusted balance must be found on cost, quality, and time to have a profitable renovation project; this is a difficult balance within the developing corporation context (financial constraints, sustainability objectives, and changing demographics, etc.).

To conclude, the analysis of the current RE portfolio, the market developments, and the organization's policy (mission and vision) determine the preliminary RE strategy. After labeling the complexes by strategy, a test is conducted; in case of approval, the strategy is implemented as policy in the organization. Asset management will define the approach at complex level to achieve the strategic objectives of the corporation. The implementation of this differs to some extent. During renovation, the momentum has appeared to be a subjective choice for forty-four percent (Aikivuori, 1999).

2 Research method

In this chapter, the research has been outlined and the research methodology explained. Based on the conceptual model, the problem statement has been formulated, which results in the objective and research questions (Verhoeven, 2011, p. 100).

2.1 Conceptual model

For this research, a conceptual model has been drawn up (Verhoeven, 2011, pp. 91-94) that influences the strategy of a corporation. The model features characteristics of Heeger's 2007 process model of strategic stock policy and Porter's 1979 five forces model, which mentions the force fields that influence an organization (Marcus & Van Dam, 2009).

2.1.1 Real estate strategy

In the model, it is indicated that the RE strategy is determined by the mission and vision of the organization, derived from Kotler (1994). The mission and vision guide the reason for existence and the organizational objectives (Mintzberg, 1987), (Marcus & Van Dam, 2009). These are influenced by internal and external factors (Marcus & Van Dam, 2009), (Nieboer, 2009), (Ten Berge & Oteman, 2004). In the conceptual model, these factors are summarized into six factors, which are briefly explained in Appendix C2.4.1.
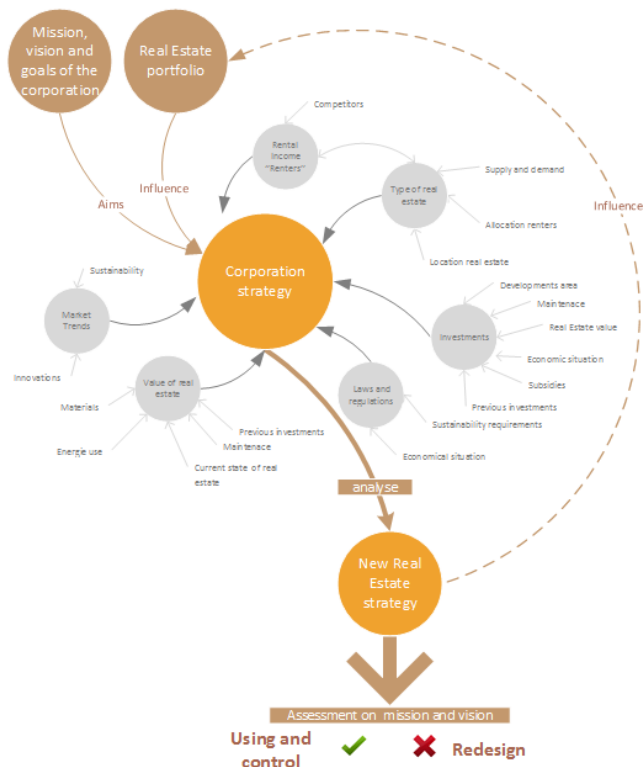

Figure 20; Conceptual model research

It is also assumed that the current RE stock also has an impact on the entire RE strategy. After all, the strategy is developed with the current RE portfolio as a starting point to adapt it to developments. After analyzing the current situation and RE stock (Nieboer, 2009, pp. 39-50), a strategy is formed in which the current RE portfolio is adjusted by renovation, demolition, and construction, etc. to meet future demand like scope/quality/target group. After the formation of a new strategy, testing is required (Nieboer, 2009), Eskinasi (2006) prior to implementation.

Research level

This research into strategy and renovation of the RE portfolio is on the dividing line of portfolio and asset management as portfolio management focuses on the RE composition, quality level, and area developments. This is relevant for asset management because the choice of repelling, maintaining or expanding is affected by this. Through primary work areas, development at regional and complex level has become more relevant and with that, the choice for renovation in strategy formation.

Figure 21; Research field at organizational level

2.2 Problem statement

Based on the insights from the literature study into Dutch housing corporations, RE strategy, and renovation necessity of the RE portfolio, the problem statement has been made.

With the growing demand for affordable housing (Van Duin *et al.*, 2013) in urban areas (LSE Cities, 2014) and the sustainability objectives (SER, 2013), one can assume that the large stock of outdated (unsustainable) rental housing (Aedes, 2016F) should be renovated in the coming years to meet the demand. This is a challenge for the corporations due to the complex context (such as levy tax, sustainability, and the bad sector reputation) in which corporations should act (Elsinga *et al.*, 2014).

It can be said that a strategy with implementation policy for the renovation of existing homes is missing (Ortec Finance, 2013). This is also evident from research by the Ministry of the Interior and Kingdom Relations (2013). They find that market demand has not yet been aligned with the supply of housing. However, alignment is an important aspect of the market proposition (Ansoff, 1984) of the RE portfolio (Nieboer, 2009) of housing corporations.

Ernst & Young (2013) already said that corporations quickly assume that a renovation project is not profitable, especially compared to new construction projects (Liesbregts & Bergen, 2010). As a result, in the RE strategy, renovation projects are wrongly postponed or demolition/new construction is chosen (Kieft, Harmsen, Van Laerhoven, & Hekkert, 2013). *One can assume that the problem of housing corporations is that there is no real estate strategy to exploit the existing real estate stock with renovation*.

2.3 Research objective

This research aims to determine what strategy corporations have for renovation of the existing RE stock.

Here, the focus is on the strategy for the renovation of the existing RE stock. Related objective/sub-product during the research is: *determining a methodology for assessing the strategic models of the real estate portfolio.*

With the results of that research, the corporation can propose a strategy with which the housing corporations can develop, renovate, and manage their RE portfolio.

2.4 Research question

Based on the problem and research objective, the following research question has been drawn up.

"What kind of real estate strategy do housing corporations have regarding the renovation of their real estate portfolio?"

The answer to this question gives insight into the future vision of the corporation sector that enables strategic RE managers of corporations to develop their own strategy for the renovation of the existing RE portfolio. For clarification, the underlined words are defined in C9.1.1.

From the conceptual model, the various variables are linked to sub-questions required to answer the main question. The sub-questions marked red indicate a link between the conceptual model and the research structure. In C3, for each sub-question, the relevance and research method of the sub-question will be clarified briefly.
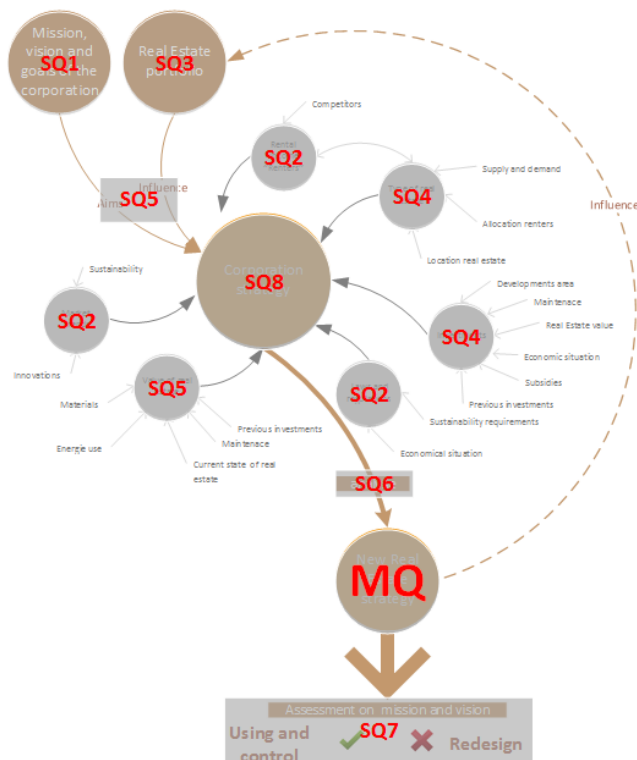

Figure 23; Research questions breakdown structure

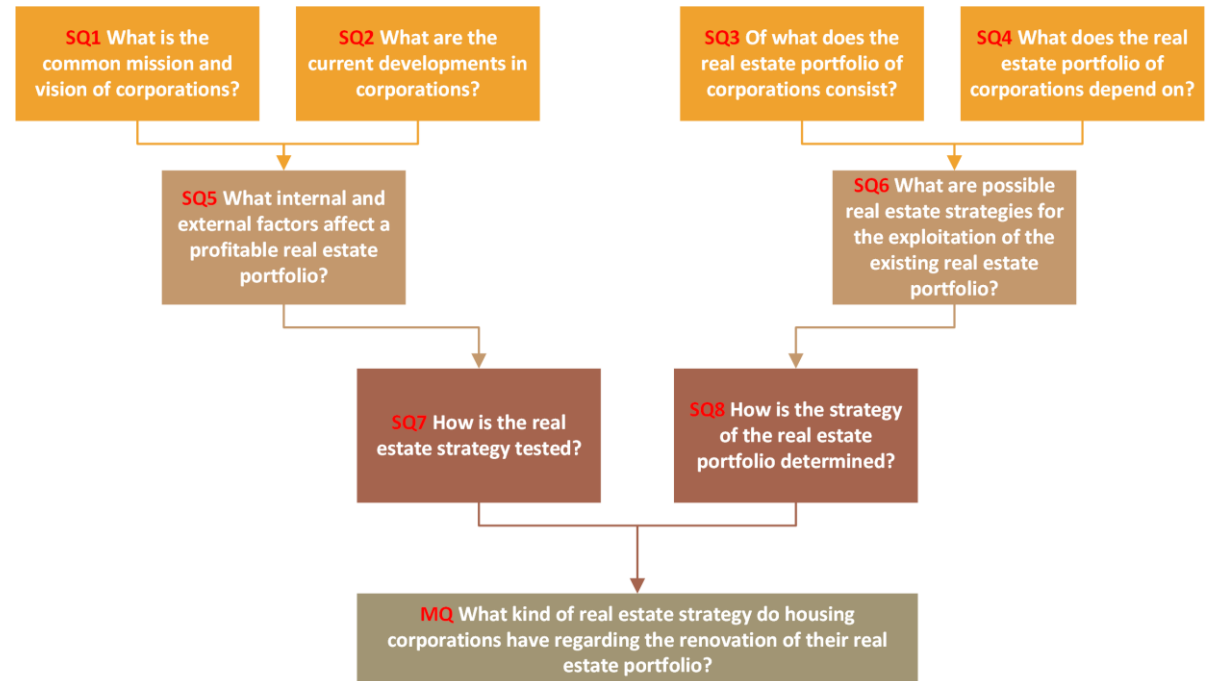
Figure 22; Conceptual model research into sub-questions

Thesis proposal

Appendix C5 has the original thesis proposal of June 2015. In this research, the research questions have been fine-tuned to make their answer more concrete. Consequently, the wording of the main and sub-questions differs slightly from that of the original proposal. The research methodology has been implemented as proposed in the proposal. As there already is a strategy-forming model in various forms (see Nieboer, 2009), the research objectives now focus more on the strategy for renovation and the testing of strategy.

2.5 Scope research

In order to keep the research realistic, it has been outlined. The research focuses on the renovation strategy and RE policy of Dutch housing corporations in the social housing sector. The strategy as described in the recent annual report (2015) or business plan of the corporations with more than 5,000 rental units (136 corporations) is examined. The limit of 5,000 rental units is based on the assumption that larger corporations (see Appendix C2.5 table 12) (Aedes, 2015B) have a clear division at aggregation levels (strategic, tactical, and operational), and more consciously trace a strategic reasoning than smaller corporations do. In addition, there is a risk with small corporations that research findings are based on practical applications rather than strategy and policy making. This research does not expand on the general corporate strategies of housing corporations.

2.5.1 Societal interest

The purpose of the research is strategic insight that housing corporations can use to make their RE portfolio fit for the future. This is important for society because;

- There is a large stock of existing (non-energy-efficient) houses in the Netherlands[18], which must meet the new housing demand/housing act.
- Sustainability goals must be achieved[19]; thus, renovating existing stock is necessary.
- Demand for affordable good houses is increasing[20], a profitable appropriate strategy (with the current stock) has to be found.
- The corporation sector is under a magnifying glass; due to criticism[21], decisions in terms of renovation are often postponed, which negatively affects the achievement of strategic goals.

Corporations must make strategic choices, involving 30.3% of all Dutch rental houses and affecting 30.3% of the Dutch population.

2.6 Research approach

To answer the research question, different methods have been considered. The chosen research approach is explained below. In Appendix C2.4.2, alternative (unused) research methods have briefly been assessed for relevance.

2.6.1 Quantitative or qualitative

A quantitative research approach (based on surveys) could provide a numerical response to the types of strategies that corporations use (Baarda, 2009, p. 18). The diversity in housing corporations, size, and organizational structure (Ten Berge & Oteman, 2004, pp. 38-39) complicates the concrete questioning of a defined strategy.

The main question seeks a more substantive response to strategies for portfolio policy. In view of the different interpretations of strategy and the often-deviating elaboration (Nieboer, 2009), qualitative research into renovation strategy is more relevant. This reduces the interpretation difference arising from different organizations, culture, structure, and policy forms. This makes the research a practice-oriented approach based mainly on qualitative research methodologies (Baarda, 2009, pp. 17-19).

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[18] See, inter alia, (Aedes, 2016F), (SER , 2013), (Scanlon, *et al*., 2015) and (Liesbregts & Bergen, 2010).

[19] See, inter alia, (SER , 2013), (Aedes, 2016C) and (Liebregts, 2013).

[20] See, inter alia, (Pittini & Laino, 2011), (LSE Cities , 2014), (EIB, 2016), (Aedes, 2016B) and (Nieboer, 2009).

[21] See, inter alia, (Elsinga *et al*., 2014) and (MBZK, 2015).

2.6.2 Literature study

This qualitative research begins with a contextual literature study (see C1.2) into housing corporations, strategy formation, influences, and RE strategies (Verhoeven, 2011, pp. 62-69). First, the context and relevant topics for the desk research have been established (Baarda, 2009, pp. 72-74).

Sources

In the literature study, scientific literature and research reports (about the corporate sector) that have appeared in the past twenty years have been used. In terms of (RE) strategy literature, Nieboer has analyzed many applied strategy theories. The literature used has already been widely used in various research reports and scientific articles and it is, therefore, deemed reliable. The other literature used is only used when it is scientifically relevant by validating the theories/findings in other studies/reports. The original source of literature was used as much as possible. To verify the theory, Appendix C1 gives an AAOCC overview of the used literature sources to assess sources unambiguously (Brotherton, 2008).

The research reports used are from renowned agencies, including Aedes, the Dutch association of housing corporations that publishes various scientific publications, and Corporatie Benchmark Centrum, which maintains the CiP database[22] of all corporations, containing extensive data like corporation size, number of houses, financial size etc.

2.6.3 Desk research

For the analysis of the corporations' mission, vision, and strategies, the recent (2015) annual reports and (if available) business plans of corporations with > 5,000 rental units have been made. As a result, it has been made clear how renowned corporations deal with existing RE. The inventory is recorded in a matrix developed in an iterative way (see Appendix C3.4 corporation matrix). By correlating secondary corporation data (Verhoeven, 2011, pp. 122-123) of Corpodata (2015B) and strategic directions at ordinal level, inductive findings can be made (Baarda, 2009, pp. 106-113) regarding the performance of corporations in 2015 and the strategic directions of 2015 (Verhoeven, 2011, p. 320). The proposal proposed to analyze all 136 corporations. However, this has proved to be too laborious. Therefore, a select random sample (Verhoeven, 2011, p. 189) was conducted of twenty corporations in the corporation target group. The corporation matrix is structured in such a way that the observing, identifying, and analyzing of other corporations is replicable. Therefore, this random sample is representative enough to make a quantitative statement (Baarda, 2009, pp. 144-145), (Verhoeven, 2011, p. 146). Nevertheless, the research results cannot be generalized, but that is not the purpose of qualitative research (Verhoeven, 2011, pp. 186-187).

In-depth interviews

Oral in-depth interviews provide depth through interaction (Baarda, 2009, pp. 80-88) with the respondents, with which one can assess the findings from the desk research. An open structure has been used for the interviews: a fixed open-ended start question with a number of fixed follow-up questions based on topics (Verhoeven, 2011, p. 180). It is possible to have a more thorough examination of the strategy formation, vision, and view of the organizations by finding the motivation of the answer. An additional benefit is less resistance among respondents because they influence the structure of the interview themselves. With an oral interview, it can be verified that the strategy maker gives the answers and not a delegate (Baarda, 2009, p. 82). With these half-structured interviews (Verhoeven, 2011, pp. 148-150) with the strategy makers, concrete answers and useful data are expected, and triangulation between literature, desk research, and findings is possible. The interviews were recorded and encoded digitally to verify and substantiate findings in C3 and the literature study.

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[22] Together with Aedes, Corporatie in Perspectief (CiP) tracks public housing and financial numbers at corporation level.

To give the interviewee time to think about the questions, the fixed questions have been sent five days before the interview. Disadvantageous is the intensive work because of which a limited number of people (six people) have been interviewed.

Quantification

From the literature study, the mission, vision, and strategy of the corporations are deduced from the annual reports or policy plan. Filtering these sections from each annual report and then encoding the concepts has provided insight into the corresponding strategy (formations) for existing RE of corporations with > 5,000 rental units. For the inventory, a matrix has been developed in an iterative way, which is a characteristic of qualitative research, according to Baarda (2009, p. 130), (Verhoeven, 2011, pp. 39-41). The operation and (axial) encoding have been elaborated on in Appendix C3. The topics of the in-depth interviews and testing of the findings of the selected strategy makers are based on findings from the corporation matrix (Baarda, 2009, pp. 68-72), (Verhoeven, 2011, pp. 304-308). This allows for a comparison between the strategy from the annual reports in the desk research and the answers from the in-depth interviews.

2.6.4 Validity

To ensure the quality of the information, the literature study, desk research, and in-depth interviews have been used. For relevant components, the results/findings are compared with each other and data triangulation emerges (Baarda, 2009, pp. 137-139). With a combination of literature, in-depth interviews, secondary and scientific sources, there is a good foundation; using this, the research result is explored (Verhoeven, 2011, pp. 122-125). To safeguard the quality, a focus on the research area is selected. The focus on the larger corporations minimizes fading of the influences of internal and external aspects.

The questions of the interviews were drawn up after completion of the literature study. This makes it possible to test the validity of the literature study. In addition, unclear aspects or concepts can be elaborated on in the interviews, thus achieving more similar perception and increasing the reliability of the research. The qualitative design of this research means that the results are not generalizable for all corporations (Verhoeven, 2011, p. 320).

2.6.5 Conclusie

The research is a practical approach and is based mainly on qualitative research methods (Baarda, 2009, pp. 17-19). The research begins with a literature study to determine the context. The literature study has been implemented based on various recent reports and scientific articles. For the desk research, an inventory corporation matrix has been developed in an iterative way to identify the recent annual reports and policy plans of twenty corporations. Of these, six strategy makers were interviewed to verify the findings and to gain a better understanding of the view of the strategy. The data from annual reports, databases, and interviews are encoded axially and traceable.

This combination of sources and research methodology enables triangulation of findings and, consequently, quality

Figure 24; Visualization research methodology

assurance. Subsequently, the findings and strategic directions were evaluated inductively at ordinal level (Baarda, 2009, pp. 100-113). Thus, it has been explored in an iterative way whether corporations have an unambiguous RE strategy for the renovation of the existing RE stock in order to answer the research question.
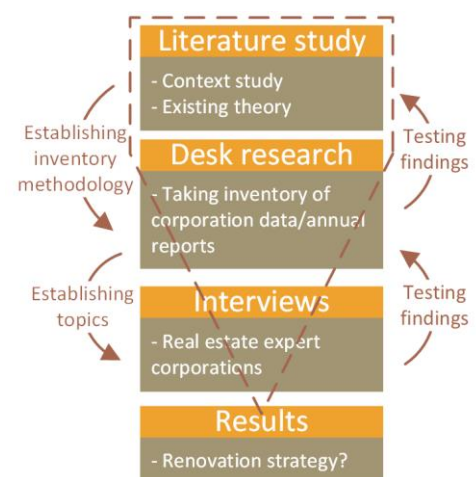
This chapter discusses and briefly describes each sub-question from the research approach. Then, it explains the research methodology applied to the sub-question, and it gives the results in order of the research methodology (see Figure 24) and the conclusion of the sub-question.

Reading guide

In answering the questions, references have been made to quotes from interviews and desk research. The encoding is structured as follows (Baarda, 2009, p. 130) so that data are traceable for the purposes of checking.

Interviews

 Quote references to interviews begin with the name encoding (**RS**#2) of the interviewee (see Figure 25), which is followed by (RS**#2**)), indicating the line number of the transcription. Can also be indicated as a quote; **RS** ''text'' **(#2)**.

Code	Name	Housing Corporation
RS	Mr. R. Sierink	Mitros
MV	Ms. M. Veldman	Portaal
AK	Mr. A. Koek	Kleurrijk Wonen
NK	Mr. N. Klein Lankhorst	Talis
NW	Ms. N. van Wijk	De Alliantie
WD	Mr. W. Debets	Portaal

Figure 25; Encoding interviewees

Corporatie	Mitros
Geinterviewde	Ron Sierink
Datum	30-1-2017
Code	RS
CODERING	

regel nr	vraag nr	naam	
			Mijn naam is Ron Sie
1		RS	
			Ik maak sinds enige
2		RS	
			Die afdeling richt zic
3		RS	

Figure 26; Example encoding interviews

Desk research

Similar encoding has been used for the corporation matrix. **COM**#41 refers to the corporation matrix, COM**#41** indicates the line number. This line number can be followed by a corporation number; COM#41-**L0343** to indicate a specific quote. Appendix C3 gives an extensive explanation of matrix construction, original source location, registration methodology, and relevance.

2	
3	64
	L0343

Stichting KleurrijkWonen

Regionalisering - Passend toewijzen Fraude bestrijding en informatie systemen -- Toegestane werkdomein te dure huur - veranderende wetgeving - betrouwbaarheid van de interne en externe financiële verslaggeving. Dit betreft onzekerheden bij complexe toerekeningsproblemen, de mate van subjectiviteit bij waarderingsvraagstukken en risico's ten aanzien van de inrichting van de financiële verslaggevingssystemen

| 41 | **SQ2** | |

Figure 27; Example encoding corporation matrix

What is the common mission and vision of corporations?

The mission and vision guide the organization in forming the strategy, according to Kaplan and Norton (De Wit & Meyer, 2010) (see C1.3.2.). The analysis of RE strategy models (inter alia Van den Broeke (1998), Heeger (2007), Kotler (1994) and Nieboer (2009)) of corporations shows that the formulation of the strategy starts from the mission and vision of the organization. Through the inventory, there is insight into the (common) strategic direction of Dutch housing corporations with > 5,000 rental units.

3.1.1 Research methodology

With the random sample, the specifically recorded missions and visions have been filtered from the annual reports and business plans of 20 corporations and incorporated into the corporation matrix, after which they have been analyzed for keywords/topics. From this, a shared mission/vision can be identified and the strategic directions are tested in sub-question SQ7.

Definition

The interpretation of mission and vision varies widely in each organization, culture, and person (Harnish, 2015, pp. 115-130). For example, a strategy maker could define the vision as mission and vice versa. As a result, these subjects from the annual reports could not be screened and compared with each other directly. This has consequences for the validity of the data and the conclusions to be drawn. It must be avoided that the mission of one corporation is compared with the vision of the other corporation.

As a common mission/vision is wanted, an iterative process was used during the desk research of annual reports. This complicates the determining and comparing but increases the validity.

Topics

In the corporation matrix, the main strategic directions of the missions and visions have been established, which has then resulted in a topic list of aspects. Subsequently, it was identified how often each aspect was discussed by the twenty selected corporations (see Figure 28).

3.1.2 Literature

During the literature study, it has been found that the mission, vision, and objectives of corporations are often influenced by the government. The first sentence of the website of the Ministry of the Interior and Kingdom Relations is: *"The government wants citizens to be able to live in affordable, safe, healthy, and energy-efficient homes."* (Rijksoverheid, 2016). For a corporation, the primary function can be interpreted as: *"Ensuring that low-income people can live well and affordably."* (MBZK, 2015, p. 1). During the analysis of the annual reports, many similar missions/visions emerge. It can be concluded that corporations can tailor their mission, vision, and RE policy to government policy.

Mission

The missions are not directly similar. However, the missions can be interpreted in a similar way because the wording contains many similar aspects. Figure 28 shows that "*affordable*" and "*(vulnerable) target group*" form the modus (COM#12) as topics in the missions. It is plausible that this is due to the reason for existence and identity of corporations, derived from the imposed function by the MBZK. The component of "*region*" is striking in the corporations analyzed. This is derived from the performance agreements (Companen, 2016) in the primary work area in the new housing act. The corporation is influenced by the policy of the municipality and tenant organizations, which is often contradictory to the vision of corporations.
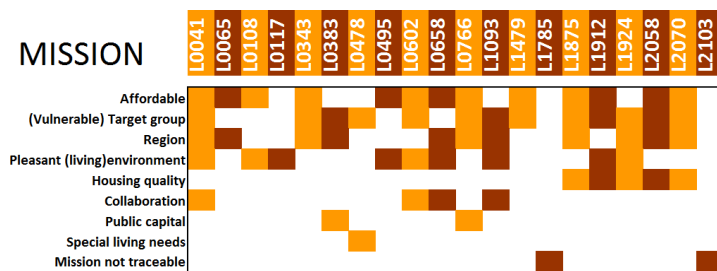

Figure 28; Topic overview mission

It is clear that the missions include various subjects as part of the organizational identity (Kaplan & Norton, 2000). For example, 5/20 corporations already focus on the quality of living in the mission and 4/20 corporations are aware of collaboration in the corporate identity. Of course, these findings cannot be generalized. The other corporations also collaborate or pay attention to the primary work area. However, they distinguish themselves differently.

In 2/20 corporations examined, the mission was not traceable in the annual reports or available policy plans. This does not mean that these corporations do not have a mission; it suggests that they do not want to present the mission to the outside world. None of the missions identified mentioned "renovation" as a topic (COM#9).

Vision

Of the twenty corporations, thirteen have given their vision (see Figure 29). However, these visions vary greatly in terms of points of departure, description, and function. Here are a few observations (COM#14):

- Dudok wonen; gives a formulation using sustainability aspects
- Portal; "wants to be the best"
- Wooncompanie; motivates the points of departure of their mission and addresses care needs and living at home for a longer period
- SSW; focuses the vision on internal digitization and organizational developments, which matches the future vision
- GroenWest; justifies the use of share capital
- Vestia; focuses the vision on becoming financially healthy
- Volkshuisvesting Arnhem: "We do this by energetically improving existing houses"

It has been found that the functions of the visions differ to such an extent that the content of the visions cannot be compared and, thus, generalized. This is in line with what Harnish (2015, p. 121) argues, who found that the definitions and interpretations of vision are too different. In formulated visions, renovations are not mentioned, but some speak about (energetic) improvements (COM#14-L0065).

Figure 29; Overview vision

A striking observation from the analysis is that the corporations De Key, KleurrijkWonen, Eigenhaard, and Mitros do speak about the vision in the annual reports and business plans, but this is not explicitly formulated or concretely traceable in these documents. When asked about this in the interview with Mitros, it is indicated that this still needs to be developed (RS#44, 47).

3.1.4 Interviews

The interviews show that mission and vision are often switched (MV#40, RS#35) or that familiarity with the vision is lacking (NW#26, AK#65-67) or does not really matter (NK#66). From this, it follows that not every corporation acts in accordance with the mission/vision; sometimes, they work from the objectives (WD#58)

INTERVIEW MISSION / VISION	Stichting Portaal		Stichting Portaal 2		Stichting KleurrijkWonen		Stichting Talis		Stichting de Alliantie		Mitros	
		MV#		WD#		AK#		NL#		NW#		RS#
1.1. Are you familiar with the mission of your organization?	yes	10 17	No	11 12	Yes/ No	12 15 17	yes	12 13 14	yes	4	yes	12 20
1.3. Are you familiar with the vision of your organization?	yes	54	No	30	No	67	yes	59, 66	N.A.	25	No	44 47
1.5. Does your organization acting in accordance with the prescribed mission and vision?	Yes/ No	23 28 48	Yes/ No	56 58	Yes	22 55 58	yes	59-64	Yes	8 17 19 30	No	64
1.6 Is there a common mission / vision for corporations?	Yes/ No	85 90	yes	67 69	Yes	71 76	Yes	70	No	38	yes	73 74

Figure 30; Inventory encoded interview reactions mission and vision

From the interviews, it can be said (motivated from regional aspects (see, for example, MV#88, RS#74, AK#73, WD#66)) that there is no common mission for every corporation (see Figure 30). However, interviewees expect there to be similar aspects in all missions, such as the affordability and target group (including NW#36, RS#74). The common mission can be found in the wording of the reason for existence of housing corporations: the objective of providing low-income people with housing, supplemented by (regional) objective aspects per corporation.

3.1.5 Conclusion

After analyzing the missions, it can be said that these are derived from the formulated core tasks of corporations by MBZK of the Netherlands. The interviews show that a general mission cannot apply to all housing corporations. The visions are interpreted and formulated in different ways. A generalized vision cannot be formulated. However, topics such as target audience, affordability, and quality of living are aspects that form the same mission for every corporation to guide the strategy. In the missions and visions identified, renovation has not been mentioned. In the visions, (energetic) improvements to existing properties are mentioned though.

3.2 SQ2

What are the current developments in corporations?

As the corporation sector and its environment change rapidly, a high degree of complexity arises with varying (dependent) factors that influence the corporation strategy. For the strategy formation, an analysis of contextual developments and the external influences/dependencies (see SQ4) on the housing corporation sector is necessary (De Wit & Meyer, 2010, pp. 158-183), (Ten Berge & Oteman, 2004, pp. 49-63).

3.2.1 Research methodology

For the outline of the context for the Dutch corporation sector, a literature study was conducted in C1. It was based on recent sector reports, such as Aedes[23] Benchmark, EIB, Ernst & Young, and a parliamentary inquiry. Part thereof is an extensive DESTEP (see Appendix C2.2). The literature used is very diverse in order to enable triangulation.

To test the findings, the conclusion of the DESTEP has been provided to the interviewees. It has been asked whether the findings are correct or need to be supplemented. As a result, findings have been tested with different perspectives of different corporations.

3.2.2 Literature

The external developments that corporations experience are specifically summarized in C1.4 and depicted in Figure 9. In Figure 32, the external developments have been supplemented with findings from the desk research and interviews.

3.2.3 Desk research

In the corporation matrix (COM#41-43), formulated developments have been identified in the form of risks for and dependencies of the strategy. Below is an overview of relevant and noteworthy external developments:

- Changing laws and regulations (2015 housing act), landlord levy, assurance systems;
- Damage to the reputation of the sector;
- Energetic performance objectives of existing stock;
- Rising interest rates, limited access to capital markets;
- Internal organization that does not timely respond to external developments;
- Appropriate allocation, divisions RE SGEI.

3.2.4 Interviews

Figure 31; Inventory development

The summary of the DESTEP analysis has been received positively by interviewees. The interviewees give the following additional external influences:

- Collaboration with contractors, RGS (NL#98,100) and with internal organization (NL#114-116);
- Mentioning performance agreements and housing act more specifically (NW#44, MV#120);
- Empowerment of tenants (MV#98, 104, 107).

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[23] Aedes develops the benchmark together with PwC, KWH, ABF and Twynstra Gudde, the Ministry of the Interior, the Authority housing corporations and the Social Housing Guarantee Fund are involved in the development and the results of the benchmark.

The corporation sector has been subject to major changes. Many changes, such as appropriate allocation, performance agreements, consequences of the new housing act, etc., are still ongoing. Therefore, the various analyses primarily address external developments, mentioning particularly legislation, demographics, financial aspects, and more sustainability of the existing housing stock (objective of renovation). Still, in the current context too, the main developments divided between the DESTEP aspects are:
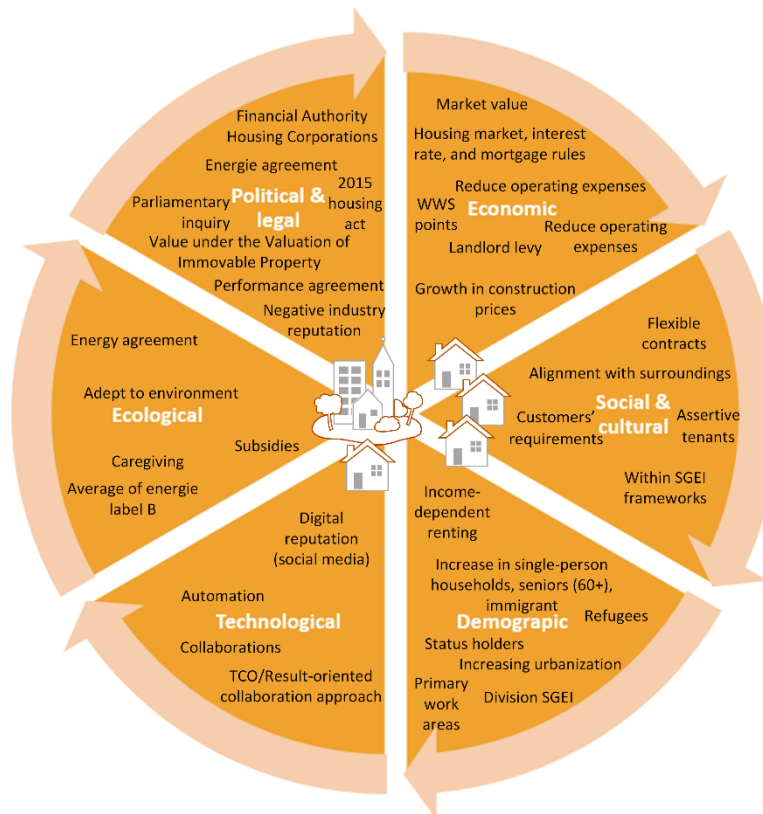

Figure 32; Adjusted DESTEP corporation sector

3.3 SQ3

Of what does the real estate portfolio of corporations consist?

With the determination of the portfolios of housing corporations, guidance has been given to the content of the RE portfolio on which a (renovation) strategy has to be formed. This sub-question provides insight into the need for renovation and more sustainability of the existing RE portfolio.

3.3.1 Research methodology

The exact breakdown of the RE portfolio differs per corporation and is an asset management-related question. This level of detail is not necessary for the study. Sufficient is an indication of the age of the RE to match the need for renovation strategy. From the literature study into corporation ownership (data from Aedes and CBS), there is a global insight into the corporations' RE stock. A testing of this data among the interviewees is not relevant because the corporations provide the relevant data to Aedes and CBS themselves.

3.3.2 Literature

In the literature study (see C1.5.), findings regarding the RE stock were given. To avoid repeating myself, the most important (numerical) characteristics of corporate RE stock have been listed here.

- The Netherlands has 2.4 million social housing houses, which is 30.3% of all Dutch houses;
- Seventy-five percent of housing corporation houses were built before 1990;
- Forty percent is single-family houses; others are apartment buildings and the like;
- The performances of these houses date from the realization period and do not meet the current/future customer expectations;
- About 72.5% of the corporation houses have an EI >1.25 and do not meet performance requirements imposed by the government;
- In order to achieve the performance objectives, 72.5% of the corporation houses will have to be made more sustainable/renovated before 2020;
- Houses will exist for about 120 years, which is approximately 3x longer than calculated in the exploitation budget;
- Demand for affordable rental houses is growing, especially in cities.

Real estate development

Remarkably, the number of cheap housing (<€ 403.06 monthly rent) declined up to 2014, while the share of affordable housing remained stable. The cheap housing has not become more expensive; the decline is due to demolition. It is also remarkable that the number of expensive rental houses (above the liberalization limit) has increased up to 2014 (Aedes, 2016E) and the total number of houses (up to the liberalization limit) has fallen in 2015 (Aedes, 2016F, p. 56). This is a remarkable observation given the core task, growing housing demand, and target group of corporations. In 2015, a small growth of 0.6% of affordable housing (Aedes, 2016F, pp. 55-57) has taken place at national level.

The EIB (2016), among others, finds that the construction production lags strongly behind the demand for housing, especially in urban areas. However, corporations seem to reduce the construction production (Aedes, 2016E). It can be said that demolition/new construction does not directly answer the increase in the RE stock but that it does respond more easily to the changing housing demand. Renovation quickly responds to the increasing of the sustainability, maintains the house numbers, and can be adapted to the changing housing demand to a lesser extent. With an average lifespan of 120 years (Van Nunen, 2010), houses would be renovated 3-4 times (periodic renovations about every thirty years) to have the RE meet the new performance demand/customer expectation again.

Of the twenty corporations examined, 76.6% of the RE stock is from before 1990 (COM#94,108,109), which corresponds to the national average of seventy-five percent (Aedes, 2016E). The regulated stock decreased in 16/20 corporations in 2015, and the affordable stock decreased in 7/20 corporations. This observation matches the findings of the literature study.

STOCK	L0041	L0065	L0108	L0117	L0343	L0383	L0478	L0495	L0602	L0658	L0766	L1093	L1479	L1785	L1875	L1912	L1924	L2058	L2070	L2103
% Stock of before 1990	74,7%	85,4%	80,5%	75,9%	76,3%	79,0%	71,2%	72,8%	85,4%	73,8%	70,9%	77,7%	79,9%	76,6%	73,0%	74,8%	74,5%	82,1%	72,5%	75,2%
% Development affordable stock	2,7	1,7	2,1	-3	-2,5	-0,8	1,7	2,1	0,8	2,2	3,1	4,1	6,2	-1,1	4,6	-0,9	-5,6	5	0,1	-4,2
% Development regulated stock	-1,5	2	0,8	-1,3	-0,2	-3,4	-0,8	0	-1,6	-1,2	-0,7	0,2	-0,7	-0,7	-0,3	-2,4	-2,1	-2	-1,1	-5,3

Figure 33; Inventory development stock

3.3.4 Conclusion

The RE stock of corporations is 30.3% of the Dutch housing stock (Aedes, 2016E) and seventy-five percent of it was built before 1990. This construction period did not prioritize energy performances of RE yet (Liesbregts & Bergen, 2010). It can be said that the corporations still have to work to make about 72.5% (Aedes, 2016C) of their other houses more sustainable in order to achieve the sustainability goals of 2020. This leads to a great need for renovation of the existing housing stock. About fifty percent of the corporation houses are apartments in urban areas and forty percent are single-family houses. The development of the liberalized housing stock does not grow with the demand for housing (EIB, 2016).

What does the real estate portfolio of corporations depend on?

With this sub-question, the direct effects on the composition of a RE portfolio are linked to the influences/developments to which the corporation sector is subject (see SQ2). In addition, it can be tested whether the existing RE stock has an influence on the strategy formation of the new RE strategy.

3.4.1   Research methodology

The literature study into RE strategy models provides insight into the dependencies, including RE analysis models and studies of (Van den Broeke, 1998), (Nieboer, 2009), (Dreimüller *et al.,* 2013), and (Van Driel, 1998). With the in-depth interviews, it is asked what dependencies the strategy makers recognize. This way, the existing literature is tested using the current dependencies experienced by corporations, which results in triangulation of data on dependencies.

3.4.2   Literature

From the (2009) Nieboer model analysis, one can derive the following dependencies from the RE portfolio:

- Company mission, external analysis, internal analysis; Kotler (1994) [24]
- Past performance, current situation (existing RE), future image, company mission, external expectations, and expectations from within; (Steiner, 1979, p. 17)
- Objectives, corporation's housing stock (including inventory), objective for product-customer combinations; (Van den Broeke, 1998, p. 71)
- Mission and vision, aggregation levels; Heeger (2007) [25]
- Environmental analysis, positioning, future vision, and mission; Eskinasi (2006). [25]
- Policy environment, housing market, business objectives, predictive effects; (Van Os, 2007, p. 25)

To elaborate on dependencies like current situation, expectations, and environmental analyses more, literature refers much to aspects like:

- **Financial factors** (valuation for tax purposes, rental price, maintenance costs, solvency corporation, price development, etc.)
- **Technical/physical factors** (complex and house characteristics such as size, technical state, WWS points, sustainability, etc.)
- **Market factors** (location, customer requirements, rentability, vacancy, tenant preferences, market expectations, market demand, demographic developments, etc.)
- **Political factors** (government policy and regulations, district plans, municipal performance agreements, landlord levy, etc.)
- **Social factors** (tenant characteristics such as income, household size, age, social cohesion, safety, etc.)

These components are mainly external influences, which are also named in the context and macro analysis of C5.

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[24] In (Nieboer, 2009, p. 24).

[25] In (Nieboer, 2009, pp. 42-47).

In the corporation matrix (COM#40-44), dependencies formulated have been identified in the business plans and annual reports. Below is a summary of the aforementioned dependencies where housing corporations have an influence on their own RE strategy/portfolio policy.

- Performance agreements with the municipalities in the core region;
- Diversity of housing stock, including monuments;
- 'Woonvisies' Municipalities' and tenants' vision on living;
- New housing act;
- Appropriate allocation;
- Split of SGEI and non-SGEI;
- Demographic developments;
- Location, technical, economic, and market technical aging;
- Taxation on market and company value (impact on exit yield);
- Target group/demand changes (entrants);
- Stagnant flow in house rental.

3.4.4   Interviews

The interviews show that the dependencies established in the desk research and literature study are sufficient to acknowledge the impact on the RE strategy. Clearly, it is a blend of different aspects (MV#255), which makes strategy formation complex. Important additions are:

- Theoretical parameters often do not match practices (AK#209). This means that a strategy for renovation does not consist of "hard data," such as the age of 25 years. These are mainly natural moments (AK#217, NL#144).
- Mr. Koek added that the RE portfolio is actually dependent on the problem statement (AK#179): all of the mentioned aspects together constitute the "problem" that needs to be solved as a strategic goal.
- Politics has much influence through legislation and policy, but this can change (at least) every 4 years with the elections (RS#213). Since RE primarily concerns long-term decisions, strategic choices remain subject to (short-term) change.

Existing stock

From the interviewees, it can be concluded that the existing RE stock actually affects the RE strategy. Consequently, this influence indicated in the conceptual model (Figure 20, C1.1) is included correctly.

INTERVIEW REAL ESTATE STOCK	Stichting Portaal		Stichting Portaal 2		Stichting Kleurrijk Wonen		Stichting Talis		Stichting de Alliantie		Mitros	
		MV#		WD#		AK#		NL#		NW#		RS#
4.3. Does this existing property stock influence the strategy to be formed?	Yes	284 290	Yes	226- 228	Yes	229 250	Yes	203 205 206	Yes	118 120	Yes	246

Figure 34; Inventory influence existing stock on strategy

The RE strategy models show that the strategy formation of the RE portfolio depends on the mission, vision, and objectives of the organization. The existing stock influences the new RE strategy, according to interviewees. Internally, there are several developments that may affect the RE stock. The various analyses mainly address external developments, highlighting especially legislation, demographics, and financial aspects. Therefore, it can be said that the corporations' RE portfolios depend on the existing RE stock and external developments. The external influences of SQ2, Figure 32 have been filtered into dependencies on the RE strategy:
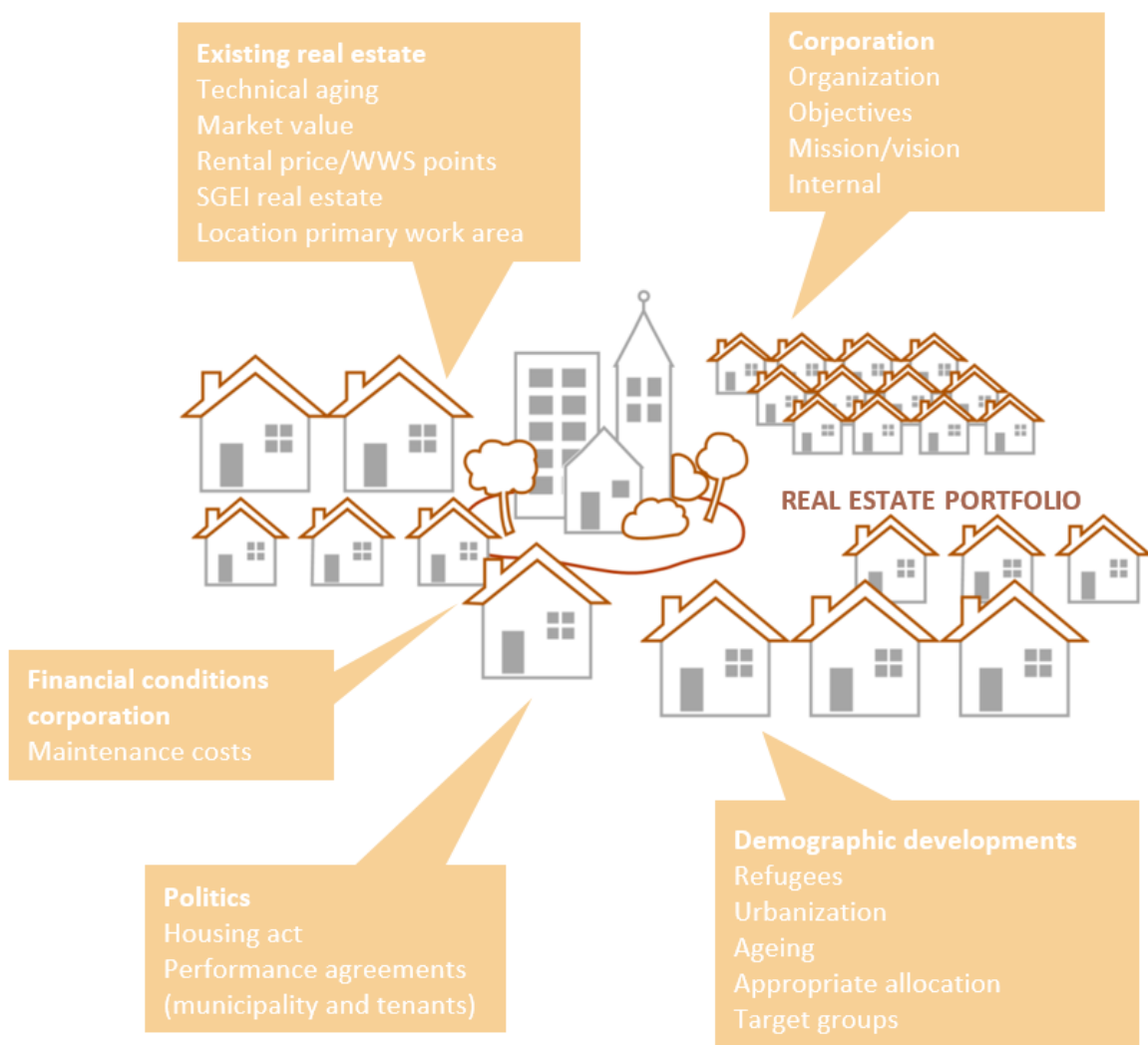

Existing real estate
Technical aging
Market value
Rental price/WWS points
SGEI real estate
Location primary work area

Corporation
Organization
Objectives
Mission/vision
Internal

Financial conditions corporation
Maintenance costs

Politics
Housing act
Performance agreements
(municipality and tenants)

Demographic developments
Refugees
Urbanization
Ageing
Appropriate allocation
Target groups

REAL ESTATE PORTFOLIO

Figure 35; Dependent influences on the real estate portfolio

What internal and external factors affect a profitable real estate portfolio?

Following SQ2 (*What are the current developments in corporations?*) and SQ4 (*What does the real estate portfolio of corporations depend on?*), it is important to determine the internal and external factors that affect the real estate portfolio in opting for renovation.

3.5.1 Research methodology

The desk research, literature study, interviews, and results of SQ2 and SQ4 also answer this sub-question. In addition, it was tested among interviewees whether the assumed six summaries (customers, innovations, current portfolio, politics, geographical changes, and demographic changes) from the conceptual model (see Figure 20) are correct.

3.5.2 Literature

Especially the external influences have already been addressed in SQ4. Internal organizational goals like increasing affordability, sustainable RE portfolio, making suitable for care-dependent people, focus areas, etc. also affect the objectivity when choosing strategic labels for the RE strategy (Nieboer, 2005). In the literature, no specific internal dependencies have been identified.

Labels

Strategic stock policy is characterized by a structured, transparent process on which a corporation makes management and exploitation choices (Nieboer, 2005, pp. 1-14). By labeling the RE portfolio, the RE stock is characterized. In addition, labels represent an indication of (renovation) strategic directions (Nieboer, 2009, pp. 43-45). Labeling is done by the internal organization and consequently, the RE portfolio depends on the assessors (mostly asset managers or area policy makers) of the existing complexes, based on information of day-to-day management, policy statements of the organization (mission, vision, etc.), performance, and financial data.

Subjective

It should be noted that labeling has a certain degree of subjectivity. It is doubtful whether the coding of the technical state, adaptability or rentability are sufficiently objective. Indeed, filling out spreadsheets with a scale, for example, is usually done following one's gut feeling. Aikivuori (1999) concluded with empirical research that the decision making is not an objective choice from a technical-economical optimum, but a subjective choice for forty-four percent. In view of the 17-year-old observation of Aikivuori, it is likely that there are now more instruments for an objective assessment. Nevertheless, NW (#174) indicates not to be sure of objectivity, but they do use frameworks to remove subjectivity. NL (#149), MW (#349), and RS (#269) agree with this. NL even believes that subjectivity is never fully preventable (NL#314). This is also formulated as a risk in the annual reports: *"Degree of subjectivity in valuation pieces"* (COM#43-L0343). Therefore, it can be concluded that subjectivity still has an impact on the RE policy/labeling and the choice for a renovation strategy.

Internal developments

A number of distinctive internal developments emerge from the desk research (COM#40-44). These are corporation dependent but have a great influence on the organization, which can be formulated as 7S aspects (Ten Berge & Oteman, 2004, pp. 51-59). Below is an overview of relevant and notable internal developments (COM#40-44):

- **Systems**: IT and process developments and investments; no reliable IT system;
- **Strategy:** Fragmented maintenance policy;
- **Skills**: Limited competencies of employees; possession of knowledge is not secured;
- **Staff**: Reliability of reporting;
- **Shared values:** employees committing fraud;
- **Style**: Internal policy plans (compliance with performance agreements);
- **Structure**: no connection between activities in development and portfolio.

3.5.4 Interviews

Internal developments

Following external developments, questions about internal developments have also specifically been asked. According to RS (#114), RE strategy is primarily determined by the observation of demographic developments. NW (#63) believes that the internal organization is determined by the RE and not the other way around. It primarily presents a perspective that RE is the foundation for the corporations and that it greatly affects the organization and its strategy. On the other hand, making agreements, compliance with internal performance objectives, and developments affect the strategy (MV#144). Finally, AK (#121-123) sees (financial) savings objectives as the main internal development.

Six summarized factors

Figure 36; Assessment six summarized factors

The interviews show that interviewees globally agree with the six summarized factors from the conceptual model. However, the key factors have been interpreted in different ways; consequently, it is not immediately visible what it should *include*. KW (#262) adds that it is not clear who the customer is in the "income tenant" model but that it is the most important key factor. Demographic developments are cited, which are not explicitly reflected in market development (RS#254). In conclusion, the summarized factors worked mainly to categorize influences and dependencies in this study. To generalize these factors, a Delphion research (Baarda, 2009, p. 41) could be conducted.

3.5.5 Conclusion

Internally, there are several developments that affect the RE stock. Key internal factors are:

- Information provision of stakeholders of RE complexes;
- Objectivity in assessment of labels in the RE portfolio;
- Policies, mission, vision, and objectives of the organization.

The external factors of SQ4 also affect the stock, as concluded in Figure 35.

What are possible real estate strategies for the exploitation of the existing real estate portfolio?

Understanding the possible RE strategies gives a choice for the RE strategy. This sub-question determines whether renovation is also a strategic choice.

3.6.1 Research methodology

The possible RE strategies have been identified with the literature study into RE strategies (see C5.6 and Appendix C3.2) of Heeger (2008), (Van Driel, 1998), (Van Os, 2007), and (Nieboer, 2009), among others. With the analysis of annual reports and business plans, insight has been sought into the RE strategies used by the relevant corporations. It has also been tested whether the theoretical strategy models are used in practice and in the research results as a strategic direction.

3.6.2 Literature

As mentioned in SQ5, labels are used (Nieboer, 2005, pp. 1-14) for strategic stock policy. The aggregation level is on the dividing line of portfolio management and asset management (Van Driel, 1998, pp. 22-25). Labels provide strategic indications required for a methodological way of linking together financial performance, market position, and RE complexes (Nieboer, 2009, pp. 43-49).

From Ansoff's business perspective (1984), Nieboer's labeling (2009, pp. 43-45), and Treacy and Wiersma's value strategy (De Wit & Meyer, 2010, pp. 103-132), three strategic directions (maintaining, increasing, and repelling) for housing corporations have been established in this study (see Figure 37, C1.6), which are based on the life cycle phases of RE and Nieboer's label examples (2009), complemented by steps to be taken at asset management levels. In view of the growing importance of sustainability, housing needs, etc., it is likely that renovation will become a fixed part of the RE strategies of corporations. Renovation is a strategic choice stemming from the preservation of existing RE (NL#306).
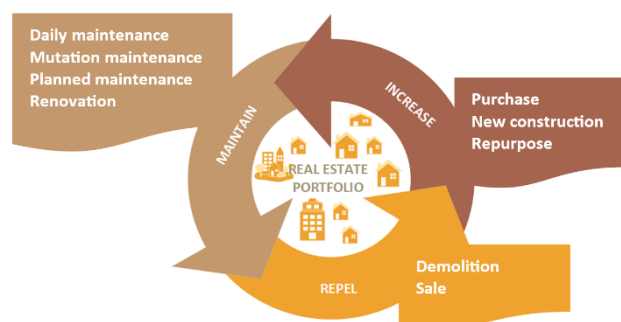

Figure 37; Influences stategic choices RE portfolio

Approach to the (strategic) stock policy of existing houses can be distinguished at a number of abstraction levels (Nieboer, 2009, pp. 7-39). Nieboer defines high abstraction level as '*upgrading' (increasing quality), 'repurposing' (making suitable for a target audience other than the present one), and 'differentiating' (adding more variation to housing stock)*. These approaches stem from portfolio management.

The less abstract aspects of Nieboer indicate object/area issues more: *'Description of the intervention level, such as 'renovating,' 'major maintenance,' 'light improvements,' and 'consolidating.'*. These terms do not specify concrete implementation plans but do specify mindsets based on the RE strategy and elaborations on strategic policies.

3.6.3 Desk research

Figure 38; Example strategic direction (COM#90-L0658)

The annual report and business plan analyses do not reveal strategy models used by corporations similar to strategy models examined by Nieboer. In the further investigation, therefore, the formulated strategic directions from the literature study (C1.3) have been used (see Figure 38).
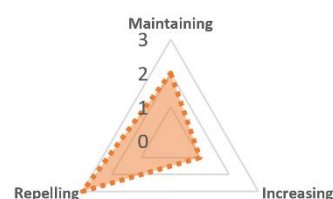
In an analytical manner, the strategic directions of the 20 randomly selected corporations have been established (COM#48,50,90) and summarized in Figure 39. As an example, analytical findings have been determined this way: Stadslander formulates a three-percent annual rejuvenation policy (COM#32-L1785) and, consequently, focuses on new construction. The following observations have been made:

- 4/20 corporations focus on new construction in 2016 and beyond;
- 14/20 corporations focus on renovation in 2016 and beyond;
- 14/20 corporations emphasize maintenance in the strategy;
- 6/20 corporations want to reduce the RE portfolio through selling and demolishing;
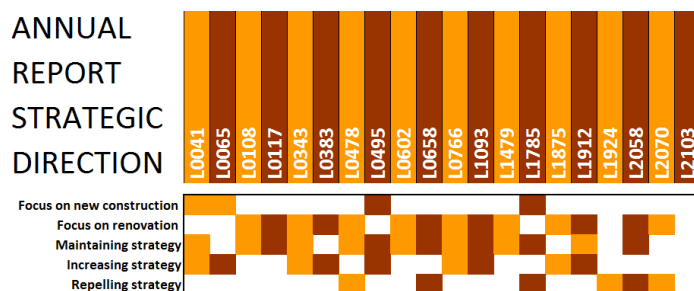- 9/20 corporations intend to increase the RE stock

Figure 39; Strategic directions based on annual reports, source: (COM#48,50,90)

From the corporation matrix (see Figure 40), only 4/20 corporations appear to publish specific renovation objectives. It is assumed that corporations publishing specific objectives

Figure 40; Overview renovation of real estate portfolio, source: (COM#28-30,48,91)

have drawn up a specific renovation strategy/policy. Subsequently, 9/20 corporations have indicated to focus on renovation (see COM#21,26), such as:

Ymere: *"Rather than demolition and new construction, we are opting for renovation and home improvement increasingly more often."*

Mitros: *"In the coming years, our focus will be on improving the existing housing stock to reach basic quality levels through renovation."*

Vivare: *"In the coming strategic period, the focus will, therefore, shift from investments in new construction to investments in existing construction."*

The observation that 14/20 corporations focus on renovation is striking as it is established in SQ1 that none of the twenty corporations mention renovation in the mission or vision.

A similar examination of the strategic directions has been conducted based on CorpoData[26] (see Figure 41), which has led to the following findings:

- Based on "Above average investment level," 10/20 corporations focus on maintaining the existing property, which has the strategic label of renovation;
- 12/20 corporations have a 'repelling' RE strategy and 8/20 have an 'increasing' RE strategy based on the forecasted stock change 2016-2020;
- Based on the results of 2015, 'focus on renovation' and 'focus on new construction' are evenly distributed.
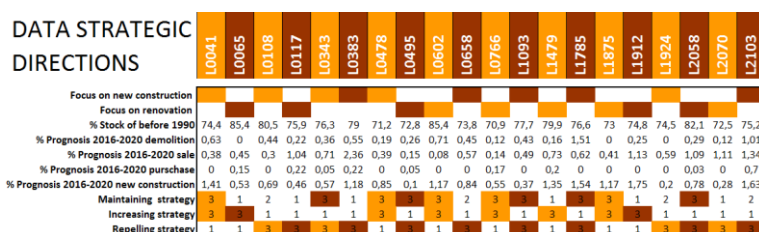

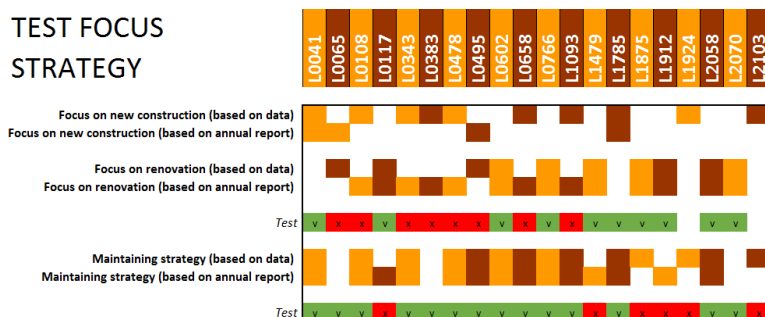Figure 41; Strategic directions, source: (COM#70,71,76,77,87-89,91,94)

Figure 42; Testing the strategic focus, source: (COM#48,90,91)

The analytical findings from the corporation matrix (Figure 39) have been offset against the available CorpoData (Figure 41) to test the research findings in Figures 42 and 43. This shows that in 2015, the realized focus on new construction/renovation of 10/18 corporations corresponds to the strategic focus found in the annual reports (COM#48). It also says that in 2015, 8/18 corporations (still) conducted policies that do not match the new strategy. Fourteen out of twenty corporations examined have a deviation of less than ten percent (COM#64) on the average maintenance costs[27] of

Dutch corporations. Of the fourteen, eleven corporations deviate more than twenty-five percent (COM#65). Compared to maintenance strategies found, this corresponds to data from the policy used in 2015 in 13/20 corporations. Side note of said findings is that the data provided is a snapshot. The achieved data of 2015 is not necessarily directly related to the planned strategy in 2015.

The observed growth strategy and forecast (CorpoData, 2015) matches for 10/15 corporations (Figure 43). Of the eight corporations that forecast a growth in number of houses (COM#69), this has been found as a strategy in the annual reports of 5 corporations (COM#50). In 4/12 corporations that forecast repelling for 2016-2020 (COM#75), this can be found as a strategy in the analysis (COM#50). Of the twenty corporations, there is one that claims to reduce but that indicates in the forecast to CorpoData to increase. An explanation for the differences above cannot be given with this research.
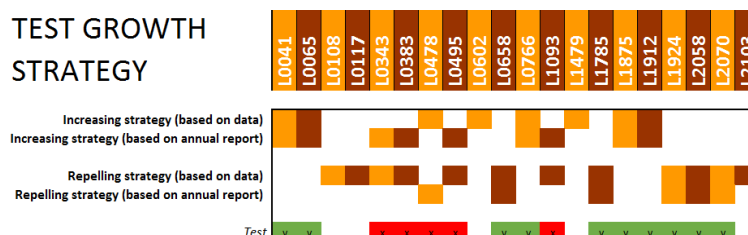

Figure 43; Testing the strategic growth, source: (COM#50, 90)

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[26] See explanation data inventory Appendix C3.

[27] See explanation Appendix C3.2.2.

Strategic direction

In the interviews, strategic directions have been addressed. Below are the most specific findings.

- Directions characterized as RE activities: "renovation, demolition/new construction, expansion of new construction, repelling property, acquisition of property of third parties, transformation of offices into homes" (MV#360)
- Main strategy defined with sales, demolition or continued exploitation, complemented with complex strategies like sustainability (NW#188)
- Direction appointed as exploitation term; "... by exploitation strategy twenty-five years, by exploitation strategy ten years, and research, sales, demolition" (NL#257)

Thus, corporations have corresponding labels, such as "continued exploitation" (NL#257, NW#188), demolition, sales, and new construction. It was striking that in the research, only one person (MV#360) explicitly indicated renovation as a strategic label. During the interview, it was later tested specifically whether renovation is a strategic policy at the corporation. From the reactions, 5/6 were positivee and one was a non-response.

INTERVIEW STRATEGY	Stichting Portaal MV#	Stichting Portaal 2 WD#	Stichting KleurrijkWonen AK#	Stichting Talis NL#	Stichting de Alliantie NW#	Mitros RS#
6.3. Do you agree the finding that your corporation is focusing on (maintaining, increasing or repelling strategy)?	Yes/No 398	Yes 331 347	Yes 284-290	Yes 284	Yes 193	- 318
6,4 Does this strategy statement fit with your image on the corporation?	Yes/No 368 370	Yes/No 339 357 359	- 323, 324	Yes 287-289	No 217 219	322 324
6.5. Is a renovation strategy defined in the company's strategic policy?	Yes 405	Yes 147 371	No 327 329	Yes 298	Yes 225	335 - 337
6.6. Data shows that your corporation has a focus on (renovation / new building), do you agree?	- 392 395	Yes/No 370-374	No 314	Yes 306	Yes 230	Yes 343 344

Figure 44; Responses to strategy findings

STRATEGIC DIRECTIONS	DIRECTION CORPORATION
MAINTAINING	Renovation, continued exploitation, strategy 25/10 years
INCREASING	Expansion of new construction, buying property of third parties, transforming offices into
REPELLING	Demolition/new construction, repelling property, sales, demolition

Figure 45; Testing strategic direction

Constatering strategische richting

The interviewees respond positively to the formulated strategic directions (Figure 38), supplemented with definitions and strategic labels of their own corporation. The strategic directions mentioned by interviewees have been divided over the strategic directions of this research in Figure 45. The strategic directions used (Question 6.4, Figure 44) match in 4/6 interviewees. It should be noted that some people are not familiar with CorpoData and particularly agree with the findings based on what they experience in the organization.

Test renovation focus

The strategic focus on new construction or renovation (Question 6.6, Figure 44) from the desk research has been tested among the interviewees. As expected, interviewees indicate that the data concerns a snapshot and that it is, thus, not a representative image of the strategy (MV#370, AK#317 among others). As mentioned in Appendix C3 the findings have been based on available secondary data. This could lead to further (historical) research or to more data requests by Aedes/CorpoData in the benchmark.

With the findings of strategic directions combined with strategic objectives from the desk research and interviews, the large stock of existing houses (SQ3), and the sustainability performance (SQ4), one can conclude that corporations shift their focus from new construction to making the existing stock more sustainable through renovation. WD endorses this: *"... so I think that renovation plays a very important role in our organization, maybe even more than we realize."* (WD#228).

As stated in C1.6.6, an unambiguous definition of renovation seems to be missing. WD (#193) indicates that the definition is dependent on job function/person. The interviewees too do not give an unambiguous definition of renovation. However, there are similarities in the formulations. For instance, (RS#164), (AK#154), and (MV#226) specifically identify value addition or quality improvement as a characteristic of renovation. NW (#84) prefers the legal framework that defines renovation as the moving of tenants. Additionally, several renovation levels are mentioned (MV#226, NL#133, RS#188), emphasizing in particular quality improvement by making the building shield more sustainable (RS#193, NK#131, AK#154, MV#405), which matches "to restore to a former better state (as by cleaning, repairing, or rebuilding)" from the literature study (see C1.6.6). It is remarkable that the distinction between planned maintenance (with improvement) and big maintenance is difficult to concretize (NW#86, NL#133). In conclusion, the used renovation definition from the research question is sufficient for this research.

3.6.5 Conclusion

The possible RE strategies for the exploitation of the existing RE portfolio is labeled by strategic direction: *maintaining*, *increasing*, and *repelling*. Underlying strategic labels are feasible (Nieboer, 2009, pp. 43-45). Renovation is part of the strategic direction of maintaining and includes adding (technical) value to the existing RE object to improve the living quality and building performance. From the interview responses, literature study, and desk research, one can conclude that renovation is not a strategy in itself but a policy form resulting from maintaining the existing stock. The forecast results for 2016-2020 (CorpoData, 2015) show differences with the strategies found in annual reports of twenty corporations.

Before implementing the new strategy, it should be tested. Nieboer assumes that the anchoring of the development of stock policy "*falls short*" (2009, p. 47) at various corporations. SQ7 looks for the testing methodology of a strategy and tests the strategy using the mission and vision, as assumed in the conceptual model.

3.7.1 Research methodology

In addition to the findings from the literature study, questions about strategy testing have been asked during the in-depth interviews. Based on the responses, a comparison has been made of the testing approach, which will be included as a recommendation in this research. The testing in SQ6 mainly includes data triangulation, but in SQ7, the testing includes the substantive findings.

3.7.2 Literature

Nieboer (2009, p. 49) has summarized the different process models into a shortened and generalized model (see Figure 27) for the strategic stock policy. Virtually every model contains a testing framework. Nevertheless, the strategy does not always happen as formulated (Nieboer, 2009, p. 47) or an appropriate policy is missing in the strategy (Ortec Finance, 2013). In view of the recent (negative) developments regarding housing corporations (Elsinga *et al.*, 2014), one can say that strategy and policy testing is often lacking or implemented in a mediocre way (De Jong, 2013). In accordance with the strategy models (Van den Broeke, Heeger, Eskinasi, Van Vliet), the testing occurs on the achieving of the organizational objectives; the conceptual model of this research has also been based on this.

The moment for implementation of strategy like maintaining (implementation of strategic renovation policy) is determined through established labels for RE complexes (Nieboer, 2009, pp. 7-39) and, as noted in SQ5, is influenced by subjectivity.

3.7.3 Desk research

In the annual reports and business plans, testing methods of the RE strategy have been searched for. No concrete testing methods have been found in the available documents. Since the organization's objectives, mission, and vision are testing according to the theory (SQ6 and C5.6), twenty corporations have been tested based on the topics from the missions.

Affordability and stock

Nine out of thirteen corporations that mention affordability in the mission have increased the affordable stock in 2015 (COM#108-109). Of the other four corporations, two have indicated in the 2016-2020 forecast to increase the stock, the other two have indicated to repel the affordable stock. These are remarkable contradictions.

Seven of the thirteen corporations forecast an increase in inventory, which corresponds to the affordability mission of the RE stock. Three of the thirteen corporations focus on affordability in the mission and reduce the overall stock but increase the affordable stock. Two of the thirteen corporations reduce both the total stock and the affordable stock.
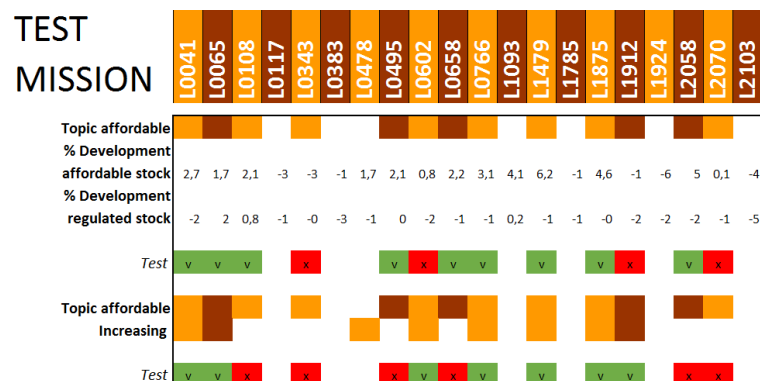

Figure 46; Mission topic affordable and affordable stock, source: (COM#90,108,109)

Region and repelling

Figure 47; Mission topic region, source: (COM#90)

The twelve corporations *focusing on region* forecast more demolition and sales for 2016-2020 (CorpoData, 2015). On the other hand, four of these twelve corporations increase the stock. These regional developments can be stimulated by the focus on the primary work area as a result of the new housing act.

Quality of living

The topic *focus on quality* is reflected in corporations with a focus on renovation, as noted in the annual reports. Because 10/20 corporations focusing on

Figure 48; Quality of living, source: (COM#48)

renovation have not included quality in the mission, there is no correlation between quality in the mission and the focus on renovation. Five corporations that focus on quality in their mission have been offset against renovation ("adding of quality" in SQ6). Four corporations also show this in the analysis.
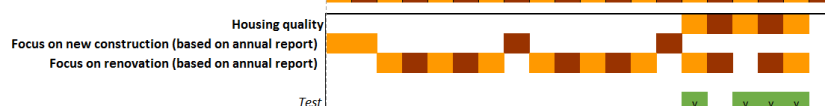
Topics tenants' judgment Aedes

Looking at the mission topics, corporations with affordability and/or (vulnerable) target groups in the mission seem to score at least a tenants' judgment of B or higher (Aedes, 2016F). In 2/20 corporations, the mission was not traceable; both corporations have a tenants' judgment of C (COM#107). Including more corporations when repeating this research can determine whether there is a correlation between the topics and tenants' judgments.
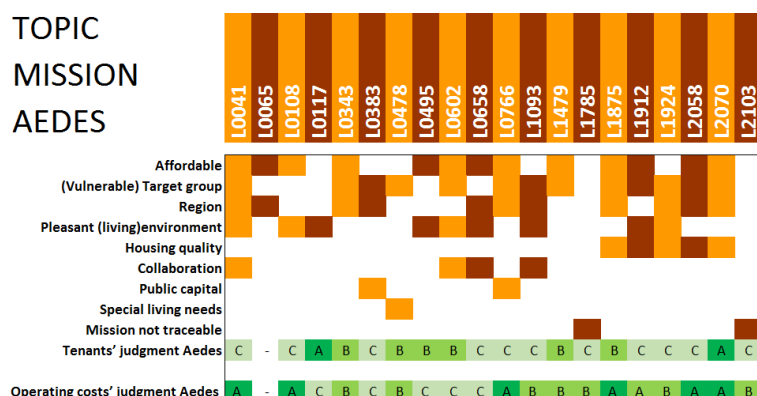

Figure 49; Tenants' judgment and mission topics, source: (COM#106,107)

Topics operating costs' judgment Aedes

The topics from the missions have been compared to the operating costs' judgment (Aedes, 2016F). It is striking that all the corporations with "*affordable*" in the mission have an A judgment. In addition, the corporations with an A judgment have included region and (vulnerable) target group (5/6).

Focus and financial performance

During the research, it became evident that the financial performances of the corporations cannot be compared to each other directly. Too many variables affect the numbers. In addition, the financial results relate to the past. To give an indication of rewarding strategies, the financial performance is examined compared to the renovation and new construction strategy, using the annual reports and financial results of 2015 (COM#111-113).


Figure 50; Financial performance and focus renovation/new construction, source: (COM#48,11-113)

Of the twenty corporations with a focus on renovation, eight have a lower LtV than average (<0.59), while the six corporations with a focus on new construction or non-traceable have a higher LtV. In terms of solvency and current ratio, no difference can be found
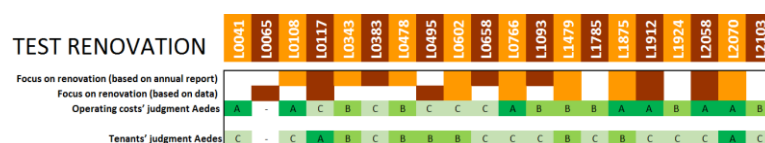
Renovation and WWS

The average WWS points of the RE portfolio of analyzed corporations have been compared to the focus on renovation. The average WWS points of the selected corporations are 145.7 and nationally 150.3. Given the spread of points, there is no correlation. Remarkably, the eight corporations that, based on data as well as analysis, focus on renovation have a high WWS score (3x >160).

Figure 51; WWS points and renovation, source: (COM#105)
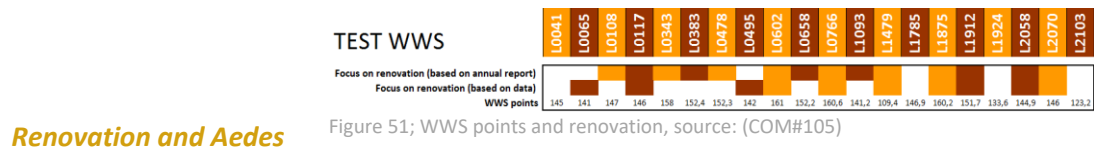
Renovation and Aedes judgment

Figure 52; Tenants' judgment and mission topics, source: (COM#106)

As a test, the financial rating and tenants' judgment of Aedes benchmark (2016F) have been compared to the focus on renovation. Of the corporations that focus on renovation based on data as well as analysis (8/20), seventy-five percent score a B or A (5/8) on operating costs. The tenants' judgment of these corporations concerns 2xA (the only A scores), 3xB, and 3xC. It seems that corporations with a renovation focus score better on operating costs and tenants' judgment. In order to generalize this result, the sample must be increased (Verhoeven, 2011, pp. 186-187).

3.7.4 Interviews

In the interviews, it has been verified whether corporations test a mission and vision before implementing the strategy/strategic policy, which is a test of the used conceptual model for this research.

Testing with mission and vision

Figure 53; Responses testing strategy

The interviews show that 6/6 (see Figure 53) of the interviewed corporations test the strategy based on the formulated mission and vision. However, the interviewees do indicate that one quite often deviates from the formulated strategy. The deviations arise from:

- Residents or neighborhood interests (NW#296)
- Strategy is not feasible from a practical point of view or other arguments (NL#347-348)
- Changes and developments that allow the strategy and policy to be adjusted in the meantime (AK356-363)
- Along the way, choices appear not to be the right ones (MV#529).

Testing using the mission means partly testing from one's own cognitive perspective (De Wit & Meyer, 2010, pp. 27-36). After all, it has been found that the correct interpretation of the mission differs (Harnish, 2015). Hence, a direct consequence is that the testing of the strategy using the mission differs per person. MV gives a relevant example: "*And of course, it is possible that you find out somewhere halfway that it is not clever how we are doing this renovation, but then we go back to the mission and*

vision, and we go back to the Board of Directors, and we say 'Board of Directors, we are going to do something different, for those reasons, and it matches the mission and vision this way'" (MV#529). With a little exaggeration, one can take from this that an inappropriate plan is adjusted in such a way that it fits the mission and vision again. Therefore, AK (#400) rightly states that the mission and vision go from coarse to fine, so a nuance is appropriate. RS (#366) also does not exclude that sometimes the wrong choices are made but this occurs less frequently due to the frameworks and parameters.

The question of whether the formulated strategy is actually implemented receives an affirmative response with the note that this is still in development or cannot be substantiated due to abstraction differences in the organization (see Figure 53, question 8.3). One can conclude that the mission will be used for testing, on outlines of the strategic policy.

Different testing methodology

The interviewees have been asked what test is used for the RE strategy. They all mention different testing methodologies/aspects used at one's own corporation:

- Return control for the necessary operations (NL#320)
- Financial continuity/feasibility (AK#367, 371-372)
- Quarterly test with prognoses (MV#497) using triangulation: supply and demand, financial resources, and technical state (MV#493)
- Matching the DNA of the organization (NL#339)
- There are developments to test the strategic policy on performances such as CO_2 footprint, EI performance, etc. (NW#264-266)

The tests above are not specific and appear to be implemented sporadically. Responses given relate mainly to testing after implementation of policy on complexes, among others (WD#424, RS#357, NL#318, NW#266). One could say that there is no standard for testing strategy prior to implementation. However, it is claimed that testing would be a continuous process and adjusted as needed, which is in accordance with the strategy models from the literature study. However, even there, the testing of the strategy seems to be done in a mediocre way (De Jong, 2013) or specific policy in the strategy seems to be missing (Ortec Finance, 2013).

3.7.5 Conclusion

Testing of the RE strategy is done based on the organization's goals, mission, and vision. This is evidenced by literature and interviews. The tests take place after implementation of the policy and is a continuous process. The emphasis seems to be on testing the performances delivered. Corporations implement the strategy as described in the strategic plan, according to the interviewees. However, deviations from the strategy have been found (at project level). From a test from the desk research, topics from the mission have been redirected to the corporation's strategy and tested.

The financial analysis in this research does not provide an unambiguous correlation between strategic policy and renovation. For this, there is not sufficient valid data on renovation and in-depth insight into the annual accounts of the corporations. Striking are deviations in the focus on affordability in the mission while reducing the affordable rental stock (3/13 corporations). Corporations with affordability or (vulnerable) target groups as a topic in the mission seem to get a better tenants' judgment in the Aedes benchmark (based on the twenty corporations examined).

Some corporations with a focus on quality in the mission have a focus on renovation in the strategy, but only in 5/20. There is no correlation between quality in the mission and the focus on renovation; this requires more quantitative and defined research.

How is the strategy of the real estate portfolio determined?

After analyzing different RE strategies, insight into the decision making for a strategy is relevant. This way, corporations can draw up the strategies that actually become policies.

3.8.1   Research methodology

From the literature and RE strategy models, the decision making has been established on a theoretical basis. The interviews make it possible to compare the decision making in practice. The decisions to be made regarding the strategies will be divisible on aggregation levels of portfolio management and asset management.

3.8.2   Literature

Formulating the strategy for the RE portfolio is an iterative process involving asset managers (NW#243), program managers (MV#441), and portfolio managers (WD#383). The various aggregation levels identify the market developments (SQ2 and SQ5) and provide advice for the strategy to be formulated (Van den Broeke, 1998), (Nieboer, 2009). RE and strategy labels provide direction.

3.8.3   Desk research

Similar decision-making models have been sought. The annual reports are public sources, but they have not proven to be the right source for establishing decision-making procedures or decision-making moments for the RE strategy. Therefore, the desk research does not provide a concrete answer for this sub-question. Subsequently, some findings are listed below:

- Assessments of social performance (COM#33-L0065);
- In the case of investment decisions, but also in the case of renovations and planned maintenance, Mitros assesses principles from the portfolio plan and financial performance in addition to technical necessity (COM#33-L2058);
- Assessment of return requirements, among others (COM#33-L0776).

Striking are some diverse securing methods with which the strategy is established, like the four-eyes principle (COM#33-L2058), RE marketing (COM#33-L0343), and WACC methodology (COM#33-L0108), which primarily protects the quality of data on the RE stock. In the annual reports and business plans, this seems to be described primarily for the transparency of organizational policy. Hence, choosing a strategy stems from an optimum in the complex planning, technical and social need, and the achievement of financial and social return requirements.

Renovation decision

Following the finding that renovation is not a strategy in itself but a strategic policy (SQ6), NW states that the renovation decision is high-level tactics, followed by complex approach (NW#251). MV (#441) also named this tactical interpretation. Aikivuori (1999) assumes that the moment for a renovation decision takes places from the technical-economic optimum (SQ5). Interviewees also indicate that they allow for the renovation decision to take place at a natural moment, in line with the maintenance cycle (AK#345), (NL#190). Here, the discussion arises of when it is maintenance and when it is improving planned maintenance (RS#181-183), which probably delays decision making. The high degree of subjectivity found in SQ5 also affects the renovation decision. The difficult balance of cost, time, and quality (C1.6.6) of the RE stock policy (MV#435) within the developing corporation context (SQ2) make decision making difficult and a continuously changing process (AK#363). In conclusion, this research does not result in a general zero point at which the decision to renovate is made.

In the desk research, two corporations indicate that decision making is postponed (COM#26-L1093 and COM#43-2058). These corporations state various reasons for the postponement;

- Postponed decision making by tenants;
- (municipal) objection procedures;
- Bankruptcy contractors, disappointing tenders;
- Incorrect estimates of project team.

A concrete answer for the postponement is not possible with these two corporations since these may be incidents rather than a standard cause.

3.8.4 Interviews

Interviewees were asked how, when, and by whom the strategy for the RE portfolio is being determined. The responses vary and are not always as relevant. During the interview, not enough follow-up questions were asked for the concrete answer or the interviewee could not give a concrete answer. Some relevant responses are:

- The RE manager determines the strategy (NW#243);
- The triangle of financial resources, developments target group/demand, and current ownership determines what you are going to do (MV#435-436);
- Ultimately, the Supervisory Board determines the strategy (WD#384);
- Five-year cycle of RE marketing based on annual forecasts (AK#343,348).

All in all, it is clear that corporations schedule (fixed) times to determine the RE portfolio strategy for areas from the RE portfolio. Here, input from the various aggregation levels is used and choices are made using strategy labels (Nieboer, 2009) (SQ6).

3.8.5 Conclusion

It is stated that there is no general zero point for the decision making regarding strategic direction or complex renovation. The decision making for the portfolio strategy depends on internal/external factors and has subjectivity at various aggregation levels. Determining the RE portfolio strategy often occurs at fixed times for areas and complexes from the RE portfolio using strategic labels. The choice for a strategy arises from an optimum in the complex planning and technical and social need, and it must meet various return requirements.

4 Conclusion

This thesis has looked for the answer to the question: *"What kind of real estate strategy do housing corporations have regarding the renovation of their real estate portfolio?''*

The corporation sector is greatly affected by the Dutch social housing sector becoming independent, such as reputational damage, dynamics and development of real estate/housing needs, and regulations. Despite the fact that these corporations have the core task of building, renting out, and managing social housing for low-income people, commissioned by the Dutch government, one cannot formulate a generalized mission/vision for the real estate strategy. With their own mission and vision, corporations guide the real estate strategy of the existing stock, which is influenced by external developments such as politics, demographics, and economics. The internal influences differ per corporation and include policies, objectives, real estate labels, and (subjectivity in) decision making (Aikivuori, 1999). The large stock of outdated 72.5% (non-sustainable) houses will have to be made sustainable in order to reach the average label B objective by 2020 (SER, 2013). The existing real estate stock thus influences the real estate strategy.

In this research, three strategic directions have been defined for the real estate stock (*maintain*, *increase*, and *repel*) as well as two strategic focuses (renovation or new construction). Renovation is a policy form for the existing stock (part of the strategic direction of maintaining) and it is not a strategy in itself. An unambiguous definition of *renovation* is missing in the sector. Adding (technical) quality to existing real estate is used as a guideline among the six interviewees.

Corporations use real estate labels to form the strategy and to provide policy for that (Nieboer, 2009). There is no zero point/momentum on which the decision for a strategic direction or choice to renovate the real estate portfolio is made. The strategy for the existing real estate portfolio is determined using portfolio analysis, (external) dependencies, and the strategic real estate labels used by the corporation, which is the optimum of the complex planning and technical and social need. The result must meet both financial and social return requirements.

With the implementation of the strategy, a test of the strategy is conducted based on the results of the strategic policy. The degree of performance by corporations (such as LtV, Aedes tenants' judgment, average WWS points) does not correlate with the strategic focus on renovation or new construction. Strategic testing takes place mainly based on the mission of the organization. The prognosis of the real estate stock for 2016-2020 (CorpoData, 2015) shows differences when compared to the strategies and objectives found in the desk research into the twenty corporations examined.

The conducted and forecasted policy with topics from the missions of twenty corporations examined based on a random sample has been studied. Of this, 13/20 corporations have included affordability in the mission; only seven of them expect an increase in the real estate stock. In view of the core task of making available affordable housing, this is contradictory. None of the missions examined mention renovation. The topic of focus on quality occurs in 5/20 corporations, of which four corporations have been found in the desk research to have a strategic focus on renovation.

In conclusion, one can say that;

There is no clear real estate strategy for the large existing stock, but there are three strategic directions: maintain, increase, and repel. Renovation is a strategic policy that achieves quality improvement and better sustainability of the existing real estate portfolio. The strategy of corporations is strongly influenced by the government's vision and regulations in the social housing sector. The large existing and outdated real estate stock and Europe's sustainability objectives make better sustainability through renovation an important strategic policy for corporations. The strategy decision making is being scheduled, but despite real estate/strategy labels and testing in terms of mission/vision, decision making is subject to subjectivity at various aggregation levels in the corporations.

5 Discussion

This chapter briefly summarizes the limitations, reliability, and validity of this research.

5.1 Limitations

This research has some limitations that must be observed when reading the conclusion.

- The research results from the corporation matrix cannot be generalized for all Dutch corporations. The random sample is too small for this (Verhoeven, 2011, pp. 186-187) and the variables depend on too many factors.
- The annual reports and business plans analyzed have been offset against the results of 2015 CorpoData. Since strategy requires implementation time (Ten Berge & Oteman, 2004, pp. 210-213), and renovation and new construction plans have a preparation and implementation time of > 1 year, the strategy cannot always be deduced in the CorpoData, a limitation of SQ6. As older CorpoData does not contain enough data, it has been chosen to stay consistent and to use recent data as much as possible.
- Because this is not a case study, the internal aspects of the corporation organization have only been included in the dependencies (SQ4) and the influences (SQ5) on the sector/RE strategy/RE portfolio to a limited extent. However, these do have an influence on the strategy formation (Ten Berge & Oteman, 2004, pp. 51-59).
- Determining the strategic focus on renovation or innovation is based on personal findings and analyses of available secondary data. This limits the validity of the results, but research must start somewhere. By observing a research approach and starting point for the data, findings and conclusions have been drawn from the perspective above.

5.2 Reliability and validity

- The analyses of the annual reports and business plans have been identified by the researcher and findings have been established. Despite the structured way of identifying (see C2.6.3 and Appendix C3), qualitative research remains subject to personal interpretations. The corporation matrix has been built in an exploratory way (Verhoeven, 2011, p. 300); during the research, a structure in the data has been found. Through the structure of the corporation matrix, the observing, identifying, and analyzing are replicable (Baarda, 2009, pp. 144-145) (Verhoeven, 2011, p. 146), which enables verification of this qualitative research.
- The strategy models examined by Nieboer in 2009 stem from a period of before the parliamentary inquiry and further technological developments. It is possible that parts of the strategy models are outdated. However, the depth and scope of Nieboer's research and the many references to Nieboer make his research results a reliable and acceptable starting point.
- The validity of CorpoData is high, but the interpretation method in this research to use this qualitative data is debatable mainly for the data establishing of focus on renovation and new construction, and the focus on maintenance.
- In relevant parts, the results/findings have been compared with each other, generating data triangulation between literature, desk research, and interviews (Baarda B., 2009, pp. 137-139).
- The fact that interviewees are not all aware of the missions, visions, and organizational results means that conclusions such as strategic directions, renovation policies, etc. cannot be generalized for the specific corporation.
- The annual reports and business plans used are files made publicly available by the corporations. It is very likely that the information provided in these documents is reliable. However, it cannot be excluded that corporations do not publish certain data. Therefore, the

corporations that have not published the business plans publicly were not asked for them so that they could delete relevant or sensitive information in advance.

- The fact that annual reports and business plans do not specifically address the strategy's testing method (SQ7) or the decision-making process (SQ8) does not mean that there is no concrete testing method or decision-making process in the corporations.
- The interviewees did not give a concrete answer to the question of how, when, and by whom the strategy for the RE portfolio is being established. Due to the lack of this input, there is no substantiated answer to the assumption that corporations postpone strategic decisions.
- The six main factors of the conceptual model are only tested among interviewees and are, thus, not generalizable for all corporations. This can be determined by a Delphi survey among all corporations (Baarda, 2009, p. 41). This also applies to the found dependencies on the RE strategy of SQ4, C3.4.5.

5.3   Objectives

In C2.3, two research objectives have been established:

1. Determine what strategy corporations have for the renovation of the existing RE stock.
2. Establish a methodology for assessing the strategic models of the RE portfolio.

Below, it is briefly discussed whether this research has met these objectives.

Objective 1

As mentioned before, a clear RE strategy for the existing RE stock is missing and renovation is a strategic policy to achieve quality improvement and more sustainability. With this finding, the objective has been met.

Objective 2

The corporation matrix allows corporations to filter relevant parts from their annual reports and business plans and to use them as a test for the realization/forecasted RE portfolio objectives. The three strategic directions (*maintain*, *increase*, and *repel*, derived from the Tracy and Wiersma model, see Figure 54) guide the corporations in the testing of their strategy model at the main level of RE priority where the corporation wants to position itself. This way, corporations can propose a strategy themselves with which the housing corporations can develop, renovate, and manage their RE portfolio.
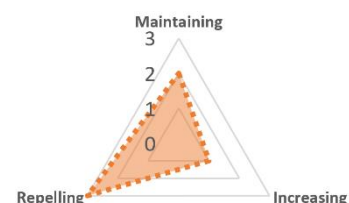

Figure 54; Positioning of strategic direction

6 Recommendations

Based on the conclusions of this qualitative research, the recommendations below have been made for renovation in the strategy formation and further (specified) research.

6.1 Recommendations for the sector

- When Aedes/CorpoData explicitly defines renovation in its corporation benchmark, corporations can provide consistent data on it. This can lead to further insight into the performance of corporations offset against renovation policy.
- Asset managers must assess the feasibility of strategic plans in advance. Here, it is important that asset managers truly understand the strategy, mission, and vision. This is consistent with the Van den Broeke model.
- Corporations could improve the unprofitable top with new earnings models (such as tenant participation, cash flows from energy transition on the roofs of RE, etc.) with renovation compared to demolition/new construction projects. Consequently, not only project returns will be increased; so will the social return due to satisfied current tenants.
- With current political policies, corporations are not allowed to be between social rent and "expensive" rent. As there is a demand for that, the sector/politics could see whether corporations can meet this demand under certain conditions.
- The performance agreements aim for improvement of the collaboration between corporations, municipalities, and the government, but these postpone and complicate the strategic process too. Concrete collaboration is essential regarding "agreements on paper."
- Corporations should make renovation as strategic policy concrete in order to meet the sustainability objectives for 2020 and to make this known throughout the organization. In view of the sustainability of housing, energetic renovation of the existing stock is an effective and circular way of making the entire RE portfolio more sustainable.
- Frameworks for renovation (quality improvement, lifespan extension etc.) could be established to facilitate the decision-making process. However, this is subject to subjectivity. It should also be avoided that the frameworks lead to more bureaucracy in the sector as this leads to delays in decision making.
- This research has focused on corporations' strategy. The RE strategy of commercial RE companies has not been included because it has different external dependencies and influences. For the corporate sector, this could provide new insights.

6.2 Recommendations further research

- For more validation of the research results, the identifying can be performed with the corporation matrix among all 364 corporations in the Netherlands. At the same time, one can verify the statement that RE strategy formation in large corporations takes place in a more extensive way than in small corporations.
- With the insights from the iterative research process for the corporation matrix, a focused survey on renovation strategy can be held among all corporations. This yields a quantified image of renovation strategy. Corporations can fill out on which strategic axis/direction of increasing, repelling or maintaining they position themselves. This can then be tested with CorpoData.
- Examine why the forecasted housing stock (delivered to CorpoData by corporations) sometimes deviates from the strategies found in annual reports.
- Further research into the organizational models of corporations (such as structure, style, shared values, etc.) should provide insight into the internal influences on strategy formation.
- The performance agreements (Companen research (2016)) could be compared to the strategy of corporations to investigate to what extent the municipality and tenants' organization have an impact on the corporations' strategy with performance agreements.
- Comparing case studies into planned strategies from the past to the actual achievements can provide insight into the success of the strategies mentioned.
- A discussion paper from Albert Dreimüller *et al*. (Innovative RE Management research group) also includes the position of "back to the core task" (CpeW, 2015). They have developed the "management corporation" model. With this model, housing corporations "own the houses and make strategic decisions about purchase, sale, price, and quality, but entirely outsource the renting-out, construction, and maintenance processes to market participants" (Dreimüller *et al*., 2013). This organization form has not been addressed in this research but may lead to new insights.
- Examine the assumption that many (strategic) decisions are postponed by corporations quantitatively and find out why this postponement arises so that decisions can be made more effectively in the future.
- If forty-four percent of the decisions are made based on subjectivity, how can this subjectivity be influenced positively or eliminated?
- To verify the focus on new construction and renovation, it is interesting to offset the findings from the analysis against the CorpoData from 2016-2017 in two years. This way, implementation time of the proposed 2015 strategy has been considered and it can be tested whether renovation as strategy policy correlates with the maintenance costs, tenants' judgments, and financial performance of corporations.

7 Acknowledgments

Thanks to everyone who has publicly published literature, reports, research results, and the like. In addition, I would like to thank the following people who have made this thesis possible, each in one's own way.

R. Palstra

M. Veldman

M. Grimmelikhuijzen

C. van Dillen

J. van den Bos

S. Massi

N. van Wijk

A. Koek

B. van den Bos

F. van Vliet

J. de Windt

W. Debets

D. van den Bos

A. van de Stroom

G. Steverink

A. de Graaf

G. den Holder

R. Sierink

N. Klein Lankhorst

N. van Vuurde

THANK YOU M.G Chris

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9 Definitions

Appropriate matching

Social housing has a rental price below the liberalization limit of € 710.68 per month (MBZK, 2015). Because this rent is still far too high for the target group, corporations must adjust to income levels to ensure that there are no people living in these houses with a too high income skew and to keep homes affordable. Depending on the family composition, the rent drops to €575,78 and €618,24.

Asset Management

Asset management gives an assessment of the individual projects (e.g. housing complexes). Analyses of key figures per complex usually play an important role (Van Driel, 1998). Following analyses, decisions are made about the approach of the RE objects, such as the choice between keeping or repelling and possible building-engineering operations as renovation. Acquisition of projects (through development or purchase) is part of asset management.

Capping limit

The capping limit is the maximum rent to be eligible for rent allowance. If the rental price exceeds this threshold, your rent allowance will be "canceled" or reduced. This limit is dependent, inter alia, on single or multiple households. A fee of up to 65% of this amount will be granted up to the liberalization limit.

Consent of tenants

For the refurbishment of houses, the landlord must ask permission from the tenant. In the case of complex renovation, seventy percent permission from the tenants is required for the renovation. It is clear that there are several factors that affect the tenants to give permission for the renovation work. In addition to the possible inconvenience during the renovation, the tenant's personal objections, the contact history of the tenant with the housing corporation, and the rent increase are an important resistance factor. When a house has been improved after the renovation, (the house has a higher score on the rental point valuation system), there is often a higher new rent for the tenants. The new rent for a social housing house (non-liberalized rental house) may not exceed the maximum rental price stipulated by the government. According to Mr. Hakvoort[28], a rent increase is the main reason for tenants to resist the renovation.

Energy Performance Compensation (EPV[29])

If a house is an energy neutral or zero-on-the-meter property, corporations may request a reimbursement from the tenant. This is based on the 'no more than now' principle. The idea is that the energy costs consumed will be used to pay a part of the renovation. As a result, the tenant will not have higher living expenses on the balance.

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[28] From a meeting with Mr. K.J. Hakvoort, who is an experienced residents' consultant and who conducts the support tests for various housing corporations in the Netherlands.

[29] In Dutch EPV.

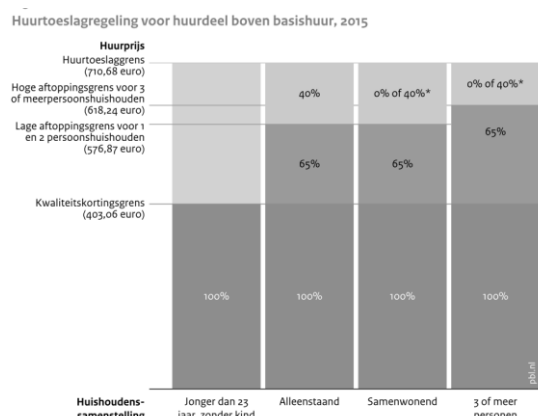Rental rates up to € 710,68. Houses above that limit are not social housing.

Figure 55; Rental allowance overview, Source: (Aedes , 2014), adjustment PBL

Portfolio analysis

Portfolio management considers internal and external influences in portfolio analysis. Methodologically, links are made between the financial performance or the market position of RE complexes and the basic strategy of the organization to follow, based on marketing theory.

Portfolio management

Portfolio management deals with the allocation of funds to be invested in different forms of investment (stocks, government loans, bonds, RE, liquidity, etc.). For corporations, this social housing is RE and activities in SDEI. It is also decided what the desired composition of the (RE) portfolio is and in which RE portfolio the corporation will invest operationally.

Property management

Property management focuses on the day-to-day management of the projects, such as maintenance (mutation maintenance, complaints maintenance, scheduled maintenance, service maintenance), establishing contracts with tenants, rent collection, marketing and customer contact.

Quality Reduction Limit

Rental rates up to € 403,06. This concerns the first piece of rent allowance for which the tenant receives 100% compensation through the rent allowance.

Relocation allowance

A tenant is entitled to a removal fee of € 5.857, if the renovation is such that the residents cannot live in the property during the work. This fee weighs heavily on the budget of a renovation project. One could say that housing corporations try to avoid the relocation allowance by identifying the renovation as "*maintenance"* and letting people stay in the houses when implemented (rijksoverheid, 2014).

Rental allowance

A surcharge paid to tenants by the tax authorities, in proportion to their income. Each tenant pays a standard rent (also basic), for which no fee is payable. For the rent costs between the standard rent and the quality reduction limit, the tenant receives a 100% surcharge from the tax office. 75% of the rent is covered by the rent allowance from the quality reduction limit to the retirement limit.

In addition to making available affordable social housing, corporations still have a number of core tasks. These tasks have been appointed as a service of general economic interest (SGEI).

Social property; permitted to a limited extent, provided in the rental area of the corporation;

Viability; Corporations must be aligned with the immediate environment and the municipalities;

Durability; Improvements to own tenants.

Other activities must be left to market parties, such as realizing more expensive rental housing to get a mixed income composition in a restructuring district. In the absence of third parties, corporations may organize this, provided that the performance test (MBZK, 2015, p. 3) is obtained. This is striking because corporations must meet a return on investment, such as commercial RE companies.

Skewed income-to-rent ratio

Skewed income-to-rent ratio means that tenants live in social housing while they have a higher income than > €34.299,-. The government is attempting to address this group of tenants by implementing targeted rent increases and encouraging them to move to more expensive rental homes or to an owner-occupied house.

Unprofitable peak

An unprofitable summit means that housing corporations receive less rent for the home than it costs to build, maintain, and manage the property. The unprofitable sum is the production-dependent portion of revenue needed to achieve the net present value of an investment at zero. This unprofitable sum is calculated using the cash flow.

WSW

Corporations have a mutual insurance company, the WSW, which allows them to borrow more cheaply and help each other with financial problems. The WSW provides a guarantee for repayment of loans. In case of financial problems, the Central Housing Fund raises funds from all corporations (reorganization support). If that is not enough, the WSW also has funds available for repayment of the loans. In extreme cases, the Government and municipalities provide interest-free loans to the WSW.

WWS

The rental price that corporations may request is determined by the Home Rating System of the Housing Valuation System (WWS), (MBZK, 2015), (Blok, 2015). The points system determines the quality of a rented house at which the maximum rental price is calculated (MBZK, 2015).

In order to clarify the research question, the underlined words in the research question have been defined.

Housing corporations

Distributors of social housing in the Netherlands. Aspects have been made for housing corporations in urban areas with a property portfolio of > 5.000 rentable units.

Real estate portfolio

The property portfolio consists of the composition of the property of the housing corporation. Often composed of different types of homes with different (technical) achievements, qualities, for different target groups in different regions.

Real estate strategy

The property portfolio consists of the composition of the property of the housing corporation. This usually consists of different types of homes with different (technical) performance and qualities. It can be assumed that corporations have formed a strategy in their mission/vision, which will be further developed as strategic stock policy. This strategy depends on internal and external factors (Ten Berge & Oteman, 2004) and the performance by asset managers (Nieboer, 2009).

Renovation

In this investigation, the renovation is seen as technical modifications to the existing property object, which makes living quality and building performance suitable for another thirty years of moving operations.