Workshop 17 - Housing Renewal and Maintenance

Government regulation versus market orientation in social housing management

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Limitations and opportunities for European and Australian landlords

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Abstract

In the past ten to twenty years, governments in various countries have introduced or reinforced market principles in their housing systems. As a consequence, social landlords should have increased opportunities to adopt a more market-oriented approach towards the management of their housing stock. Nevertheless, in many countries governments still have a substantial influence on the social rented housing sector. In this paper we analyse the influence of statutory regulations on the management of the social rented housing stock in four European countries and in Australia, in order to assess to what extent these regulations help or impede the development of a market-oriented asset management. We carry out this analysis in four areas: rent setting, sale of dwellings, allocation of dwellings to tenants, and maintenance and renewal. After an explanation of the term ‘market-oriented’ in relation to asset management, we describe government restrictions to social housing management in the countries under consideration. We go into current policies and their implications for asset management. We analyse the room for a market-oriented policy and the extent to which this kind of policy has become common among social landlords.
1. Introduction

One of the fundamental issues in housing policy and research has been to find an appropriate balance between government intervention on the housing market on the one hand and operation according to principles of the ‘free market’ on the other. Traditionally, housing markets in many European countries have been subjected to government intervention. Particularly in welfare states, governments have used a combination of measures such as rent control and subsidisation to regulate or stimulate the housing market. Dieleman (1994, pp. 448-449), for example, points out that government intervention is “grounded in the widespread conviction that this commodity cannot be efficiently and fairly allocated by the market process. According to this view, the provision of housing through the market inevitably leads to polarisation of housing services. Market forces leave an unattractive rental sector in their wake with high rents for sub-standard housing”. In spite of its ‘noble’ objectives, government intervention can be criticised as well. Campaigners for a free market will argue that government intervention can have a disturbing influence on the balance between supply and demand. Subsidisation can lead to inefficiencies in the production process and (therefore) to a higher cost price of services. Rent control can have a negative effect on the production of dwellings (De Geus & Geurts, 1996). Thus, the role of government intervention in economic theory is to attain a balance between economic efficiency and social equality (Barr, 1998).

During the rise of neoliberalism in the 1980s and 1990s (Peck & Tickell, 2002), many western countries saw public housing shift away from government control and towards market forces. This was often coupled with reduced levels of government support, a growth of the owner-occupied sector, and greater independence of social landlords from the government (e.g. Priemus, Dieleman & Clapham, 1999; Walker & Van der Zon, 2000; Priemus & Dieleman, 2002). In many Eastern European countries, the abolition of the communist system was followed by a large-scale privatisation of the housing stock, primarily through sales to occupiers. The changes in Western Europe and Australia have been less radical. Nevertheless, here too the predominantly neoliberal politics has imposed a greater requirement on social landlords to consider financial risks and the associated present and future market position of their dwellings (Priemus, Dieleman & Clapham, 1999).

So, it can be assumed that reduced government intervention leads to an increased market and financial pressure on the social housing sector. This, in turn, may cause a higher degree of market orientation and business-like behaviour in the sector (see Figure 1). In a highly regulated and financially supported social rented sector, these incentives are much less prominent, because in that situation the market risks are born by the government.

**Figure 1** Assumed relationships between financial/regulatory independence of the social housing sector and market orientation

While the bulk of literature on housing policy, regulations and intervention is focussed on macro-economic level and new housing developments, little attention has been given to the impact of (national) housing policies on the individual landlords’ management of the existing stock. Stimulating adequate management of the existing stock is, however, of growing importance, since new developments are less than 1% of the existing stock in many countries (e.g. Gruis & Nieboer, eds., 2004). This paper on the management of social rented housing, assuming that this is substantially influenced by government regulations, despite the political emphasis on market forces. This opens the question, to what extent government regulations (still) restrict the opportunities for social landlords to adopt a market-oriented approach. In addition, it is relevant, to which extent social landlords actually develop a market-oriented policy: do social landlords use their (new) autonomy to develop a market-oriented policy? In this paper, we address these topics in relation to the asset management of social landlords, which we define as all activities that social landlords undertake to attune their housing stock to market
demand and their social objectives (Van den Broeke, 1995, p. 20). The main questions in this paper are as follows:

1. To which extent do government regulations (still) impede the development of a market-oriented asset management of the existing housing stock in the social housing sector?
2. To which extent can a tendency towards a more market-oriented asset management of the existing housing stock be observed in the social housing sector?

The paper is structured as follows. First, we outline how the research was set up and was carried out. Then, we describe how the term ‘market-oriented’ should be understood in this paper. After this, we go into the national context and the government regulations, and their effect on asset management. Subsequently, we deal with the extent to which a tendency towards a market-oriented asset management can be observed in reality. Finally, we present our conclusions.

2. Research method

In order to answer the research question, we use an own study on asset management of social landlords in eight European countries and Australia (Gruis & Nieboer, eds., 2004). The countries that were included in the study were Australia, Belgium (specifically, the Flanders region), Denmark, Germany, the United Kingdom (specifically, England), France, Latvia, the Netherlands and Austria. The choice of these nine countries was mainly motivated by the desire to include West European countries in the international comparison. The availability of authors was another factor. Australia was included because a previous study by Larkin (2000) had shown that interesting developments in this research area are taking place there. Latvia was included as an example of the situation in many East European countries, and of the implications of post-communist policy in these states.

In each of the countries studied, we found authors who were prepared to shed some light on the situation in their respective countries. The individual country descriptions are formulated according to a fixed structure. The purpose of this is to derive results that are more or less unequivocal, and which therefore lend themselves to comparison. In this structure, consideration is naturally given to the housing stock policy systems that were encountered. It also addresses the regulations that affect a landlord’s scope for establishing his own housing stock policy (for example, whether landlords in the social sector are permitted to sell housing, or whether they are permitted to allocate housing to people in higher income brackets etc.). The primary study methods were a literature survey and interviews with experts.

In this paper, we concentrate on five selected countries, allowing to use data not only from this study, but also from an additional literature search. The selection of these countries is based on the following criteria:
- there are sufficient literature sources available for the authors of this paper about the countries concerning both government (de)regulation and (market) behaviour of social landlords;
- the selection of countries encompasses a variety of national housing systems.

In order to meet the second criterion, we use the classification of housing systems of Kemeny (1995, 2001) and that of Esping-Andersen (1990), in the sense that all classes of countries that they distinguish are represented in the selection.

Kemeny distinguishes a unitary and dual rental housing market (Kemeny, 1995, 2001; see also Kemeny, Kersloot & Thalmann, 2005). Kemeny takes the view that, in a dual system, government regulation substantially shields the social rented sector from market influences. Allocation is based on demand and need, for households that would otherwise stand little or no chance of finding accommodation in the other sectors of the housing market. This usually means that we are dealing with a government-dominated social rented sector, which is largely or solely reserved for those in low-income brackets. Australia, Belgium, the United Kingdom and France all have a dual system. A unitary system, on the other hand, is characterised by a common rented housing market, in which social and commercial sector landlords compete with one another, and by a situation in which the social housing market is only shielded from the commercial rented housing market to a limited degree. While some landlords might be inclined to focus on certain income groups, social and commercial sector landlords can rent their properties to a broad target group. They are also permitted to build housing for a broad target group. The Netherlands is a clear-cut example of a country with a unitary system. Systems of this kind are also seen in Denmark, Germany and Austria. As a result of greater freedom of policy, diversity of housing stock, and emphasis on competition with other landlords in the housing market,
we assume that a unitary market will be more likely to give rise to a market-oriented asset management.

Esping-Andersen (1990) distinguishes three types of welfare regimes: a liberal type, a social-democratic type and a conservative or corporatist type. This classification is relevant because it deals with the extent and the nature of the government intervention in society. The types can briefly be described as follows:
- liberal welfare regime: emphasis on market forces and self-help, limited government intervention (examples: United Kingdom and Australia);
- social-democratic welfare regime: emphasis on a high level of social services for a broad public, financial solidarity between citizens (examples: Denmark, the Netherlands);
- conservative or corporatist welfare regime: emphasis on collaboration between government and non-governmental organisations (examples: Belgium, France, Germany and Austria).

Although Esping-Andersen’s typology is not based on characteristics of the housing sector, there are several parallels, which have given rise to attempts to relate the types of welfare states to types of housing systems (e.g. Barlow & Duncan, 1994; Balchin, ed., 1996; Doling, 1997; see for an overview Matznetter, 2002).

A selection of countries that meets both criteria of literature availability and variety of housing systems is formed by the United Kingdom (we concentrate on England), France, the Netherlands, Australia and Germany. We select these countries for this paper. It must be noted that this selection is obviously far too small to examine adequately the relationship between the type of country according to the classifications of either Kemeny or Esping-Andersen on the one hand and market behaviour of landlords on the other. The classifications have served to obtain a reasoned variety of countries (see Table 1).

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of rental market</th>
<th>Type of welfare state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>dual</td>
<td>liberal</td>
</tr>
<tr>
<td>Germany</td>
<td>unitary</td>
<td>conservative/corporatist</td>
</tr>
<tr>
<td>France</td>
<td>dual</td>
<td>conservative/corporatist</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>unitary</td>
<td>social-democratic*</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>dual</td>
<td>liberal</td>
</tr>
</tbody>
</table>

* Some publications classify the Netherlands as a corporatist state (e.g. Burgers, 1996) or criticise Esping-Andersen for neglecting the corporatist elements in the Dutch welfare state (e.g. Harloe, 1995);

3. What is market-oriented?

Asset management is concerned with fulfilling a housing demand by offering a housing supply. In that sense it is market-oriented by definition. However, social housing has traditionally been provided through ‘bureaucratic’ mechanisms (government regulation and subsidies) and not by market forces.

In general, literature on strategic planning emphasises the need of an analysis of a company’s own strengths and weaknesses in relation to the opportunities and threats in their (market) environment in support of strategy formulation (e.g. Aaker, 1998; Kotler, 1997; Bryson, 1995). In the private sector, strategies are based on an analysis of the market position of the products, market prospects and – in general – opportunities to earn money. In the ‘classic’ portfolio analysis, designed by the Boston Consultancy Group, cash-performance is crucial in the analysis of business units (see Ansoff, 1984). In analogy with commercial practice, a market-oriented landlord can be expected to place more emphasis on analysing market demand and opportunities. Important decision-making factors in strategy formulation will be current lettablety, future market expectations, financial return and opportunities for sale. A wide range of strategies will be considered and applied: diversification of the price and quality of dwellings within the portfolio according to housing demand will be a central theme in asset management.

In this paper, we regard a market-oriented landlord as opposed to a task-oriented or responsive landlord, whose focus is mainly on fulfilling ‘traditional’ social housing tasks: letting decent, affordable dwellings. This distinction between task-oriented and market-oriented is somewhat comparable to the distinction made by Miles and Snow between ‘Defenders’ and ‘Prospectors’, which they characterise as follows: ‘Defenders are organisations which have a narrow product-market domain. Top managers in this type of organisation are highly expert in their organisations limited area of operations but do not tend to search outside of their domains for new opportunities. As a result of this
narrow focus, these organisations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead they devote primary attention to improving efficiency of their existing operations. Prospectors are organisations which almost continually search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, these organisations often are the creators of change and uncertainty to which their competitors must respond” (Miles and Snow, 1978, p. 29). Of course, it should be acknowledged that the specific characteristics of social landlords and (government) regulation of the social rented sector do not allow social landlords to behave like commercial enterprises. They are for example restricted to offering (social) housing and (hence) financial return is not their primary objective. Nevertheless, within these boundaries, increased market orientation can have benefits for social landlords as well. Market orientation can help social landlords to realise a portfolio that is effective (in meeting housing demand and tenants’ preferences) and economically efficient (using ‘cash cows’ to finance the core social housing stock).

The occurrence of market orientation can be reflected in the various activities of social landlords’ asset management: rent (increases) will be related to the quality and market position; allocations, maintenance and renewal activities will take market demand and tenants’ preferences into account and landlords will have an active sale policy to generate financial income and meet housing preferences.

It can be argued that an adequate market orientation involves a systematic exploration of market developments and a systematic translation from these developments into asset management decisions. It that case, a professionalised asset management can be seen as a condition for a market-oriented asset management. In this paper, however, we regard market orientation as an attitude, in which market demand and market opportunities are seriously and repeatedly considered, whether or not in a systematic or otherwise rationalised way. Market orientation can be based on subjective knowledge and experience, and intuition. Thus, it can occur without any systematic approach.

4. Government regulations concerning asset management

A landlord’s freedom to develop his own housing stock policy is, of course, substantially dependent on the regulations. Stringent rules concerning the setting of rents, allocation and sale can impose considerable restrictions on a landlord’s freedom to set policy (see Table 2). For social landlords to be able to pursue a market-oriented approach towards their asset management, they need a certain degree of freedom within their operations:
- landlords need to have some freedom in their rent setting to be able to adjust the price to the quality;
- landlords should be allowed to allocate a certain amount of their dwellings to higher-income households in order to prevent stigmatisation and to optimize the allocation of financial means;
- landlords should have possibilities to sell of some of their dwellings to meet household preferences and to generate additional financial means;
- landlords require freedom in their investment allocation for maintenance and renewal. They must also have financial elbow-room to be able to invest in their properties.

Table 2 Potential restrictions for asset management through government regulations

<table>
<thead>
<tr>
<th>Field/ domain</th>
<th>Potential restrictions to asset management</th>
</tr>
</thead>
<tbody>
<tr>
<td>rent setting</td>
<td>rent or rent increase is statutorily maximised</td>
</tr>
<tr>
<td>allocation</td>
<td>homes must be allocated to specified target groups</td>
</tr>
<tr>
<td>sale</td>
<td>sale is forbidden or, on the contrary, obliged</td>
</tr>
<tr>
<td>maintenance and renewal</td>
<td>obligatory quality standards</td>
</tr>
</tbody>
</table>

We examined the regulation of the social rented sector in each of the fields mentioned in Table 2. We also examined various characteristics of the social rented sector. These included its relative size and position within the housing market as a whole, the average size of the housing portfolio per landlord, the numerical relationship between public law and private law landlords and the financial position (solvency). Several sector characteristics have been included in Table 3. This is followed by a consideration of the regulations pertaining to the individual domains mentioned in Table 2.
Table 3 Various characteristics of the social rented sector in the selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Social rented sector share (+ reference year)</th>
<th>Type of property owner/legal status</th>
<th>Average number of housing units per landlord</th>
<th>Unitary or dual rented housing market?</th>
<th>Solvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>6% (2002)</td>
<td>States (79%) 'Community Housing Organisations' (CHOs, 5%) and four other types of landlords</td>
<td>states: 45,400</td>
<td>dual</td>
<td>weak</td>
</tr>
<tr>
<td>Germany</td>
<td>14% (2002)*</td>
<td>In theory, everyone, in practice almost always local authorities and cooperatives</td>
<td>2,200</td>
<td>unitary</td>
<td>various</td>
</tr>
<tr>
<td>England</td>
<td>19% (2002)</td>
<td>Local authorities (60%) and housing associations (40%)</td>
<td>10,200 or 800 respectively</td>
<td>dual</td>
<td>various, some landlords in danger zone</td>
</tr>
<tr>
<td>France</td>
<td>20% (1999)</td>
<td>Public sector landlords (provincial and municipal) (OPHLMs, 22%), semi-public landlords (provincial and municipal) (OPACs, 26%), private housing corporations (40%) and another two types of landlord</td>
<td>OPHLMs: 5,600; OPACs: 12,800; private housing corporations: 5,700</td>
<td>dual</td>
<td>usually weak</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>35% (2002)</td>
<td>Almost exclusively housing associations (99%)</td>
<td>4,200</td>
<td>unitary</td>
<td>generally good</td>
</tr>
</tbody>
</table>

Source: Gruis & Nieboer (eds., 2004); the percentage indicated with * is from GdW (2004), this percentage refers solely to social rented housing owned by private investors and other private housing companies.

The extent of government control and, consequently, the opportunities for market orientation in housing asset management vary from country to country. In the following sections we give an overview of the government restrictions and their implications in the following consecutive areas: rent setting, allocations, sales, and maintenance and renewal. Our descriptions of policy and practice in various countries are based on Gruis and Nieboer (eds., 2004), with exceptions noted.

4.1 Rent setting

**Government regulations**

In almost all countries, rents are strongly regulated by the central government (see Table 4). In all the countries studied, there is some room for landlords to differentiate their rents (although in Australia only in case of higher-income tenants), but this is considered to be small.

Table 4 Rent regulations for social landlords

<table>
<thead>
<tr>
<th>Country</th>
<th>Related to income; for the vast majority of tenants: ‘rebated’ rents of not more than 20% (State housing) or 25% (Community housing) of their income; market rents for higher-income tenants</th>
<th>Formerly large autonomy for local authorities and housing associations; new: nationally applied rent formula and target rents to be reached in 2010; in practice, little possibilities for variation</th>
<th>Rents are subject to State regulations (maximum rents), depending on the subvention scheme; landlords are not free to increase the rent</th>
<th>In most cases according to local reference rents (&quot;ortsübliche Vergleichsmieten&quot;), which determine rent and annual rent increase. The rent of subsidised dwellings built before 2002 is based on a normative cost-based rent (after 2002: on a market rent), unless this is higher than the politically determined ‘allowable rent’ (&quot;Bewilligungsmiete&quot;); after a number of years (which vary according to subvention scheme) landlords have more freedom in rent setting.</th>
<th>Maximum rent based on valuation system; rent increase is limited for the vast majority of homes</th>
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<td>Maximum rent based on valuation system; rent increase is limited for the vast majority of homes</td>
</tr>
</tbody>
</table>

1. additional information from Walker & Marsh (2003)
2. additional information from Haffner (2005)
Implications for asset management

Due to the restrictive rent regulations, the possibilities for social landlords to pursue their own rent policies are limited. Furthermore, housing allowances can mitigate differences in the net rent level for the tenants. This means that a rent decrease has a limited effect on the net costs for tenants and, consequently, a limited effect on demand as well. Thus, there are considerable limitations to the use of price as an instrument within asset management. With regard to England it has been stated that the harmonisation of rents through the national policy of rent convergence hampers the landlords possibility to raise rents in areas of high demand or to lower rents in areas of low demand (Walker & Marsh, 2003; Thomas & Gruis in Gruis & Nieboer, eds., 2004).

As a consequence of rent regulations, rents are not market-oriented in most countries. In the Netherlands and England, where there has been some leeway for housing associations to determine their own rents, social landlords have developed their own methods for assessment of the quality and/or market-position of their dwellings to support their rent policies. Recently, however, government regulations have become stricter in both countries (Gruis & Nieboer, eds., 2004). These policies reduce the need for individual landlords’ rent-setting policies.

The regulation of rents can also have implications for another aspect of asset management, namely the maintenance of the dwellings. Especially in Australia, rental income has been stated to be too little to be able to finance sufficient maintenance of the housing stock (see Flood in Gruis & Nieboer, eds., 2004). Milligan (2003, p. 103) states that “provision for long-term asset management was not made in the original cost rent formula.” In England, the harmonisation of rents through the national policy of rent convergence will lead to a real reduction in rents of some landlords, which in some cases could hamper maintenance and other investments (see e.g. Walker & Marsh, 2003; Gruis, Nieboer & Thomas, 2004). In both cases, it means a further restriction of the possibilities for landlords to develop its own asset management.

4.2 Allocations

Government regulations

In most countries, the government (mostly the local government) sets income limits for households to be eligible for a social rented dwellings (see Table 5), resulting in a limited accessibility of the social sector for higher-income households. This is the case in France and in subsidised housing in Germany. In other countries social landlords are allowed to allocate their properties to higher-income households, but at the same time national, general directives exist to prioritise the allocation of housing to low-income households (Australia, England, the Netherlands) or to special target groups such as the elderly or the disabled. In all countries studied, there are numerous local agreements on the prioritisation of applicants, which can strongly regulate the accessibility of social housing for certain population groups. For Australia, Milligan (2003, p. 145) even states that the allocation “has resulted in one of the most tightly targeted public housing systems in the world”.

Table 5 Regulations concerning allocation of social housing

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>No specific national regulations, but allocation to low-income households is highly prioritised in general administrative regulations³</td>
</tr>
<tr>
<td>England</td>
<td>Allocations must be on the basis of ‘need’, which is only roughly defined by the national government; housing associations have a duty to cooperate with local authorities</td>
</tr>
<tr>
<td>France</td>
<td>On the basis of income ceilings revised by the government every year and varying per region and financial support scheme</td>
</tr>
<tr>
<td>Germany</td>
<td>On the basis of income limits varying per region and subvention scheme and under limitations and approval of municipality</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Through a general directive of central government to give priority to low-income households; under most local arrangements dwellings under a certain rent level must be allocated to low-income households.</td>
</tr>
</tbody>
</table>

³ additional information from Milligan (2003)

Implications for asset management

In practice, most social landlords follow the national and local regulations or agreements to allocate their homes. Insofar this excludes allocating homes to higher-income households, an effect can be
that social landlords do not have opportunities to generate additional financial means to finance their core activities. If landlords are allowed to allocate dwellings to higher-income households, they can become active in the development of more expensive rental and owner-occupied dwellings. As far as the existing rental stock is concerned, possibilities to do this are strongly restricted by national regulations and local agreements. In this respect, the policy freedom of landlords is relatively small.

Van der Heijden (2002) provides some comparative data about the distribution of households in the social rented sector by income, for four of the five countries examined in this paper (see Table 6). His findings show a (logical) relationship between the relative focus of the landlords on low-income households and the concentration of low-income households in the social rented sector.

### Table 6

<table>
<thead>
<tr>
<th>Country</th>
<th>Low income (deciles 1-3)</th>
<th>Middle income (deciles 4-7)</th>
<th>High income (deciles 8-10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France (1992)</td>
<td>38.2</td>
<td>45.5</td>
<td>15.9</td>
</tr>
<tr>
<td>Germany (1993)</td>
<td>44.0</td>
<td>42.5</td>
<td>13.5</td>
</tr>
<tr>
<td>Great Britain (1996)</td>
<td>61.8</td>
<td>33.5</td>
<td>4.7</td>
</tr>
<tr>
<td>The Netherlands (1993)</td>
<td>44.3</td>
<td>42.4</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Source: Van der Heijden (2002), p. 334

The social rented sector in Great Britain is characterised by a relatively large concentration of low-income households, while France is characterised by a relatively even spread of households according to income deciles. In France, Germany and the Netherlands, the social sector fulfils a considerable function in housing middle or high-income households. Because of residualisation tendencies in the last ten years, this function may have been eroded to some extent, but it is still there.

### 4.3 Sales

**Government regulations**

National housing policies concerning sales of social rented dwellings are quite different. In some cases there is (or has been) an explicit policy to promote the sale of social rented dwellings, varying from ‘soft’ stimulation of landlords (France, the Netherlands, Australia) to outright privatisation policies, including a ‘right to buy’ in England (see Table 7).

### Table 7

<table>
<thead>
<tr>
<th>Country</th>
<th>Regulations concerning sale of social housing to tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Sale to tenants is allowed and encouraged by the national government, but at market value (and not less)</td>
</tr>
<tr>
<td>England</td>
<td>Sale is allowed for local authorities and housing associations; ‘right to buy’ for tenants of municipal housing</td>
</tr>
<tr>
<td>France</td>
<td>Sale is allowed and encouraged by the national government</td>
</tr>
<tr>
<td>Germany</td>
<td>Sale is allowed</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Sale is allowed and encouraged by the national government</td>
</tr>
</tbody>
</table>

**Implications for asset management**

In all countries studied, sale is allowed, although it is subject to approval of government or government-related organisations in several countries. In Australia, France and the Netherlands, sale is even encouraged by the government. In France, the Netherlands and also Germany, however, social landlords do not sell their dwellings in large quantities. In France, the private housing companies have sold 6,000 dwellings on average during recent years, while the government target was to sell about 30,000 dwellings. In the Netherlands, sales have increased during the nineties, but the peak (in 1999) has remained below 1% of the housing stock. Since then, in parallel with the increasing pressure on the social rented sector, the number of sales of existing homes has dropped considerably. On the one hand, the low number of sales can be explained by the lack of good market-opportunities, but on the other hand they can be explained from the social objectives and tradition of these landlords, which lead them to be restrictive in their sale policy. In the Netherlands, most housing sold to individual households is newly built. The Dutch social landlords are, since the 1990s, active in the development and sale of new-built homes. A main reason for this is to generate financial means, to compensate for the abolishment of object subsidies (see Priemus, 2001; Gruis & Nieboer, 2006). In Germany, social landlords are reluctant to sell dwellings from the existing stock, among others because of the man-
agement problems associated with mixed-ownership. In Australia, on the contrary, about 2% of the housing stock is sold off each year. However, this is less a sign of policy freedom and more a question of financial problems. According to Flood (in Gruijs & Nieboer, eds., 2004), sales have been part of conscious disposition and diversification strategies of the Australian State Housing Authorities (SHA), but the SHAs are also under pressure to sell of their stock to compensate for cuts in their budgets by the central government. As Flood (ibid., p. 35) points out, “parts of the stock are beginning to be sold to maintain financial viability rather than according to asset management principles of maintaining a quality stock that meets tenants’ needs”.

The obligation to sell can be a serious restriction for maintenance and renewal policies of landlords. One of the problems from the ‘right to buy’ in England, where more than 1.5 million homes have been sold to former tenants since its introduction in 1979 (Forrest, Gordon & Murie, 1996), is that it has resulted in some cases in a residualised housing stock of relatively poor quality in estates with mixed public and private ownership, which sometimes hampers refurbishment and maintenance of common facilities (e.g. Kerr, 1988).

4.4 Maintenance and renewal

Government regulations

There are not many government regulations that directly concern landlords’ maintenance policies. Besides national building regulations that contain minimum requirements for the quality of dwellings in general, there are few regulations on how maintenance or renewal should be carried out or what quality standard should be achieved. England seems to be a relative exception to this. The UK government has implemented the ‘Decent Homes Standard’, which contains minimum requirements for the quality of the dwelling stock. Local authorities and housing associations are required to quantify the level of non-decent housing in their stock, develop an investment strategy to tackle this and to measure progress towards the elimination of non-decency in 2010. In 2001 the government introduced a Major Repair Allowance for local authorities, which is a subsidy allowance paid by the government to represent the cost of maintaining the current condition of the stock.

Regulation for renewals consists mostly of targeted subsidisation and investment programmes. Except Australia and the Netherlands, all countries in the research directly support new building or maintenance in the social housing stock (see Table 8).

<table>
<thead>
<tr>
<th>Table 8</th>
<th>Government funding of social landlords’ maintenance and renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>No specific grants for maintenance and renewal, but general grants from the Common-wealth to the States</td>
</tr>
<tr>
<td>England</td>
<td>Local authorities: ‘single pot’ per region for housing investment; housing associations: mixed capital and public funding, no government guarantee</td>
</tr>
<tr>
<td>France</td>
<td>Subsidies for new building and renovation, plus low-interest loans</td>
</tr>
<tr>
<td>Germany</td>
<td>Mixed public and private funding for new building; subsidies for local urban renewal programmes; some subsidies for specific purposes, like energy saving measures, construction for the handicapped, and renewal or demolition of inferior pre-fabricated housing</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Guarantee structure; subsidies for local urban renewal programmes, no brick-and-mortar subsidies</td>
</tr>
</tbody>
</table>

Implications for asset management

Because the governments of the countries studied hardly impose direct restrictions in the area of maintenance and renewal on social landlords, the implications of these restrictions are limited. The subsidies for renewal, which can be substantial, have more impact on the asset management.

As we have seen in subsection 4.1, government regulations in other areas than maintenance and renewal, such as rent regulation, can have considerable impact on physical investments of social landlords. So, although there are not so many statutory restrictions on maintenance and renewal, the government can have a considerable influence on the asset management of landlords in this field.
5. **Tendencies towards a market-oriented asset management?**

In the five countries studied, the market orientation of housing stock policy has increased to some extent. First, there are scattered initiatives by landlords to develop a rent policy in which the housing unit's quality and market position play a much more clear-cut role than was previously the case. Second, there are several examples of a classification of the housing units on the basis of structural, residential and/or financial criteria. Partly on the basis of these criteria, decisions are reached concerning whether to renovate, demolish, sell, consolidate, and suchlike. Third, there are various initiatives to incorporate a property's yields and earning capacity in the investment decisions. In Australia, in particular, various techniques have been developed to this end (see also Larkin, 2000). However, it should also be pointed out that this was prompted more by a need to ease financial pressures than by a desire to exploit market opportunities.

Despite these developments, most initiatives have been restricted to a few leaders in the sector. Especially in Germany, but also in the other countries, the initiatives are too scattered to speak of a clear trend towards a market-oriented asset management of the existing stock. The results from the five countries indicate that an increased regulatory and financial independence of the social sector does not guarantee the development of a more market-oriented asset management.

From the results of this study, it is not clear whether the added opportunity of allocating housing units to those in higher income brackets favours the development of a strategic asset management. The results vary within each of the countries studied, and comparisons between these countries do not yield any clear patterns.

Despite the relative absence of specific regulations concerning maintenance and renewal, our research indicates that there is little occurrence of market-oriented behaviour in social landlords' maintenance policies. In general, social landlords seem to have an ‘operational’ approach towards their maintenance. Maintenance is either carried out on the basis of merely technical reasons and surveys or follows the complaints of customers. In some cases, maintenance is restricted by the lack of financial resources (see e.g. Australia). Renewals seem to be determined mostly by subsidisation and investment programmes, rather than by initiatives from the social landlords themselves. But there are notable exceptions. In the Netherlands, housing associations have begun to implement market-oriented or client-oriented maintenance policies, aiming to increase the diversity of their housing stock and tenants' satisfaction. And in England, France and the Netherlands, a number of social landlords has taken on a leading role in the renewal of problematic neighbourhoods, whether or not supported by government subsidies.

The tendency towards a more business-like asset management cannot always be related to a reduction of government influence in the social rented sector. In England and France, these changes are attributable to pressure from the government or from a supervisory agency operating partly on the government's behalf. In England, binding regulations give this pressure visible form. Examples are the introduction a more business-like financial framework for local authorities, called resource accounting, including the formulation business plans (see DETR, 2000), and regulatory requirements of option appraisal for local authorities and housing associations. In France, eligibility for subsidies will be conditional on stock planning. Thus, in these countries, a more business-like asset management in the social housing sector seems more likely to result from government intervention than from government retreat.

Developments leading to the formulation of asset management strategies do seem to be related to financial position. A healthy financial status (availability of money and/or safeguarding of investments) is an important contributory factor for the development of a professionalised asset management. Limited government support, in combination with limited financial scope lead to a situation in which housing stock policy is restricted to keeping housing units in the best condition possible, possibly coupled with large-scale sell-offs of property. In Australia many landlords are compelled to work in straitened financial circumstances. The Netherlands, on the other hand, has a financially healthy social rented sector. Accordingly, financial deregulation of the social rented sector is not – of itself - an incentive for the development of asset management strategies. This is also dependent on whether the sector has sufficient financially maturity at the time of deregulation to stand on its own two feet.

In addition, the study has found evidence that a market-oriented asset management in the selected countries, or initiatives to achieve it, are mainly restricted to the major landlords in these countries. A recent study by Vijverberg (2005) confirms that this rather predictable result also applies in the Netherlands. The national context can play a part in this, in the sense that it can influence the
size of the housing portfolio per landlord. However, the scope of this study excludes any further examination of this relationship.

6. Conclusion

In the past ten to twenty years, governments in many countries have reformed their housing systems to include market principles, as part of a more general trend towards privatisation, deregulation and decentralisation of sectors of public interest. In this paper, we have examined if market principles can and have been brought into the specific area of social landlords’ asset management. Therefore, we have examined the limitations for social landlords’ asset management stemming from (central) government regulations in five European countries as well as the tendencies towards a more market-oriented asset management among the social landlords in these countries.

In general, landlords in the countries studied have little scope for regulating their housing stock policy (or the requisite incomes) by means of rent adjustments. The extent to which landlords are free to let properties to individuals in higher income brackets varies markedly from one country to another, and often from one town or region to another. The sale of properties is permitted in all the countries studied. It should be pointed out, however, that the actual numbers of housing units sold are relatively small – with the exception of England, where a ‘right to buy’ is in force for municipal housing.

We have specified our analyses of regulations to the areas of rent setting, allocations, sales, maintenance and renewal. Looking at the government regulations in these areas of asset management, we conclude the following.

- In general, rents are strongly regulated by the central government. The restriction of rents seems logical from the fundamental function of government intervention to place restrictions on the price of scarce ‘public’ goods. Nevertheless, the extent of government regulation can lead to illogical price-quality ratios. Furthermore, in some cases the rent regulation restricts the possibility to use price as an instrument to increase demand for unpopular estates. Therefore, it should be considered to pursue a policy that combines general restriction to the rents at company level with some room for landlords to differentiate the rents of their individual dwellings;

- In most countries allocations in the social rented sector are restricted by income limits, to ensure that social rented dwellings are allocated to those households for whom the sector has primarily been designed.

- In all countries studied the government allows the sale of social rented dwellings. In some cases, (prior) approval is required, while in other cases the government advocates sale. In France, Germany and the Netherlands the actual number of homes sold is small. In Australia, on the contrary, social landlords sell about 2% of the housing stock each year, but this is partly done to cope with their financial shortages. In England, more than 1.5 million homes have been sold to former tenants since the introduction of the ‘right to buy’ in 1979, which has a considerable impact on asset management of the former landlords.

- Central government regulation of the social landlords’ maintenance and renewal is limited. Nevertheless, rent and budget restrictions can have a considerable impact on the maintenance.

In short, the social landlords in the countries studied, except Australia, have some autonomy to be able to develop a market-oriented asset management, as opposed to the traditional task-oriented asset management. Thus, the reduction of government influence has not been too small to impede a market-oriented asset management. Nevertheless, the assumption that giving greater freedom to market forces and reducing government influence and support lead to a more market-oriented asset management does not hold for the five countries examined in this paper. Accordingly, favouring market forces as such is neither – of itself – a precondition for a market-oriented asset management. The circumstances under which the government retreats from the sector are also important. In this context, we should consider not only the policy scope granted to the landlords by the regulations, but also the pressure to professionalise that is exerted by other parties, the number of homes managed by a landlord, and the landlords’ financial elbow-room. In England and France, it is the government itself that is pushing landlords in the direction of a more business-like asset management. In this respect, the government is not an obstruction to a market-oriented asset management, but an active stimulator of it. The example of Australia shows that favouring market forces can also have different effects on housing stock policy. The lesson to be learned from this country is that a sector in which
the government is relinquishing its dominant role should first be provided with a healthy financial base. This is a precondition for the development of a housing stock policy that amounts to more than simply repairing homes or selling them off.

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