

Bridging The Gap Between Urban Planning and Development - Generating Value by Shifting Risk and Reward

Wouter Coucke

Student number: 19977625

Supervisors: Prof. dr. Anne Kockelkorn, Prof. dr. ir. Michiel Dehaene

Master's dissertation submitted in order to obtain the academic degree of
Master of Science in Urbanism and Spatial Planning

Academic Year 2023 - 2024

My special thanks for thoughtful reflection and helpful input goes to Anne Kockelkorn, Beatriz Van Houtte Alonso and Michiel Dehaene. We had to lengthy and valuable discussions about the content and the approach. Their insights and guidance really helped me to focus on the topic that I wanted to bring forward.

I also want to thank my sons Jasper and Niels, and Veerle Spruytte, my partner in life, for their love and support while I was finalizing my Master and writing this thesis. Without them, my life would not be so bright and my endeavours not so ambitious.

Finally, I want to thank Cynthia Devolder, my beloved wife, for loving me, guiding me, motivating me and shaping me into the man I am today. She motivated me to pursue my dreams and I will never forget her. May she rest in peace.

The author gives permission to make this master dissertation available for consultation and to copy parts of this master dissertation for personal use. In all cases of other use, the copyright terms have to be respected, in particular with regard to the obligation to state explicitly the source when quoting results from this master dissertation.

Ghent, August 21, 2024

This master's dissertation is part of an exam. Any comments formulated by the assessment committee during the oral presentation of the master's dissertation are not included in this text.

ABSTRACT

The thesis examines the complex relationship between urban planners and real estate developers in shaping the built environment. While both parties recognize the benefits of cooperation, interviews reveal significant gaps marked by mutual distrust, differing goals, and discourses. Developers prioritize profit and speed, often conflicting with planners' focus on long-term value, social impact, and community well-being. Divergent views on property rights, rewards for risk, density, and affordable housing exacerbate the divide.

Real estate development is high-risk, multidisciplinary, and capital-intensive, requiring stakeholder alignment and risk management. Risk perception by developers is influenced by consultants, financial institutions, and investors, while urban planners consider broader, longer-term community risks. The ability of developers to share or transfer risks depends on the professionalism and negotiation power of other parties. Public Private Partnerships offer potential for risk-sharing and for building public capacity to understand and to manage risks.

Achieving an equilibrium between private ambitions and societal impact is a crucial element of urban planning and design. This balance is often referred to by the 'quality' or 'value' of the project, but different concepts of value exist. Exchange value refers to the worth of a good or service in trade, and an over focus on this measure of value potentially neglects broader social and cultural values that play an important role in urban development. The conception of urban space is influenced by the dominant visions of social and cultural use value and far less by personal emotional values. The regime in power, of which the urban planning officers are the representatives, controls the production of social space through conceived space and this objective can clash with the purely economic focus of exchange value.

The interviews reveal ineffective planning in Flanders, with weak central government and understaffed local authorities leading to urban sprawl. The permitting process is overregulated and over documented and its focus on legal issues hinders the development of a strategic vision while the absence of clear development frameworks creates uncertainty. A more centralized, synergetic subregional approach to urban planning is proposed, along with a review of ambiguous planning concepts. In addition, the lengthy permitting procedure needs to be reviewed, to limit the possibilities of frivolous appeals based on personal emotional values, and to lift the possibility to redo the whole assessment of the permit application without taking into account what has been said and agreed upon in the negotiation process. The role and scope of so-called Quality Chambers also needs to be structured and integrated in the permitting process, possibly by extending the possibilities of development charges and development agreements.

Finally, the analysis of the case study has demonstrated that Upgrade Estate has the capabilities to build relationships with its stakeholders and to develop a product that caters the needs of its tenants and investors, based on market research. The need for the product, the marketing approach and to some extent, the architectural form of the Loop 5 buildings create a sense of *collectiveness* that allows Upgrade Estate to finance its operation base on notoriety. However, its innovative financing system poses significant risks to end investors related to governance, fair valuation and transparency.

EXTENDED ABSTRACT

The thesis explores the complex interaction between urban planners and real estate developers in shaping the built environment shaped through a dynamic interplay of vision, negotiation, and execution between these disciplines. While both developers and urban planners value professional cooperation and acknowledge that this leads to more qualitative projects and faster approvals, the interviews highlight a wide gap between developers and urban planners characterized by mutual distrust, divergent goals and different discourses. Developers prioritize profit and speed, often clashing with planners focused on long-term value, social impact, and community well-being. Different views over property rights, acceptable rewards for the risks taken, how and where to create density, and how to address the affordable housing question further exacerbate the divide.

Real estate development is a high-risk, complex, multidisciplinary, and capital intensive undertaking. It involves the interaction and alignment of different stakeholders and an active management of all associated risks. When risks have been properly identified, analysed and evaluated, the risks can be controlled by avoiding, eliminating, reducing, sharing, transferring and finally assuming the residual risk. While risk management is a complex activity, it is by no means always a rational approach. Experience comes into play as well and the representation of risk of developers are skewed towards the expectations of consultants, financial institutions and investors.

From an urban planning perspective, the community risks are broader and the time of impact far longer than merely the development process. The ability of a real estate developer to share or even transfer the risks to another party largely depends on the professionalism and the negotiation power of that party. Although experiences with Public Private Partnerships remain mixed, they do offer potential to share the development risks and to build public capacity and competencies to understand and even manage risks.

Achieving an equilibrium between private ambitions and societal impact is a crucial element of urban planning and design. This balance is often referred to by the 'quality' or 'value' of the project. However, different concepts of value exist and are explored in this master thesis. Exchange value refers to the worth of a good or service in trade, often expressed in money. The focus on exchange value often prioritizes monetary gain under capitalism, potentially neglecting broader social and cultural values that play an important role in urban development. The conception of urban space is influenced by the dominant visions of social and cultural use value and far less by personal emotional values. The regime in power, of which the urban planning officers are the representatives, controls the production of social space through conceived space and this objective can clash with the purely economic focus of exchange value, often adopted by real estate developers.

Effective quality assurance involves clear discussions between developers and authorities on the underlying assumptions, ambitions and strategies to achieve a good project result. To evaluate urban quality, a nuanced and multifaceted approach is necessary. Quality Chambers, established in all kinds and

colours to ensure project quality, lack formal authority, lack a coherent scope and approach and have mixed reviews. Therefore, the interventions of these Quality Chambers need to be reviewed.

The overarching outcome of the interviews is a general failure of effective planning in Flanders. The central Flemish government is considered to be weak and absent, and smaller local authorities understaffed and unequipped to address complex permit applications. The 'laissez-faire' approach can be historically situated but has led to an unprecedented urban sprawl, fuelled by opportunities for landowners to grab value and secure it by obtaining permits. This behaviour is often attributed to real estate developers, but their scope of operations has changed to redeveloping existing sites and buildings.

The focus of the urban planning debate is on issuing permits, in a highly legalised and detailed administrative way. The permitting process is also overregulated and over documented and the overemphasis on legal formalities has led to a loss of strategic vision, while important planning challenges remain. The absence of clear development frameworks creates uncertainty, impeding efficient and innovative urban development. I

The government needs to regain control over planning and programming by adopting a synergetic approach where decisions are taken and resources pooled more centrally, and where urban development frameworks are established on a subregional level. Once the development framework is in place, it is a solid instrument to work with for both urban planners and developers. The engagement of the provinces as such an intermediate level, or any other subregional body, needs to be further investigated. In addition, several ambiguous urban planning concepts need to be reviewed through the lens of their *collective* values and boundaries to provide workable concepts to be used in planning and permitting procedures.

As an important factor of value destruction, the permitting procedure itself needs to be thoroughly reviewed, among others to limit the possibilities of frivolous appeals based on personal emotional values or a business incentive, and to lift the possibility to redo the whole assessment of the permit application without taking into account what has been said and agreed upon in the negotiation process. The role and scope of so-called Quality Chambers needs to be structured and integrated in the permitting process, possibly by extending the possibilities of development charges and development agreements. A fundamental question in all of this is the role of the urban planner in all of this.

Finally, the analysis of the case study has demonstrated that Upgrade Estate has the capabilities to build relationships with its stakeholders and to develop a product that caters the needs of its tenants and investors, based on market research. The need for the product, the marketing approach and to some extent, the architectural form of the Loop 5 buildings create a sense of *collectiveness* that allows Upgrade Estate to finance its operation base on notoriety, which is the combination of a very strong relationship with its investors, a stable but relatively low financial return, social and societal responsibility, excellent corporate marketing and a proven track record. However it does so via an innovative financing system that seems to have escaped the attention of the Financial Services and Market Authority (FSMA). To limit the risks for the end investors, the FSLA should urgently review this type of structure, especially with respect to governance, fair valuation and transparency.

TRANSLATED EXTENDED ABSTRACT

De master thesis onderzoekt de complexe interactie tussen stedenbouwkundigen en projectontwikkelaars bij het vormgeven van de gebouwde omgeving, gekenmerkt door een dynamisch samenspel van visie, onderhandeling en uitvoering tussen deze disciplines. Hoewel zowel ontwikkelaars als stedenbouwkundigen waarde hechten aan professionele samenwerking en erkennen dat dit leidt tot kwalitatief betere projecten en snellere goedkeuringen, wijzen de afgenomen interviews op het bestaan van een grote kloof, gekenmerkt door wederzijds wantrouwen, uiteenlopende doelstellingen en een uiteenlopend discours. Ontwikkelaars geven prioriteit aan winst en rendabiliteit, wat vaak botst met de lange termijnwaarde, de sociale impact en het gemeenschappelijk welzijn, waar stedenbouwkundigen zich op richten. Verschillende opvattingen over eigendomsrechten, een aanvaardbare vergoeding voor de genomen risico's, en verschillende visies omtrent de aanpak van het verdichtingsvraagstuk en de realisatie van betaalbare woningen, verergeren de kloof verder.

Vastgoedontwikkeling is een risicovolle, complexe, multidisciplinaire en kapitaalintensieve onderneming die de interactie en afstemming van verschillende belanghebbenden en een actief risicobeheer vereist. Wanneer risico's correct zijn geïdentificeerd, geanalyseerd en geëvalueerd, kunnen ze worden beheerst door deze te vermijden, te elimineren, te verminderen, te delen, over te dragen en uiteindelijk het restrisico te accepteren. Hoewel risicobeheer een complexe is, is het zeker niet uitsluitend een rationele benadering. Ervaring speelt ook een rol, en de risicoperceptie van ontwikkelaars wordt onder meer beïnvloed door de verwachtingen van consultants, financiële instellingen en investeerders.

Vanuit een stedenbouwkundig perspectief zijn de maatschappelijke risico's breder en de relevante tijdshorizon veel langer dan de doorlooptijd van het ontwikkelingsproces. Het vermogen van een projectontwikkelaar om risico's te delen of zelfs over te dragen aan een andere partij hangt grotendeels af van de professionaliteit en onderhandelingskracht van die andere partij. Hoewel ervaringen met publiek-private samenwerkingen niet eenduidig zijn, bieden ze wel het potentieel om ontwikkelingsrisico's te delen en de nodige publieke capaciteit en competenties op te bouwen om risico's te begrijpen en zelfs te beheren.

Het bereiken van een evenwicht tussen private ambities en maatschappelijke impact is een cruciaal element van stedenbouw en ontwerp. Dit evenwicht wordt vaak aangeduid als de 'kwaliteit' of 'waarde' van het project. Er bestaan echter verschillende waardebegrippen en deze worden in de masterthesis onderzocht. Ruilwaarde verwijst naar de waarde van een goed of dienst in handel, vaak uitgedrukt in geld. De focus op ruilwaarde geeft vaak voorrang aan monetair gewin onder het kapitalisme, waardoor bredere sociale en culturele waarden, die een belangrijke rol spelen in stedelijke ontwikkeling, mogelijks worden verwaarloosd. De conceptie van stedelijke ruimte wordt beïnvloed door dominante visies op sociale en culturele gebruikswaarde en veel minder door persoonlijke emotionele waarden. Het heersende regime, waarvan de stedenbouwkundigen de vertegenwoordigers zijn, controleert de productie van sociale ruimte door middel van de conceptie ervan, en dit kan botsen met de puur economische focus op ruilwaarde, vaak aangenomen door projectontwikkelaars.

Effectieve kwaliteitsborging in ruimtelijke ontwikkeling vereist duidelijke discussies tussen ontwikkelaars en autoriteiten over de onderliggende aannames, ambities en strategieën om een goed projectresultaat te bereiken. Om stedelijke kwaliteit te evalueren, is een genuanceerde en veelzijdige benadering noodzakelijk. Kwaliteitskamers, opgericht in allerlei vormen om projectkwaliteit te evalueren en te waarborgen, missen formele autoriteit en een coherente aanpak, en de toepassing ervan wordt niet door iedereen positief beoordeeld. Het is daarom aangewezen om de noodzaak en de werking van deze kwaliteitskamers te evalueren en desnoods te herzien.

De algemene uitkomst van de interviews is een falen van een effectief ruimtelijk beleid in Vlaanderen. De centrale Vlaamse overheid wordt als zwak en afwezig beschouwd, terwijl kleinere lokale overheden onderbemand en niet toegerust zijn om complexe vergunningsaanvragen aan te pakken. De 'laissez-faire'-aanpak kan historisch worden gesitueerd, maar heeft geleid tot een ongekende verstedelijking, aangejaagd door kansen voor grondeigenaren om speculatieve waarde te creëren en te behouden door het verkrijgen van vergunningen. Dit gedrag wordt vaak toegeschreven aan projectontwikkelaars, maar hun werkterrein is verschoven naar de herontwikkeling van bestaande locaties en gebouwen.

Het debat over ruimtelijke ordening richt zich hoofdzakelijk op het verlenen van vergunningen, met een zeer sterke nadruk op formaliteiten. Het vergunningsproces is ook overmatig gereguleerd en de nadruk op juridische formaliteiten heeft geleid tot een verlies aan strategische visie, terwijl belangrijke planningsuitdagingen blijven bestaan. Het ontbreken van duidelijke ontwikkelingskaders creëert bovendien onzekerheid, wat efficiënte en innovatieve stedelijke ontwikkeling belemmert.

De Vlaamse overheid moet opnieuw de controle verwerven over planning en programmering door middel van een synergetische aanpak aan te nemen waarbij beslissingen meer centraal worden genomen en middelen worden gebundeld, en waarbij stedelijke ontwikkelingskaders op subregionaal niveau worden vastgelegd. Zodra het ontwikkelingskader is bepaald, is het een stevig werkinstrument voor zowel stedenbouwkundigen als ontwikkelaars. De betrokkenheid van provincies op dit tussenniveau, of een andere subregionale instantie, moet verder worden onderzocht. Bovendien moeten een aantal dubbelzinnige ruimtelijke concepten worden herzien door ze te beoordelen vanuit hun collectieve gebruikswaarde en de grenzen met puur emotionele waarde, zodat ze bruikbare concepten worden in plannings- en vergunningsprocedures.

De vergunningsprocedure dient grondig herzien te worden, onder andere om de mogelijkheden van lichtvaardige beroepen op basis van persoonlijke emotionele waarden of zakelijke motieven te beperken, en om de mogelijkheid om de hele vergunningsbeoordeling compleet over te doen in de administratieve beroepsprocedure, zonder daarmee rekening te houden met voorafgaande afspraken en overwegingen, af te schaffen. De rol en reikwijdte van de zogenaamde Kwaliteitskamers moet worden gestructureerd en geïntegreerd in het vergunningsproces, o.a. door de mogelijkheden van ontwikkelingskosten en ontwikkelingsakkoorden uit te breiden. Een fundamentele vraag in dit alles is wat de rol van de stedenbouwkundige in dit alles is.

Tenslotte heeft de analyse van de case study aangetoond dat Upgrade Estate in staat is relaties op te bouwen met zijn stakeholders en een product te ontwikkelen dat voldoet aan de behoeften van zijn huurders en investeerders, gebaseerd op grondig marktonderzoek. De behoefte aan het product, de marketingaanpak en, tot op zekere hoogte, de architecturale vorm van de Loop 5-gebouwen creëren een gevoel van collectiviteit dat Upgrade Estate in staat stelt zijn operatie te financieren op basis van naamsbekendheid en reputatie, wat het resultaat is van een zeer sterke relatie met zijn investeerders, een stabiel maar relatief laag financieel rendement, het nemen van sociale en maatschappelijke verantwoordelijkheid, een uitstekende corporate marketingmachine en een bewezen staat van dienst. De financiering van het project gebeurt via een innovatief financieringssysteem dat aan de aandacht van de de Autoriteit voor Financiële Diensten en Markten (FSMA) ontsnapt lijkt te zijn. Om de risico's voor de eindinvesteerders te beperken, zou de FSMA dit soort structuren dringend moeten herzien, met name met betrekking tot deugdelijk bestuur, marktconforme waardering en transparantie.

ABBREVIATIONS

BANANA	Build Absolutely Nothing Anywhere Near Anything or Anyone
DCF	Discounted Cashflow
D&B	Design and Build Projects
EVA	Economic Value Added
FSI	Floor Space Index: ratio of the floor surface to the land surface, or the limit imposed on such a ratio
NIMBY	Not In My Backyard
PPP	Public Private Partnerships
RELP	Real Estate Limited Partnership
ROCE	Return on Capital Employed
ROI	Return On Investment
TDR	Transferable Development Rights

Urban planning is the art of balancing private and public space interests, architecture is the art of conceiving concepts and creating places, and development is the art of managing risks and relationships.

EVALUATION

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	OVERVIEW	1
1.2	RESEARCH METHODOLOGY.....	2
1.3	ANTICIPATION OF INSIGHTS AND FINDINGS.....	3
2	THE GAP BETWEEN URBAN PLANNING AND DEVELOPMENT	4
2.1	THE CONTEXT: A HOUSING CRISIS IN THE MAKING?.....	4
2.2	THE ACTORS IN THE PERMITTING PROCESS IN FLANDERS	7
2.3	INSIGHTS FROM PROFESSIONAL PRACTICE	10
2.3.1	<i>Conflicting mindsets and goals.....</i>	<i>11</i>
2.3.1.1	Mutual (dis)trust and lack of cooperation	11
2.3.1.2	Ownership rights and the right to operate	12
2.3.1.3	Risk and profit versus long term value	13
2.3.1.4	Increasing Density	14
2.3.1.5	Affordable housing.....	15
2.3.2	<i>Long and insecure permit application procedures.....</i>	<i>15</i>
2.3.2.1	General project timeline	15
2.3.2.2	Legal insecurity	16
2.3.2.3	Importance of early involvement.....	17
2.3.2.4	(Un)Realistic demands	19
2.3.2.5	Preparing the application.....	20
2.3.2.6	Citizen involvement and local support.....	20
2.3.2.7	First Instance permitting procedures	22
2.3.2.8	Frequent objections and easy appeals	23
2.3.3	<i>The fear of quality erosion.....</i>	<i>24</i>
2.3.3.1	The ambiguous definition of quality	24
2.3.3.2	The ambiguous role of Quality Chambers.....	26
2.3.3.3	Finding a common ground in search of quality	27
2.3.4	<i>Failure of Urban Planning.....</i>	<i>27</i>
2.3.4.1	Political involvement and alternative motivations.....	27
2.3.4.2	Complexity and level of detail of the legislation	28
2.3.4.3	Lack of data	30
2.3.4.4	Lack of resources and knowledge at the local level	31
2.3.4.5	Lack of resilience and audacity at the Flemish level	33
2.3.4.6	Absence of clear development frameworks	34
2.3.5	<i>Conclusion.....</i>	<i>39</i>
3	CASE STUDY	42
3.1	THE ISSUE OF FINANCIALIZATION IN HOUSING	43
3.1.1	<i>General.....</i>	<i>43</i>
3.1.2	<i>The emergence of financialization in Belgium and Flanders</i>	<i>46</i>
3.2	CASE-STUDY: LOOP 5: UPOFFIZ - UPLIVING.....	47
3.2.1	<i>Development context.....</i>	<i>47</i>
3.2.2	<i>Ownership structure</i>	<i>50</i>

3.2.3	<i>The project – Loop 5 Upoffiz - Upliving</i>	52
3.3	THE DEVELOPER	55
3.3.1.1	The early years.....	55
3.3.1.2	Evolution and strategy	58
3.3.1.3	Current structure and activities	58
3.3.1.4	Innovative financing model – Loop 5	62
3.3.1.5	Goal and ambition of Upgrade Estate	70
3.3.1.6	Social Return on Investment	70
3.3.2	<i>The stakeholders</i>	71
3.3.2.1	Students	71
3.3.2.2	Young Urban Professionals	72
3.3.2.3	Future tenants.....	72
3.3.2.4	Investors.....	74
3.3.2.5	Public authorities	76
3.3.2.6	Professional parties involved	76
3.3.2.7	Employees.....	77
3.3.2.8	Educational institutions	77
3.3.2.9	Community – Urban Quality for the Citizens of Ghent	77
3.3.3	<i>Value Creation and Risk Sharing</i>	79
4	GENERATING VALUE IN REAL ESTATE AND URBAN DEVELOPMENT	82
4.1	INTRODUCTION	82
4.2	REAL ESTATE DEVELOPMENT	82
	Real estate.....	82
	Real estate development	84
	The real estate development process	85
4.3	RISK, RISK MANAGEMENT AND RISK SHIFTING	90
4.3.1.1	General concepts	90
	(Expected) Profit and Return.....	90
	Risk and Uncertainty	93
	Sources of uncertainty	94
	Types of risk	95
4.3.1.2	Risk management: the theory.....	97
4.3.1.3	Risk Management: the practice	99
	The fallacy of the rational real estate developer.....	99
	Risk shifting	101
	Risk sharing	102
4.4	VALUE AND QUALITY.....	105
4.4.1.1	Introduction	105
4.4.1.2	Exchange Value	105
4.4.1.3	(Objective) Use value	108
4.4.1.4	Social and Cultural Use Value.....	109
4.4.1.5	Personal Emotional Value	110
4.4.1.6	Summary of relational Value and Space Concepts.....	111
4.4.1.7	Architectural Value and Assessing Quality	114
	Architecture and the City	114
	Architectural Value and Quality	115
	Quality as defined and assessed by Quality Chambers	116
4.4.1.8	The creation of value	118
	Factors creating value	119
	Factors destroying value	120

Process view on value creation	121
4.5 CONCLUSION	123
5 POSSIBLE IMPACT OF URBAN PLANNING ON THE RISK AND REWARD DISTRIBUTION	125
5.1 INTRODUCTION	125
5.2 THE SHIFT TOWARDS ENTREPRENEURIAL PLANNING IN FLANDERS	125
5.3 A SYNERGETIC SUBREGIONAL PLANNING APPROACH FOR FLANDERS	127
5.4 THE (RE) DISTRIBUTION OF VALUE AND RISKS.....	130
5.4.1.1 Transparent development frameworks	130
5.4.1.2 Building capacity to evaluate risks through PPP	131
5.4.1.3 Extension of development charges	131
5.4.1.4 Development agreements.....	131
5.4.1.5 Transferable Development Rights.....	132
5.4.1.6 Limiting Property Rights.....	132
5.5 SMOOTHENING THE PERMITTING PROCESS AND ENSURING QUALITY	133
5.6 ENSURING MUTUAL COOPERATION AND FOSTERING COLLECTIVENESS	134
5.7 POLICY IMPLICATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH	135
BIBLIOGRAPHY	2
ANNEXES	11

1 INTRODUCTION

1.1 Overview

This master thesis aims to understand, articulate, and theorize about the interaction of urban planners, and real estate developers and how the built environment is shaped through a dynamic interplay of vision, negotiation, and execution between these disciplines. Urban planning sets the framework within which architecture and development operate, while architecture brings creativity and identity to spaces, and development ensures that projects are viable, sustainable, and aligned with both public and private interests. Urban planning is about maintaining an equilibrium between individual property rights and the collective use value of the community. Planners must consider the long-term vision for a city or region, integrating transportation, housing, public spaces, and environmental sustainability, as well as the interests of private landowners, real estate developers, and residents. Real estate development is an opportunity driven business, geared towards achieving a higher and better use, in a relatively short time, by building and maintaining relationships and by managing risks. These different objectives and approaches create a gap between the two professions that leads to the destruction of value in the broadest sense.

In the first chapter, I will establish the scope of the gap by regrouping findings gathered through interviews with key players in the real estate sector, urban planning professionals, real estate investors and hybrid organisations such as social housing companies or municipal development companies. These insights from professional practice will allow me to discover where the interactions between real estate developers and urban planners are stifled, what problems they experience and what solutions they adhere to.

To get an idea of how an actual real estate development is configured and interacts with various stakeholders, and to see how risk and reward are distributed, an in-depth analysis of the development of the Loop 5 project by Upgrade Estate is included in the second chapter. I have chosen this particular project place because it finds its place in the context of an emerging financialization of real estate development in Flanders and because it holds a number of innovative approaches towards real estate development and financing. A second motivation is that the development occurred within the boundaries of the existing urban development framework but without taking into account the developing vision of the city to reposition the Loop as a new southern station district.

In the third chapter, I apply my knowledge and experience as a real estate developer to provide more insights about the real estate development process and the management of risks, a.o. by shifting risks to other parties. Subsequently, I take a dive into the broad spectrum of value concepts, in an attempt to reconcile relational value and space concepts, and to see what elements would be relevant to conceive

space. The chapter ends with some reflections on the current assessment of (architectural) value for some projects and the factors that create and destroy value.

In the final chapter, the analysis centres on the opportunities to impact the distribution of risk and reward in urban development, by proposing a synergetic subregional approach to planning instead of the current entrepreneurial planning model. In this chapter, I also reflect on ways to smoothen the permitting process, evaluate urban quality, ensure mutual cooperation and foster a sense of collectiveness. At the end of this chapter, some policy implications and recommendations for further research are identified.

1.2 Research Methodology

In this master thesis, I make the combination of semi-structured interviews, research findings in the field of economic theory and urban planning and won experiences. A semi-structured interview is a qualitative research method that combines a pre-determined set of open questions (questions that prompt discussion) with the opportunity for the interviewer to explore particular themes or responses further.¹ The technique of semi-structured interviews helps to keep the format of interviews, while probing the vision of key players in the field of real estate development and urban planning and allowing enough flexibility to discuss some topics in more detail. The drawback of this technique is that it is not statistically representative, offers subjective insights and may be compromised by the interviewer taking different positionalities during the interview. By conducting the interviews based on the research objectives and the literature review, by using the same sets of questions and asking open questions, researcher bias and personal opinions is minimised as much as possible. As the objective is to gain valuable insights into a complex development and permitting process from different angles, the use of semi-structured interviews is considered acceptable.

The insights from the interviews are complemented by research findings in the field of economic theory and urban planning. The research will be based on publicly available records, such as national statistics, government reports, company press releases and annual reports, planning documents and articles, as well as privately obtained information that can be disclosed. The research is complemented by data collected through site visits.

Although an attempt is made to link theoretical concepts to common practices in development and urban planning, it is by no means the objective of this master thesis to provide a comprehensive theoretical overview of all the available relevant literature. Instead, the added value of this master thesis lies in bridging the gap between economic theory and urban planning theory, and by bridging theory and practice, which I know well from the developer's side by having it experienced over more than 20 years.

¹ Barclay, C. (2018), p.1

The analysis of the case study is conducted by investigating public available documents and by conducting structured interviews with key stakeholders involved in the development of the project and in the assessment of the project as part of a permitting procedure. The findings are complemented by elements brought forward by the CEO during the interview and additional information provided by Upgrade Estate upon explicit request.

1.3 Anticipation of insights and findings

The reader may expect to find the following insights and findings from the interviews and analysis conducted in this master thesis:

1. A more nuanced view on the different realities that are experienced by real estate developers and urban planners throughout the real estate development process;
2. The identification of weaknesses in the currently used planning and permitting process in Flanders;
3. An insight on how value is generated in the development process and how risk and reward are distributed in the development process;
4. An analysis of the elements that are of importance in the conception of urban space, and the personal emotional values that are almost impossible to integrate in urban planning;
5. A proposal to organise urban planning differently in Flanders to regain control over planning and programming and master the distribution of risk and reward when evaluating (complex) projects;
6. An analysis of the development of the Loop 5 project by upgrade estate and the distribution of risk and reward in this particular project.

Urban planning is the art of balancing private and public space interests, architecture is the art of conceiving concepts and creating places, and development is the art of managing risks and relationships.

(Wouter Coucke, August 21, 2024)

2 THE GAP BETWEEN URBAN PLANNING AND DEVELOPMENT

2.1 The context: A housing crisis in the making?

On the 4th of May, 2024 a number of prominent public and private experts in sociology, housing, development and urban planning expressed in an open letter to the government their concerns about a housing crisis in the making.² They stated:

“We are heading for an unprecedented housing crisis. Only: [the political representation] does not want to see it yet and [the local government] does not know what to do. The right to (affordable) housing will collapse if no action is taken.”

Their vision is backed by mayors of different European cities, for whom tackling the spiralling housing crisis and responding to rising social inequalities is a growing concern in 2024.³ In their open letter the above mentioned professionals from both private and public actors refer to the absence of housing vision, and to the slow permitting procedures and outdated regulations that limit the supply of new housing as the root causes of the problem. Even the cities, traditionally centres of innovation and generally better suitable locations for the creation of housing, are unable to meet the challenges. They are overwhelmed by *villageness* that limits their urban capacity to build higher and more dense. The authors of the open letter plead for a paradigm shift that allows for experimentation and bold realisation of an ambitious housing programme.

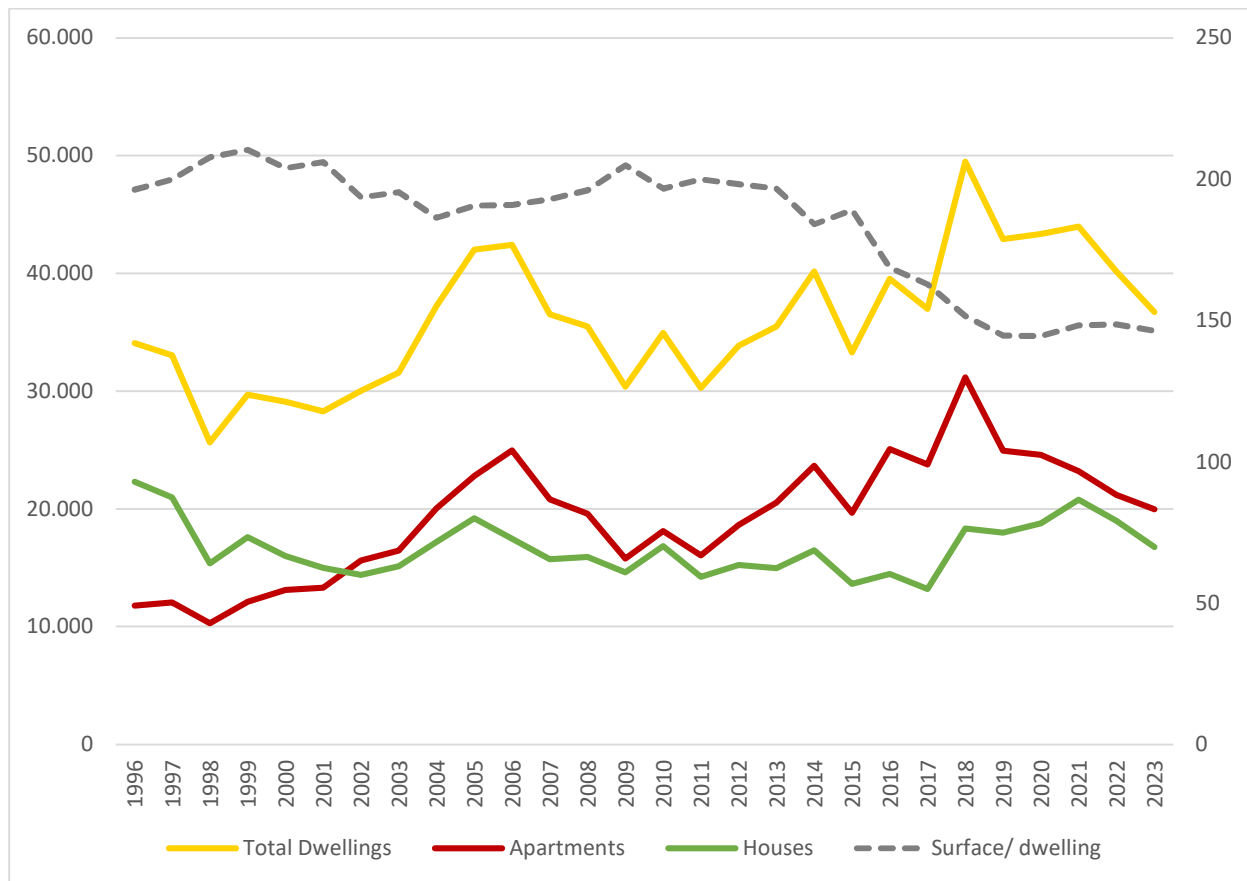
Undoubtedly, this call gives rise to the fear for another wave of quick and cheaply built residential housing, as we have witnessed after World War II in Belgium to address the massive housing shortage. The negative impacts on urban planning of these structures include social segregation, urban sprawl, homogenisation of urban landscapes, loss of historical character and identity and disruption of social networks and local economies.

But is there really a housing crisis imminent? The housing stock has risen significantly over the last 20 years in Flanders. In the early 2000s, the total number of permitted new-build homes was still 30.000 to 35.000 per year. From 2005 onwards, almost 35.000 to 40.000 new homes were licensed per year. . In 2020, 2021 and 2022 permits were delivered for 43.339, 43.966 and 40.165 new dwellings. In 2023 37.716 units were permitted (19.968 apartments and 16.748 family houses).

² Architectura (2024)

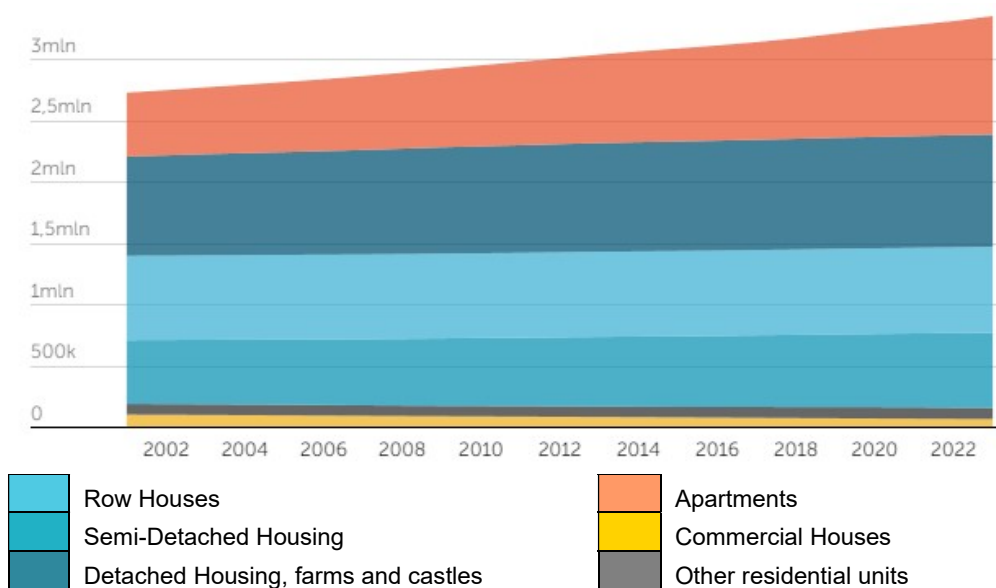
³ Eurocities (2024)

Figure 1: Issued building permits for residential dwellings in Flanders, 1996-2023



Source: Statbel

Figure 2: Number of dwellings in Flanders, 2022-2023



Source: Statbel, De Morgen⁴

⁴ Lelong, J. (2024)

At the start of 2023, the Flemish region had a housing stock of 3.192.245 dwellings, which was an increase of nearly 36% compared to 1996. The segment of apartments has risen by 120% in that same period. On the supply side the conclusion is that there is still a significant amount of new residential dwellings being built, and the increase has been particularly high in apartments. However, as some of these dwellings are used as secondary residences or student housing the statistics do not provide information on how many houses are actually used as a home.

On the demand side, the Statistical office indicates that the growth in the number of households has been larger than the growth in population; leading to smaller average families (2,24 persons per household in 2024 compared to 2.53 persons per household in 1994). In that same period, the number of single person households has risen from 25,5% tot 33,3% in Flanders. The Federal Planning Office predicts that this segment will further increase to 36,4% in 2040. By that time, additional 300.000 households will need to be housed, which would require 18.872 new dwellings to be built annually for the next 16 years.

Table 1: Household composition in Flanders on January 1, 2024

Type of household	2024	2034	2040
Single person households	33,3%	35,4%	36,4%
Married couples without children	21,6%	21,0%	20,2%
Married couples with children	20,1%	17,2%	16,1%
Cohabiting couples without children	6,8%	7,0%	7,2%
Cohabiting couples with children	7,9%	8,5%	8,9%
Single parent households	8,3%	8,4%	8,4%
Other private households	2,0%	2,5%	2,8%

Source: Statbel, Federal Planning Office

These statistics seem to indicate that there is an imbalance between the number of issued permits for residential units (37.716 in 2023) and the annual need to build new homes (18.872 units per year). The statistics also illustrate the strong growth of smaller households. Therefore, the housing crisis seems to be situated more in terms of the typology and surfaces of the new build dwellings rather than on the general number of dwellings for Flanders. It should be noted, however, that local differences can vary strongly, and these local imbalances can quickly generate an upward pressure on the price levels of real estate. Therefore, affordability can be a real problem in cities where there is a constant lack of new build housing, such as Leuven or Ghent.

Although both private and public representatives warn that a housing crisis is imminent (at least locally and in terms of typology, their alignment on this particular subject conceals a huge gap between each actor's educational background and their embeddedness in a particular way of thinking and dealing with the housing question.

2.2 The actors in the permitting process in Flanders

Traditionally, the urban development spectrum had private as well as public actors, each with their own interests. But more recently the bargaining power and particular interests of communities and individuals has to be factored in as well. In the permitting process applied in Flanders, the power dynamics are complex, with developers, authorities, and citizens/general public all specific positions, agency and influence, but to varying degrees over time and across different types municipalities and cities in terms of population size, available budget and the number of public officers available to do the job.

- *Developers* are in essence private actors (individuals, companies, associations) that want to build projects that sell quickly and generate a good return on investment. They focus on profitability, efficiency and minimizing risks. They are ultimately reliant on the public authorities to obtain the necessary permits to reach their objectives, and to a lesser extent also on the public acceptance of the projects they realise. They can influence the process by lobbying for changes in and interpretations of regulations that are beneficial for their projects, by presenting well-designed proposals that meet community needs and also by abandoning projects when the risks are deemed too high and the return too low.

From an organisational perspective, developers often make a distinction between the project developer that is managing various aspects of the project and procedural specialists (trained on the job permit application professionals and/or internal/external lawyers) that focus on the permit applications itself.

- *Local or national authorities* issue permits. Authorities have the power to grant (conditional) permits or to deny them. To do so they have to consider a broader scope of factors that are impacted by the project, such as long-term integration into the urban fabric, safety, mobility and accessibility, social equity, cultural identity and public well-being, sustainability, water resilience and green spaces. They can do so proactively by establishing a spatial development vision, setting the requirements and creating a clear legal framework within which the developments can take place. These documents are generally prepared by urban planners, with the assistance of various specialists. In a more reactive approach, the authorities have to evaluate the presented projects in the absence of such a (clear) framework, and a more ad hoc approach is necessary. Here, urban planners can play an important role too, as they have to assess how the project can contribute to create liveable, functional, equitable and resilient living environments. Authorities also have the responsibility to assess the permit applications within a reasonable delay and they can impose additional demands to balance the individual interest of the developer with community needs. Excessive delays or unreasonable demands can discourage investment.

In Flanders, the authorities are represented in the first instance of the permitting procedure by urban planning representatives that discuss the design proposals and evaluate the permit

application, but ultimately it are the (local) politicians that have to decide on the permit request and various power plays can exist between these two subgroups.

- The *citizens/general public* is interested in affordable housing, safety and quality of life. Residents want living environments that are safe, clean, and offer sufficient amenities like parks, schools, sports infrastructure, shops and public transportation. They are often concerned about issues that concern them directly, like traffic congestion or noise pollution, or by more themed issues, like the preservation of historical areas or green spaces. Individuals can also have particular interests in a project, like an (presumed) increase or decrease of the value of their property or a particular direct impact on their quality of life by a new project. The general public can voice their concerns via public hearings, community forums and online platforms. Alternatively, they can attempt to have a direct impact on the permitting procedures by filing formal objections and appeals if they believe that the regulations are not being followed. Indirectly, they can also exert pressure to influence the decisions of authorities and this is especially the case in municipalities, where there exists a close relationship between the citizens and the local politicians that are voting for and that represent them. There are also limitations to the power exerted by citizens: they may not have the technical expertise to fully understand complex projects, their concerns may sometimes be based on emotions (e.g. resistance to change) or misinformation and the interest of one subgroup (e.g. citizens living in the neighbourhood of a planned development) may differ from the interests of the wider community. From a legal perspective, the interest of an individual or a group to file an appeal against a government decision has to be real (not hypothetical), actual (existing at the time of the filing of the appeal), there has to be a cause and effect relationship between the contested decision and the interest of the appellant, and most of all the appeal has to be sufficiently individualised.⁵

Between these groups, there is little empathy for the situation in which another actor operates, there is a lack of respect and a lot of suspicion. About half of the local urban planning services suspects a conflict of interest in the local political urban planning policy. This would especially be the case in smaller municipalities (less than 10.000 inhabitants).⁶ Some politicians and local urban planning representatives suspect that developers are all cowboys that make too much money for the risks they are taking, and developers see the city's administration as a Lernaean Hydra that cannot be tamed and cannot make

⁵ Allowing a so called *actio popularis* - a right resident in any member of a community to take legal action in vindication of a public interest - has never been the intention of the Belgian court system and this perspective is still valid when it comes to filing appeals against (administrative) government decisions with the council of the state, as would be the case if an appellant would want to annul a decision of a municipal council in Flanders. With the introduction of the Council for Permit Disputes in Flanders, this has shifted somewhat, as article 105, §2 of the Environmental Permit Decree stipulates that the 'concerned public' may introduce an appeal and the 'concerned public' is defined in article 1 of that same Decree as 'any natural or legal person as well as any association, organization or group with legal personality that is affected or likely to be affected by, or is interested in, the decision-making process regarding the issuance or adjustment of an environmental permit or of permit conditions involving non-governmental organizations that promote environmental protection deploy, are deemed to be interested parties';

⁶Andries, S. (2023)

up its mind either. To make things worse, the discussion is often polarized in the press by quotes of representatives of the private or the public sector, as the two examples below illustrate:

“If your attention slackens, the building developers will attack you. [...] If there are a few properties or plots for sale somewhere, we almost always notice that a promoter has bought two or three in no time. Then they can start putting something up, in the hope that even more local residents will sell. They naturally offer them a multiple of the actual value for their properties. Constructing deep underground garages under a construction project sometimes causes cracks in the walls of nearby houses. They don't mind that, on the contrary. With every local resident who also sells, they can make their project a little bigger” (Wilfried Vandaele, Mayor of De Haan)⁷

“Classic promoter architecture is very generic and takes little account of the context of a place.” (Tom Coppens, Professor, University of Antwerp)⁸

“Some developers don't bother to find out how something can be typologically better. They do what they know, as long as it costs as little money as possible. In theory, these apartment buildings do not conflict with the applicable conditions, although they do affect the identity of the landscape.” (Erik Wieërs, Flemish Government Architect).⁹

‘The many protests are definitely a frustration in our sector. As a project developer, you even encounter opposition from parties that do not experience any impact,. They are sometimes against a project, simply because they do not want change.’ (Kristof Vanfleteren, CEO, project developer ION)¹⁰

Although tensions do arise between the subgroups of the different actors – politicians versus planning officers, local urban planning officers versus Flemish planning officers – I will focus on the dichotomy between urban planners and real estate developers for the following reasons:

- The differences between urban planners and real estate developers seem to be most pronounced, and are certainly the ones that are most expressed in various publications;
- As always, on either sides of the gap, there are the exceptions that might just show the way forward; on the one side this would be the proactive urban planning officer that ensures that a locally supported spatial development vision is in place, the development framework and risk distribution is clear and the advices of the government services aligned; on the other side this would be the benevolent developer that carries a certain commitment to developing a project that adheres to urban quality standards where social and environmental sustainability coexist with economic sustainable profits;
- With more than 25 year experience in real estate development in Flanders and abroad, I have a valuable insight into the professional practice of real estate developers. However, throughout my career, and to some extent, parallel with the drive to go for return on investment, I developed

⁷ Andries, S. & Van Maele, P. (2023)

⁸ Notelteirs, O. (2024)

⁹ Ibidem

¹⁰ Van Maele, P. (2023)

an appreciation for urban development. First through participation in the conception and masterplanning urban developments via public-private partnerships such as Green Quarter Antwerp, then by teaching urban planning law to developers and real estate brokers and finally by heading the urban planning and design department of a large residential developer. From an educational perspective, I started with a Master of Science in Business Engineering and a Postgraduate in Real Estate, which corresponds to the more economical approach often adopted by developers and I hope to conclude this study with a Master of Science in Urbanism and Spatial Planning, which provides me with the tools to analyse the broader impact of developments on the living environment. In a way, I have bridged myself the gap between development and urban planning and I want to use my experience, knowledge and network to investigate how the interests of developers and urban planners can be more aligned to create value in the broader sense of the word.

2.3 Insights from professional practice

The drawback of having a lot of experience in the field of real estate development and, to a lesser extent, urban planning, is that my own insights are probably influenced and shaped by that experience. Here it is important to see that in urban planning as well as in real estate development, the learning curve is very flat: the time span between the conception of a spatial development vision and the realisation of that vision via projects can easily take more than 10 years, in some cases even 20. That means that few people have actually been involved in the total trajectory, or even in big parts of that trajectory, and if they did, they couldn't have done more than 3 – 5 of these trajectories at the same time. Hence the ability to learn from own experiences remains limited to that few experiences.

Via a number of interviews with representatives of the stakeholders subgroups of developers, institutional investors, social housing companies and urban planning, I have aimed to further investigate what the differences in vision and approach are, where value in the broader meaning gets lost, and where there are opportunities to create value by better mutual understanding, i.e. how the gap between developers and urban planners could be bridged.

The interviews have been conducted live or via Ms Teams and were based on a set of structured questions which were used as a guideline or to explore the viewpoints. This semi-structuring of the interviews also allowed to keep the bias to a minimum, although it was never the objective to compare answers from one person to another. From each stakeholder subgroup, four to six interviews were asked to give their point of view based on their experience, and each interviewee was sent a report of the interview afterwards. An overview of the interviewees, the questions asked and the reports is joined in Appendix 1).

Based on these interviews, a number of similarities and differences in perspective between developers and urban planners emerge.

2.3.1 Conflicting mindsets and goals

2.3.1.1 Mutual (dis)trust and lack of cooperation

While both developers and urban planners value professional cooperation and acknowledge that this leads to more qualitative projects and faster approvals, a significant chasm of mistrust persists. Urban planners harbour deep scepticism towards developers, fuelled by perceptions of excessive profits generated through low-risk land banking strategies employed by larger firms and the reckless behaviour of smaller, less scrupulous operators, the so-called *cowboys*. This distrust extends to both the financial returns of developers and the quality of their proposed projects.

Conversely, developers level accusations of incompetence and shortsightedness at urban planners, citing a lack of vision and professional capacity, particularly within smaller municipalities ill-equipped to handle large-scale developments. The increasing complexity of permit processes, involving a growing number of specialized disciplines, further exacerbates these tensions.

“Local governments, urban planners and their associations on the one hand, and developers, financing institutions and investors on the other hand seem to live in a parallel universe, each with their own discourse fed by separate seminars, speeches and contributions and with little or no respect of the other party’s rationale. Urban planners argue that developers do not build the dwellings that are needed, while the developers state that urban planners do not base their demands on data. Developers feel that they have to take on a part of the responsibility of the government to organize elaborate citizen participation and to create a locally acceptable development frameworks, while urban planners often argue that developers forget to look at the broader picture.”

(Nicolas Bearelle, Founder and Chairman, Revive)

“Overall the gap between the urban planners and developers has become too wide. Instead of engaging with one another and trying to find a common solutions for the problems they encounter, there is a continuation of archotyping the other parties. Urban planners should make more use of data to motivate their viewpoints and the importance they attach to the future use of the built space, developers should communicate more early about their development plans and refrain from lobbying with politicians to enforce a decision, thereby overstepping the professional opinion of the urban planning officials.”

(Marjolijn Claeys, Managing Director, Voorland)

2.3.1.2 Ownership rights and the right to operate

Some developers see individual property rights as fairly absolute, as stated in the constitution (e.g. Baltisse) Other developers do feel that they have a 'licence to operate', in the sense that they have a social/societal responsibility and a responsibility to seek an alternative but sustainable future use with an economic value that exceeds the current economic value to reach the tipping point that makes development possible (e.g. Volus, Matexi, Zabra).

"An unfortunate evolution is also the hidden ambition of urban planning professionals to charge against the capital system and to try to change the cornerstones of society, such as the property rights and the available development options that are associated with it. The objective of urban planning should be to look for the highest and best use of a plot of land, from the viewpoint of urban planning. The objective should not be wealth redistribution, the implementation of soft law as an alternative to expropriation, nor the allocation of all kinds of burdens on the development. Urban planning should take into account the city dynamics and try to find a new equilibrium for a better use of space, taking into account different contexts and complexities; one of these context is the economic reality and the fact that we operate in a system that values use of land in Euros."

(Lorenzo Van Tornhaut, CEO, VOLUS)

The Flemish Government Architect stated that the ownership of a plot also means that the owner has a responsibility towards the local community, especially as what gets built has a direct impact on the lived space of that community. An Rekkers, CEO of VRP agrees:

"Any development project should actively seek support from the local community and opportunities to generate positive linkages with other spatial developments and challenges. The owner has a right to have legal certainty about the development potential of his plot, but that does not mean that he has a right to build on his plot. Often, developers just buy a site at a high price and then expect to use this as an argument to force the local government to allow a developable volume that is in line with their feasibility study."

(An Rekkers, CEO, CRP)

These differing visions on ownership rights may complicate seeking a common ground for future developments and it is a pity that the latest modification of the civil law book did not address this issue. Concepts such as 'privacy' or 'mobility' are often used to introduce an appeal, but it is by no means clear from a legal point of view what an individual may enforce. One appeal may be justified from an individual point of view, others just may be frivolous attempts to block any development. This is especially relevant in the context of further densification of the urban tissue, where the right of one individual is limited by the rights of other individuals or communities, with less distance between each other.

2.3.1.3 Risk and profit versus long term value

Developers are said to focus on financial returns and maximizing density, while urban planners tend to focus on long-term value creation, and are considering social and environmental impacts as well.

However, developers do take into account social and environmental impacts when they are forced to do so by the investment funds (e.g. ION Residential Investment Fund) that they sell to or because they have imposed these ambitions upon themselves (e.g. Upgrade Estate).

In addition, all developers claim that their returns are in line with the risks they assume – some would even say they have taken on too much risk. The Flemish Government Architect acknowledges that, for professional developers that aim to realize a sustainable higher use on a particular site, the return on projects is generally in line with the risks associated with the development process. But he also notes that there remain exceptions with developers that just want to maximise their return building the highest density at the lowest cost without taking into account the impact on the neighbourhood.

“There is also a wide gap between the perceptions of urban planning professionals ‘(developers playing monopoly)’ and the real context where developers operate today. Where it might have been true that the pure land banking model, where a developer buys a plot of agricultural land and speculates on a zoning change, yielded returns in excess of the associated risk profile, this is no longer the case today. Today, a developer generally expects 15% margin, but the real driver is the return on capital employed. To achieve this, the developer has to find a new equilibrium of highest and best use, taking into account both market dynamics and space use dynamics. If a tipping point can be reached where the new use generates a higher value, the site will be developed.”

(Lorenzo Van Tornhout , CEO , VOLUS)

Most of the interviewed developers do not have a problem with communicating transparently about their margins and returns, as they are annoyed by the negative perceptions and the false assumptions provided by market consultants that are not in check with the dynamics of the market. In addition, most representatives from the urban planning offices and the general public do not relate the return to the capital employed nor to the lead time to obtain a permit. Nicolas Bearelle notes:

“It should not be the objective of the urban planners to assess the financial acceptability of the margin that the developer is making on a particular project. Developers use different models of calculation, presumed minimum margins and returns can quickly shift and urban planners often do not have the educational background to fully understand the cashflow models that they are dealing with. Furthermore, the financial return is just one element to be considered, the focus of urban planners should be the spatial and societal impact of a planned development.”

(Nicolas Bearelle, Founder and Chairman - Revive)

On the other side, various urban planners pointed out the absence of the Flemish Government when it comes to long term spatial planning in general and making hard choices for the benefit of the general public. In addition, the local level misses the time, the resources and the budget to properly take up spatial planning.

2.3.1.4 Increasing Density

Urban planners and developers are convinced that new developments need to occur within the existing urban structure. Urban planning should take into account the city dynamics and try to find a new equilibrium for a better use of space. However, developers and urban planners do differ in their view on the approach of this equilibrium. Urban developers would like to take into account the specific context of each project, with a tailored approach. Developers indicate that the absence of clear guidelines on the achievable density results in a risk premium to be taken into account due to longer permitting procedures and the insecurity that the paid acquisition price and the underlying unit assumption will be met.

Katrien Kempe acknowledges the role of developers in realising a higher urban density:

“Developers fulfil an important function to redevelop larger city blocks: they have the funds, the capacity and the professionalism to develop brownfield and city cancer sites. Several successful projects demonstrate that these also create a momentum for the revitalisation of the surrounding neighbourhood. To do so, developers need to cooperate closely with municipal development companies.”

(Katrien Kempe, Director, BVS- UPSI)

Marianne Mys signals a lack of support from the Flemish Government to change the mindset of villagers regarding higher densities:

“The problem with such higher densities often is that the local villagers find the new urban densities unacceptable. There is a gap of 10 to 15 years between what urban planners think is acceptable and what the general public finds acceptable, even if these type of developments are in their best interest, because they foresee dwellings in the centre of the municipality, close to amenities and services. But they do not see it that way and in the end it is the general public that votes for the local politicians that have to approve these densities..”

(Marianne Mys, Managing Director, Croomm BV)

Nicolas Bearelle fears that the eroded margins and higher risks might strain the capacity to develop good projects:

“Developers are no longer rewarded for the risks they take. Risks have risen and margins have gone down. The consequence may be that developers leave the business or go bankrupt, which strains the capacity to develop good projects in areas where the need for dwellings is high.”

(Nicolas Bearelle, Founder and Chairman - Revive)

2.3.1.5 Affordable housing

Developers want to take on their responsibility to create affordable housing, as long as these demands are clearly stated prior to the acquisition, and as long that the rules governing these type of developments remain fixed for a certain period. As the market slows down, providing an offer of affordable housing units can be in the interest of the developer too. In any case, providing such a product is in line with the ESG objectives that most of the developers have underwritten in the meantime in preparation of the EU Taxonomy.

An Rekkers does not believe that the problem of the provision of sufficient affordable housing will be solved by developers.

“They tend to develop products for higher income classes and secondary residences. But the space that these products take, is space that cannot be used to realise affordable housing such as social housing. The task of the government is to preserve the available space for its best usage, taking into account all societal stakes. This may well result in plots that are no longer available for (commercial) development.”

(An Rekkers, CEO, VRP)

Although affordability is a theme in many municipalities, in others the strict building regulations and the repetitive refusal of building permits conceals the local vision to avoid an influx of new citizens of all kinds. A classic example is the limitation of building heights in the zoning plan of Halle-Vilvoorde or the municipalities that systematically fail to realise a preset percentage of social housing.

2.3.2 Long and insecure permit application procedures

2.3.2.1 General project timeline

Tensions and frustrations arise between developers, seeking faster approvals to limit risks and costs, and urban planners pushing for thorough assessments to ensure quality and avoid negative impacts.

The cost of capital is forcing developers to keep the permitting procedures as short as possible. The time it takes to obtain a permit varies greatly depending on factors like the local government involved and the complexity of the project. This uncertainty makes it difficult for developers to plan effectively and manage project timelines. Some developers consider a timeframe of 3 years for obtaining a building permit, and another 2 years for fighting appeals.

“A lot of value destruction occurs through the lengthy permitting process. The only winners here are financing institutions that can charge interests and lawyers that can charge fees. Instead, as a developer, we would prefer to spend these budgets to a more qualitative project.”

(Emilie Rousseaux, CEO, Belgian Land)

As the potential impact of a project on the build environment can be significant and has a long time horizon, urban planners find it important to tread carefully and to consider all aspects of the project. But even urban planners find that lead times can be excessively long; in fact none of the projects that were presented in the first 5 years of holding the position of Flemish Government Architect, has been realized.

General factors that make obtaining a permit difficult are:

- A different vision of the local government on what is allowable on a site;
- Individual or grouped citizen action;
- Lack of resources in the planning offices;
- Complexity of the project;
- The choice of the developer to pursue a vision that deviates from approved planning documents in view of a higher return, thus resulting in public enquiries and a more lengthy and risky permitting process.

With respect to the permitting procedures, one of the positions taken by BVS is that the efficiency of court procedures relative to building permits needs to be increased, by offering the possibility to settle disputes in a legally binding way, by better delimiting the persons that might have an interest in the project, and by increasing the capacity of the court to handle appeals. Furthermore the Flemish Government needs to determine a coherent legislation on minimum surfaces of dwellings.¹¹

2.3.2.2 Legal insecurity

Project development shifted from exercising development rights to a negotiated and sustainable approach towards what development will be permitted on a plot. The complexity of the legislation, the frequent changes, the ad hoc solutions, the easy appeals, etc.. all add up to an overall legal uncertainty on the outcome of the permit application process.

¹¹ UPSI-BVS (2023) Memorandum Flanders 2024, propositions 18 and 21

Investors are hesitant to take on the significant risk associated with obtaining permits. Deals are often contingent on securing a valid permit with no possibility of appeal. This risk aversion hinders investment and slows down development.

The permitting process is also overregulated and over documented, which can be a fallacy in itself. The level of detail required absorbs a lot of energy from architects and urban planners, which sometimes lose the view on the bigger issues at hand. Permitting procedures sometimes require impact reports that just have to be there to tick the box, but that does not mean that the content is valid and to the point. Furthermore, the role of the urban planning official gets more and more reduced to just analysing the permit application in function of the existing regulations.

2.3.2.3 Importance of early involvement

Urban planners believe that developers should invest more in the analysis of the context of a project: what is the spatial context, what are the local requirements, what is the added value for the neighbourhood, what is the impact of climate change, etc.. Developers admit that they do invest enough time in this, but they fail to communicate the evolution that a project already has undergone before it is presented to the urban planning officer.

Some developers are convinced that discussing the project up front creates value:

“Project developers should discuss the envisioned project with local planning authorities before closing on a land position. Value can be created by conducting a rational debate about the development potential of a site, both for the private developer as well as for the local community.”

(Laurens Brantegem, CEO, Zabra Real Estate)

Developers struggle to get early involvement and support from planning departments, mainly due to a lack of resources on the public side. There is also disagreement between urban planners on the optimal approach to preliminary design consultations. Some developers and urban planners favour presenting concrete plans for discussion, while others prefer more loose concepts and flexibility to adapt to feedback from planning officers. The Flemish Government Architect finds it important to clearly state the mutual ambitions at the beginning of the development process, and to create a common ground and a strategy towards a result, rather than just presenting the result of an entire development process.

“The success of such an open and project oriented approach is heavily depending on the competencies of the people around the table. An important element is the ability of the local urban planning official to quickly check, verify, discuss and alter some viewpoints with local political officials and other city services. Problems arise when there is no clear development

vision for the city, or when there is a big discrepancy between what the politicians think is necessary of the city and what the developers thinks the market wants.”

(Rob Ragoen, COO, Triginta)

Some developers do not bother to present the project to the urban planning office prior to the acquisition, because they fear that the word might get out that a particular site is for sale, because they fear that the process might take too long, because they have the experience that the outcome of such a meeting doesn't have a real legal value, or because they think they can obtain a higher real estate value than what the urban planning officer would agree to in this stage.

At the conception of the projects, some developers are relatively open with respect to the financial impact of the design choices that are made. The experience is that openness is valued more than a negotiation game, for which the developer presents an over-the-top scenario, and the urban planning officer systematically knocks off a few floors. This openness also works towards the previous owner of the site, on the condition that the value to be paid is made dependent on the volume built, a practice that is commonly used among developers.

The communication of the urban planning representatives during the early stages of the design conception could be improved: sometimes they refuse any oral communication, unclear e-mails are sent and interpreted wrongly, when a project developer addresses an issue, they come up with another issue, etc... To foster a good communication, the Flanders Department of Environment developed a *Preliminary Consultation Guide*.¹² The guide includes tools and tips to ensure that the informal dialogue that precedes an environmental permit procedure runs optimally. Properly completed preliminary consultations should lead to a smoother permit procedure, greater support and more high-quality projects.

Matexi held an interesting workshop with a number of outcomes relative to the preliminary design consultations:

- About half of the representatives were in favour of relatively precise designs presented at a preliminary consultation, as a 'stick in the ground' for further discussions. The other half of the representatives stated that presenting such a proposal immediately triggers an aversion to approve it, as no insights of the planning office seem to be taken into account.
- When asked whether political representatives should be present at the preliminary consultation, again about 50% of the representatives felt that this 'clipped their wings' as urban planners to objectively evaluate the proposals. The other half of the representatives deemed such a presence useful, because of the fact that the decision

¹² <https://omgeving.vlaanderen.be/nl/ruimtelijk-beleid-en-planning/handreikingen/handreiking-vooroverleg> Accessed: June 17, 2024

to grant a permit is ultimately taken by political representatives and that information loss is minimized.

- A positive preliminary consultation has the benefit that public servants have a positive stance towards the project, but the drawback is that these preliminary consultations do not always take into account the reactions of the neighbourhood representatives.
- Nearly all representatives agreed that one of the purposes of a preliminary consultation should be an agreement on the programme to be built.
- Most of the representatives agreed that developers should be able to work further on their permit application, basing themselves on the (written) conclusion of the preliminary consultations. However, this also limits the manoeuvring space for the political representatives that have to take the permitting decision.

Most developers agree that there would be a certain value if the insecurity about the building programme could be countered by a professional urban planning evaluation process that results in a document (e.g. urban planning certificate) which creates the guidelines for future development. They would be prepared to pay for this process and certificate, as long as it eliminates uncertainty about timing or conflicting opinions of government institutions.

2.3.2.4 (Un)Realistic demands

Some demands by urban planning officers, such as switching the ground level use of a building from residential to commercial use to make a more lively plinth is generally acceptable for developers, even if it brings on extra risk. Common functions such as shared kitchens and laundry rooms are also accepted by some developers, but more often than not these facilities are closed after a while, due to a lack of interest to use them, especially when a fee has to be paid. Other developers do not bother to foresee these shared spaces, because their experience is that the units will sell or be rented out anyway. The presence of shared spaces and amenities generally involves some form of professionalised management (the responsibility is rarely taken up by tenants or owners), with an associated cost.

Nevertheless, developers encounter more and more unfounded demands or legally unsubstantiated wishes. Politicians often infuse other policy objectives into the permit conditions, that have little to do with urban planning. An example quoted by Matexi is the request to keep the ownership of the building in one hand to avoid exploitation by slum landlords without demonstrating what the link is between sole ownership of an entire building and renting out individual units below the housing standards.

The imposition of unrealistic demands often frustrates developers because they find that the demands are no longer in line with project profitability and they do not see the data on which these demands are based upon. They feel that 50 years of absence in urban planning needs to be corrected on the few new projects that are developed now. Government valuation models used to assess project affordability and the margin to impose additional demands often rely on outdated data and do not reflect the current

market dynamics. These inaccurate models fail to account for significant increases in construction costs or interest rate fluctuations. This discourages developers by underestimating the true costs of projects.

The current high parking ratios mandated by regulations are financially difficult for developers to meet, especially when it involves expensive underground parking. Additionally, these requirements may not reflect changing mobility trends, such as the rise of car-sharing and gap parking solutions.

“High parking ratios are difficult to absorb financially, as most parking has to be organized underground, which is very expensive. New projects are often (ab)used to counter an existing parking problem in the neighbourhood, where the developer is asked to foresee a number of public parking spaces. Concepts such as ‘gap parking’, where the available parking spaces are integrated into a digital management system and different users can use them in different time slots are difficult to sell. It is difficult to explain to a retailer that operates on a ‘no parking no business’ model that some 20 of the adjacent parking spaces are unavailable on Monday morning because they were allocated to some neighbours that had a party on Sunday evening and forgot to pick up their car the next morning.”

(Benoit Chauvin, Manager Business Portfolio Invest, Matexi)

Minimum living area requirements can hinder development and make housing less affordable, particularly for singles. These regulations don't always consider the possibility of shared amenities like kitchens or laundry areas, which could create more affordable living options.

2.3.2.5 Preparing the application

Developers – and their architects - could do more to smoothen the permitting process, by checking building permit applications before they are submitted. In about 30 of the cases , a document is missing. Developers also report stalling of permit applications by urban planning officers, i.e. asking additional information to allow for more time for the evaluation of the application due to work overload.

2.3.2.6 Citizen involvement and local support

Prior to the acquisition of a potential site, Immobel assesses the potential, by analysing market data and by listening to internal and external stakeholders. Important elements are the local market data such as market segmentation, take-up, demographic evolutions, etc.. but also local support (citizens and politicians) for the project. If an otherwise feasible project is not supported by the local authorities, Immobel tends to abandon the project.

“There is a lot of suspicion of the common man towards new development, the developer is often presented as a villain, there is always the argument that there is a lack of transparency and citizens want to know everything, but they do not understand the complexity of urban

planning and the urban planning instruments. But there should be some room for negotiation between the public representatives (that have been designated in a democratic process by the villagers) and the developers.”

(Marianne Mys, Managing Director, Croomm BV)

While urban planners prefer community engagement to ensure that local needs are met, developers prefer a streamlined development process. The neighbourhood and its existing spatial and demographic composition often brings value to the project. Conversely, any development project should actively seek support from the local community and opportunities to generate positive linkages with other spatial developments and challenges.

Some developers find it important to seek support from local stakeholders and to integrate the project into the existing urban tissue (Revive, Zabra, Matexi, Immobel). The programme requirements are stated by the project developer and a professional team of urban planners and architects makes a draft masterplan, taking in to account the urban planning context. They listen to the existing neighbours: what are the neighbourhood issues, what are the local needs, what are possible objections that might lead to appeal procedures. Finally, most developers go a long way to integrate elements that contribute to get that support from citizens: citizens are approached one by one and adjustments are made as much as possible (e.g. installing a gate, providing accessibility, adjusting building heights and volumes) to avoid lengthy opposition and appeal procedures. Other developers also highlight the importance of support from the local authorities for the project, in the absence of which they simply abandon the project (Immobel).

“In the sub-municipality of Kloosterzande (Hulst, The Netherlands), Zabra works closely together with planning officers of the municipality of Hulst. The project is locally supported because it is the reconversion of an abandoned ferry docking site. The cooperation is built on mutual respect between the developer, municipal services and politics, which has resulted in a fantastic master plan. But these types of Public Private Partnerships (PPP) are not always so smoothly running, e.g. Zabra experienced that , even after the creation of a clear development framework, local policy officials can change their opinion which leads to continuing political uncertainty.”

(Laurens Brantegem, CEO , Zabra Real Estate)

Matexi experienced a similar problem, i.e. that local politicians differ in opinion with the public planning officers and refused a permit after having held after 7 ‘Quality Chambers’ and 15 preliminary consultations over a period of 18 months

Local governments and neighbourhood committees can oppose to a development, due to the negative association of tenants, the ambition to attract higher income inhabitants (which might lead to gentrification) or the presumed negative market value of properties in the neighbourhood.

When developing bigger projects, e.g. the development of an entire building block or quarter, citizen involvement may be beneficial to take into account local concerns, build support for the project and start working on building a new community. In these type of projects, both developers and urban planners are convinced of the added value to integrate this into the development process rather than the urban planning process.

The public often misunderstands the risks and rewards associated with real estate development. Developers are perceived as earning excessive profits, while the significant financial risks and long lead times are not well understood. Citizens want to know everything but often they do not understand the complexity of urban planning and the urban planning instruments. Generally, a lack of transparency on behalf of the developer is expressed and this creates tension between developers and the general public.

On the other hand, while citizen involvement may be desirable for larger city development projects, the question is whether this involvement should generally not be sought in the planning process. There should also be some room left for negotiation between the public representatives (that have been designated in a democratic process by the villagers) and the developers.

2.3.2.7 First Instance permitting procedures

During the first instance permitting procedures, the experience of developer is that urban planning officers sufficiently guard the preset delays in the permitting procedures, but deviant advices from government services can be showstoppers when they arrive late and there is no time left to react.

“Preparation of permit applications are standard screened by lawyers for gaps and arguments that can be (ab)used to oppose to the project. The permit granting authorities also use more and more external legal advice to motivate decisions. Overall, the permitting process draws heavily on intervention of legal appreciations and often procedural arguments are used instead of relevant arguments.”

(Laurens Brantegem, CEO , Zabra Real Estate)

The ability and the speed to obtain permit has become highly dependent on quality and will of the individual urban planning officers.

“There lies an absurd amount of power on the local urban planning official that creates additional policy himself (e.g. own interpretation of privacy, pushing through his own will without regulations, allowing absurd lower densities to attract the “right” kind of people, etc..).”

(Laurens Brantegem, CEO , Zabra Real Estate)

“The quality of the urban planning representatives and their power to decide is also an important factor. More professionalism means that you can have a sound discussion to increase the quality of the project. More power means that the urban planning representative can more easily align advices by other government representatives. The former is usually the case in cities, the latter in smaller municipalities.”

(Adel Yahia, Senior Managing Director Belgium and Luxembourg, Immobel)

Finally, the granting of the permit is the responsibility of the (local) politicians that may or may not follow the advice of their (local) planning officer. Besides urban planning motivations, there may be other motivations at play in the evaluation of a permit application and conflicts of interests have been reported frequently in Flanders.

2.3.2.8 Frequent objections and easy appeals

Access to administrative and legal appeal remains a basic right to avoid that local communities are not involved in the development process due to a faulty planning approach of local government.

Access to opposition and appeal remains a basic right to avoid that local communities are not involved in the development process due to a faulty planning approach of local government (e.g. building a high rise building next to a garden city). Developers should actively seek support for their projects as every property right implicitly entails a responsibility towards the local community.

On the other hand, as most of the adjacent owners are convinced that they have a fairly absolute ownership right stemming from ‘being there first’ without any obligation whatsoever towards the larger community, they feel that they can oppose to any structure being built anywhere.¹³ Even if a spatial execution plan is in place, citizens abuse their ownership rights to avoid that anything gets built in the vicinity of their property. Arguments put forward often include mobility issues, privacy issues and more recently environmental issues.

When facing opposition, most developers will go a long way to accommodate negative impacts of their project on the property and living quality of the immediately surrounding neighbours. They try to contact the opposers and to come to an agreement. But as opposers can now introduce objections anonymously during the public consultation, this has become more difficult.

Sometimes objections of neighbours result in decreasing the density of the project by the local authorities, even if a higher density on that particular place is defensible from an urban planning perspective. This puts tension on the relationship between urban planning officers and local politicians

¹³ Often designated as NIMBY: Not In My Back Yard or BANANA: Build Absolutely Nothing Anywhere Near Anything" (or "Anyone)

that seem to discard the ability of the urban planning officers to assess this. It also opens the door for benevolent treatment of some applications and a more strict treatment of others.

Both urban planners and developers indicate that the cost and opportunities to introduce an appeal against a permit decision is just too easy and the scope of the appeal procedure too broad. They argue that the threshold to introduce a general appeal should be higher and the impact of an individual appeal lower.

“A number of open doors need to be closed. In the surrounding countries, it is more difficult to demonstrate a sufficient interest as a basis to introduce an appeal.”

(Adel Yahia, Senior Managing Director Belgium and Luxembourg, Immobel)

“If a development process has occurred, within a pre-set framework of ambition and guidelines, where a professional developer and a number of urban planning representatives as well as public servants of different departments of the city have been actively involved, possibly reinforced by a participation process to capture local insights, it should not be possible for the delegated public servant of the province to negate all of this work in the appeal procedure and review everything once again. Instead, the focus should be on assessing the impact on the particular objection that is made.”

(Erik Wieërs, Flemish Government Architect)

The low cost of filing an appeal, combined with the lengthy delays associated with resolving them, incentivizes frivolous objections. Sometimes, introducing appeals in permitting procedures on behalf of citizens has become a lawyers line of business. A lot of arguments that are used in these appeal procedures are in fact legal formal issues that have nothing to do with the content of the project itself.

2.3.3 The fear of quality erosion

“The quality of the project is an important preoccupation for the local community and there is always a danger of quality erosion throughout the project.”

(Erik Wieërs, Flemish Government Architect)

2.3.3.1 The ambiguous definition of quality

Quality is a concept that can be easily explained but is far more difficult to understand and certainly to apply. Quality of urban planning is certainly highly subjective, because it is a subjective appreciation of multiple factors relating to the living environment. The subjectivity stems from differences in use, in perception, in perspective and in priorities. Urban planners tend to look at the broader community and neighbourhood, to reflect upon the representation of a project in that context and the impact of the

project on that context over time. Architects are presumed to do the same, but often have a more narrow focus on realising a conceptual design in the context of the immediate built vicinity and the usage by the users of the structure. Interior architects will focus on the materials used, the degree of finishing and the experiences generated for the users. Landscape architects also focus on the experience, but situated in the unbuilt space in between structures. Likewise, neighbours will look how a certain project may influence the character and identity of their neighbourhood or on the value of their property. Finally, developers will look in the first place what their intended clients might think of the qualities of their project, and to some degree what aspects of that project might be negatively perceived by neighbours leading to an opposition to the project.

Having said that, the quality depends on multiple factors and by no means one definition of quality is better than another one. The importance is to reach a certain equilibrium between private ambitions and societal impact.

“The development set-up has changed significantly from mere land development to more integrated urban development projects. Some developers have developed the skills to be successful in these type of development projects. They tend to deliver qualitative projects that maintain a certain equilibrium between the private ambitions and the societal impact.”

(An Rekkers, CEO, VRP)

To do that, a minimum of exchange between all involved parties is necessary. When real estate development is just considered as an absolute right to build anything as long as it fits the stretched interpretation of regulations, we will not get quality. This can be easily observed on numerous occasions along the Belgian shoreline:

“With market logic at the forefront and architectural quality at the back, the coastline turned into an impenetrable wall of apartment buildings. In a century a plot has been repurposed three or four times.”¹⁴

Likewise, overly focussing on architectural design and the individual ambition and ability to create a landmark building suitable for design handbooks will not lead to quality either. And finally, meticulously planned urbanism with monotonous building blocks and neighbourhoods will be impossible to integrate in Flanders, due to the diversity of the urban tissue, the lack of space and the absence of the will to do so.

¹⁴ Sels, G. (2024)

2.3.3.2 The ambiguous role of Quality Chambers

To ensure 'quality' in the eyes of the local authority issuing the permit, a project of a considerable size is often submitted to a 'Quality Chamber'. To a large extent, these Quality Chambers determine themselves their modus operandi and the scope of their intervention.

The experiences with these Quality Chambers are mixed. Some developers and urban planners find that these Quality Chambers question and guide the developers and architects in the development process, which ultimately results in a better design and projects that are better integrated in their context. Nevertheless, they also admit that the success depends on the legal and local political context, the process and the persons that are part of this body. Others will argue that it is just a loss of time and another level of differing opinions to be aligned.

"The main contribution of a quality chamber is to come to a fruitful discussion about the project, quality is made by discussion, not by rules; the contribution of the quality chamber is higher if all parties want to cooperate and are open to discuss about the project."

(Peter Vanden Abeele, City Architect, City of Ghent)

'So called "Quality Chambers" are considered to be the 'mother-in-law' that is rechecking the project. For most members, this is just an additional actor that does not contribute to an increased urban or architectural quality.'

(Katrien Kempe, Director UPSI-BVS)

Some of the problems of these Quality Chambers are the loose basis for their existence, the free composition of these chambers, the different modes of operation and the absence of a formalised outcome (in an otherwise heavily formalised permit application process).

"The role of the Quality Chambers could therefore be to engage in the negotiated urbanism. In such a spatial quality-oriented Quality Chamber, it is of added value to have people around the table that understand the reasoning and the language of real estate developers. The problem here is twofold: there is no real legally valid outcome that can be used in the permitting process and the Quality Chamber may not really have mandate to negotiate on behalf of the urban planning office or the local politicians. In that way, real estate developers may be confronted with three levels of negotiation at the same time and an increased difficulty to align all of these different opinions."

(Marjolijn Claeys, Managing Director, Voorland)

Some developers and urban planners also point out that other means and bodies exist to ensure that projects are qualitative, such as: education of architects, involvement of urban planners, involvement of a public development company, involvement of the Municipal Commission for Urban Planning, working

with developers that have a proven track record in these type of projects, etc.. . The Quality Chambers may have conflicting visions with bodies and parties that do have a (legal) stake in the development and permit application process. Another drawback is that the members of the Quality Chamber are often unaware of the trajectory that a permit application already has travelled.

“It should be clear which projects are subject to an advice of the Quality Chamber and which ones are not. For the latter, the local development vision and legally binding urban development framework should be sufficiently clear to evaluate permit applications.”

(Marjolijn Claeys, Managing Partner, Voorland)

2.3.3.3 Finding a common ground in search of quality

The Flemish Government Architect finds it important to state the ambitions of both the developer and the government for a particular site at the start of the development process:

“A clear discussion on the underlying assumptions can create a common ground for progress; in fact it is better to build trust and to have a strategy towards a result, than to actually come to the table with the result of an internal development process. In the latter case more often than not, the designing architect has built his or her case on a concept they have envisioned and they are not open to suggestions or do not have the flexibility to define quality otherwise.

A good example was the development of the ‘Green Quarter’ in Antwerp, where the guidelines were clear: maximum 500 residential units including residential, budget and social housing, maximum 1.500 m² other functions, a park of 2 ha and improving connectivity of the site to the surrounding neighbourhood. With these elements, the private developer, the city development agency and the representatives of the city made the project work.”

(Erik Wieërs, Flemish Government Architect)

2.3.4 Failure of Urban Planning

“Overall, we have driven ourselves into a trap: the focus is on issuing permits, in a highly legalised and detailed administrative way but we have lost the overall picture of where urban planning should be heading and we do no longer have the right people at the right place to do so.”

(Marianne Mys, Managing Director, Croomm BV)

2.3.4.1 Political involvement and alternative motivations

There exists a gap between the developer and the urban planning office, but there is also a gap between the planning offices and the (local) government.

“The planning offices often want too much details in planning documents (so they can be verified), while (local) politicians often have vision that they want to see realized. Planning documents should state clear ambitions and good basic regulations, which both an administration and government can support.”

(Erik Wieërs, Flemish Government Architect)

Both developers and urban planners are frustrated by the alternative motivations that are pursued through the use of urban planning legislation. Examples quoted by developers include limiting the number of dwellings per area instead of densifying because of voting behaviour or the abuse of power by municipalities and cities to enforce a vision on ownership rights and the use of property via urban planning legislation, even if the Council of the State has repeatedly reversed this type of legislation. Developers also experience situations where projects were rejected by politicians after lengthy consultations with public servants. This political interference undermines the expertise of urban planning professionals and creates uncertainty for developers who have invested significant time and resources in the project.

2.3.4.2 Complexity and level of detail of the legislation

Developers prefer simpler and less detailed regulations to allow for creativity.

‘One of the problems of value destruction is the absence of urban planning regulations (other than a residential zoning) or urban planning regulations that are so detailed and rigid that all creativity to give a site its highest and best use, is lost.’

(Lorenzo van Tornhout, CEO, VOLUS)

To them, the legislative context has become too complex. The *lasagna* of rules and regulations has to be juxtaposed and interpreted to distil what the development framework might look like. The permitting process is also overregulated and over documented. The level of detail absorbs a lot of energy from architects. Permitting procedures sometimes require environmental impact reports that just have to be there to tick the box, but that does not mean that the content is valid and to the point. Developers describe the general atmosphere as one where civil servants are applying a lot of red tape just to hedge their responsibilities. Urban planning legislation has become so complex that it requires lawyers at all levels, which in itself does not lead to a better built environment.

“For real estate developers, it is often difficult to know what the framework is within which a development can take place. They have to combine different regulations and plans themselves while some plans are contradictory and other elements are subject to interpretation. Generally, they do not have problem with the imposition of certain prescriptions and rules, but they have to be clear, communicated clearly and be stable over time.”

(Marjolijn Claeys, Managing Director, Voorland).

Urban planners are advocates of clearer and more comprehensive regulations to avoid misuse and quality erosion. Simpler and more clear regulations may lead to less opportunities for appeal, but these regulations are either not existing or far too detailed. The rigidity of the urban planning regulations or the absence thereof stems from the necessity and difficulty to find a common ground from a political point of view at the local level. This rigidity never catches up with the market dynamics that are the operational context for the developer.

On the other side, urban planning cannot be organised with regulations alone. In fact, the Flemish Government Architect admits that the current situation in Flanders proves that this approach has failed. Under the guise of density and more building in centres, buildings are being built far too high. A better approach is to determine directions instead of rules, to set up coalitions to achieve ambitions, but that is difficult in a heavily legalised context.

“The presence of legal representatives at development meetings is often not so beneficial to establish a sense of mutual trust and evaluate the development opportunities together.”

(An Rekkers, CEO, VRP)

The complexity of the legislation, the frequent changes and the patchwork of ad hoc solutions create also uncertainty on the side of the urban planning officers of the city, who tend to take extra precautions just to make sure that they are on the safe side of the interpretation of regulations and not to have any precedents.

“The balance has also tipped towards an overly importance attached to the legal form and checks applied to urban planning. The lawyers will check whether or not an environmental impact assessment has taken place, but they almost never argue about the content. The environmental impact assessments are a good way of checking the impact of a government decision on the environment, but this should be evaluated while the rules and regulations are made. An urban planner should be able to assess what the impact will be of an urban planning regulation on the environment. Now the regulations are made by urban planners and subsequently a team of specialists evaluates the regulations afterwards, which results in a thick document that adds up the reflections of each specialism, but which has very little added value for the environment, as the regulations that have to be evaluated are intended to improve the impact for the environment in the first place. Also, as the number of specialists that can evaluate the environmental impact is limited due to the fact that they have to follow a traineeship, the waiting times are long and the prices are high.”

(Marjolijn Claeys, Managing Director, Voorland)

The overly focus on regulations also leads to losing a sight on the bigger picture. Assessors of building permit applications very quickly fall back on measurable and manageable data (roof slope degrees,

building heights, etc.), which is sometimes an illusion of harmony and unity. Regulations can have been eroded by subsequent modifications. Metrics can be outdated too.

“Overall, there would be less value destruction of the complexity of urban development legislation could be reduced, on the one hand by taking a more clearer stance on certain topics at the level of the region (such as minimum surfaces), on the other hand by creating development frameworks that allow developers to creatively created market driven products.”

(Nicolas Bearelle, Founder and Chairman, Revive)

“All too often the mistakes of the past are addressed by general building regulations that are relatively cheap and quick to make but are blunt solutions for complex site developments. Zoning specific building regulations may also be relatively abstract, not taking into account, often by lack of time or budget, the context or the possible (out of the box) uses that a site might be used for.”

(Lorenzo Van Tornhaut, CEO, VOLUS)

2.3.4.3 Lack of data

At the basis of any long term development vision is a thorough analysis of the available data. A good example is for instance the development of social housing where the building programme of new projects is to a large extent based on the housing needs of the target group, for instances by analysing waiting lists of candidate social tenants and their preferences.

“If we are looking at prediction of how much housing is needed, the total numbers of the build stock of dwellings includes resident housing, second homes and student housing, so it is difficult to see how much new housing is actually needed. And if we would know that, the next question would be: where do we want this new housing to be realised and what typologies should be considered. Building regulations can, for example, force a mix of apartment types for each project, whereas the building typology of a certain neighbourhood might already have a lot of this typologies, or it can be demonstrated, e.g. by analysing the demand for a particular housing typology, that there is no need for this typology in this neighbourhood.”

(Lorenzo van Tornhaut, VEO, VOLUS)

Also, on the level of the individual project, developers are faced with demands to develop certain types of typology without valid data supporting this demand. For a data driven developer, this is not easy to understand.

“Urban planners and local politicians should base their decision more on data than gut feeling, if 90% of people searching for a home in a particular neighbourhood is looking for a smaller apartment, it is not justifiable to ask the developer to build 3 bedroom apartments or to uphold

a minimum surface. If the available data shows that 50% of the 2 bedroom apartments on offer in Brussels is rented by 2 individuals that want to share the apartment, the question should be what typology best suits their needs, instead of countering this as an undesirable evolution. The image of the model Flemish family with 2 adults and 1 or 2 kids sometimes is not based on more than a gut feeling or a hidden desire to exclude certain population groups.”

(Nicolas Bearelle, Founder and Chariman, , Revive)

“Urban planners should pay more attention to sociological evolutions and data and think more about new living concepts and shared spaces. Upholding minimum surfaces of houses and apartments is not the best solution of a bigger occupied surface also means that the carbon footprint, both embedded and operational, is also higher. Living quality does not depend solely on surface.”

(Laurens Brantegem, CEO, Zabra Real Estate)

2.3.4.4 Lack of resources and knowledge at the local level

With respect to urban planning, the focus has always been on the municipalities, which have and are given more and more power to decide on urban planning affairs.

“Historically speaking, the real power of governance in Belgium has always been at the local level of the municipalities, with less power to the central planning office. This makes municipalities local baronies and opens the door for conflicts of interests of all kinds.”

(Lorenzo Van Tornhout, CEO, VOLUS)

The problem is that most municipalities lack budget, manpower and competencies to handle complex planning procedures and permit requests. On top of that, the municipal urban planning officer does no longer need to have a masters' degree in urban planning, so the basic knowledge about urban planning gets lost.

“In smaller municipalities there is also a lack of expert knowledge, as opposed to larger cities that have an abundance of experts that an urban planning officer can consult. The advantage of smaller municipalities is that they can have a closer connection to the responsible alderman. Smaller cities such as Geel, Lier and Herentals seem to have the best of both worlds solution.”

(Marianne Mys, Managing Directo, Croomm)

“The quality of urban planning officials is not equally good everywhere: you would expect from a government that the quality is stable and sufficient everywhere. If people with the right skills cannot be found, training people on the job becomes more important. But the urban planning context has also become more complex and difficult. To do the job right, both generalist and specialists are necessary and now an urban planning officer has to do both at the same time.

Most developers make a distinction between the more generalist project developer function and the more specialised permitting officers.”

(Laurens Brantegem, CEO, Zabra Real Estate)

“The reality is that many local municipalities do not have the resources to engage in planning processes and comply with the demands of project developers. Many municipalities do not find urban planners, which leads to situations where the position is filled by private (!) consultants, or by an urban planner of an intermunicipal association, mostly as a cost sharing solution. Furthermore, there is no room for any specialisation, while urban planning is increasingly complex. It is clear that the urban planning documentation made by representatives of the Flemish Government is generally of a higher quality than the abundance and variety of local planning instruments.”

(Nicolas Bearelle, Founder and Chairman, Revive)

“In a smaller municipality, there is often a lack of budget to make urban planning documents. The budget needs to be approved by the mayor and aldermen, who feel that they have to spend money to make plans that it will annoy their voters.”

(Marianne Mys, Managing Director, Croomm)

A good example where this leads was quoted by Marianne Mys, who used to be the municipal planning officer at the time that a development request for a large industrial site surfaced:

“Boechout experienced the redevelopment of an industrial site of about 5ha located in the centre of the municipality into a mixed project. When the request of the project developer was made to discuss the development options, there was no existing vision or spatial execution plan. Instead, the urban planning officer had to take up the project as an open discussion about the potential and limits of the site. Unfortunately there was no experience in negotiating with project developers either, nor with following up on a development of that scale. And it was clear that there was pressure from the developer to make progress. A lot of smaller municipalities struggle with the same problem. A lot of time was invested in building mutual trust and trying to achieve a win win situation for the municipality and the private developer. It felt like a once in lifetime opportunity and everybody around the table seemed to really want the project to be realised. One of the focus points was a good integration of the project in the existing urban tissue and ensuring a financial balance between the profit of the developer and the imposition of urban development cost.”

(Marianne Mys, Managing Director, Croomm)

At the level of the cities, the situation is somewhat better due to a bigger resource pool and a broader staffing of the urban planning department.

2.3.4.5 Lack of resilience and audacity at the Flemish level

The so-called principle of subsidiarity suggests that urban planning issues should be dealt with at the most immediate or local level that is consistent with their resolution. In Flanders, a clear choice has been made to favour urban planning at the level of the municipality and to push down responsibilities on spatial issues towards the lowest possible level, the municipalities or cities. The result is a patchy set of regulations of all kinds and colours with valid and less valid urban planning ambitions. In addition, this approach has also led to a number of documented abuses with local politicians being mingled in real estate deals.

“The Flemish government could take a more active role in predetermining some building rules (e.g. it is generally acceptable to build 3 m higher than the adjacent building), encouraging diversity in typologies, stimulate affordable and social housing, facilitate subdivision of larger building plots, etc...”

(Erik Wieërs, Flemish Government Architect)

“Some urban planning decisions are difficult to take at the level of the individual municipality or city, either because planning issues are often situated at a larger scale than the municipality or city (e.g. water management at the scale of a river basin), or because they value the consent of the local citizens too much and fear an adverse vote at the elections. This has led to a situation where spatial planning has been neglected for decades and almost anything could be built anywhere.”

(An Rekkers, CEO, VRP)

“Although the government has the important responsibility to implement a good spatial policy, urban planning has been managed poorly in Flanders. The Flemish government is not taking its responsibility to establish a strategic vision (the spatial policy plan for Flanders is still missing), to provide a set of clear and transparent regulations and to take some decisions that are required to be taken on the scale of the regions. Instead, most of the urban planning issues have been pushed down to the local level, without appropriate financial means and competencies, and the actions of the Flemish administrations have been focussing on general soft issues such as making publications on ribbon development. The ad hoc policies that have been launched (such as the environmental decision procedure) result in a lot of urban planners being tied up in evaluating permitting requests (instead of planning), work overload at the municipal administrations and legal insecurities everywhere. In fact a lot of, the planning that is going on is still governed by the Regional Plans that were drafted in the seventies.”

(Marjolijn Claeys, Managing Director, Voorland)

The developers also conclude that at least some of the regulations could have been determined on the level of the Flemish government: e.g. prohibiting development possibilities of wetlands, determining parking standards, fixing the minimum surfaces of different building typologies.

“In the Dutch planning context, a more top-down approach is adopted. The government takes on the responsibility to determine zoning, densities etc... and once the overall plan is approved and the mutual responsibilities agreed upon, real estate developers fill in the details. In a Flemish context, a similar approach should be adopted by the Flemish Government as some spatial choices have to be made on a level above the municipalities. Some hard choices will have to be made, based on analysed and correct data. Instead, the Flemish Government seems to be focussing on ideological choices such as promoting the manufacturing industry. Another important role for the government is thinking about new ways to invest and to live together and to facilitate these new developments instead of allowing lower government officials blocking this concepts too easily.”

(Rob Ragoen, COO Triginta)

In other countries, such as France, more and more spatial development decisions are taken on a higher administrative level than the local municipality. This is in line with the broader impact that spatial development decisions usually have. Recentring urban planning competencies at the Flemish level would also allow in certain urban planning specialisations, but also allow for broader competencies – such as evaluating real estate development feasibility studies – to be pooled.

2.3.4.6 Absence of clear development frameworks

“The goal of urban planning is to carefully evaluate spatial choices, to determine what activities can take place in which part of the available space, to ensure that these activities can keep on going in the long run.”

(An Rekkers, CEO, VRP)

Both urban planners and developers state the necessity to have clear development frameworks without too much details. Urban planners want to have the time to carefully evaluate spatial choices, while developers are more interested by the legal security that these frameworks bring (less value destruction) and by the possibility to speed up the permitting process, provided that other obstacles, such as easy opposition and appeal procedures, are addressed too.

“Having a clearer development context without too much detail would be beneficial for value creation. Within these frameworks, sufficient flexibility should be possible to allow for creative solutions and architectural design.”

(Nicolas Bearelle, Founder and Director, Revive)

Residential zonings¹⁵ without further regulations or prescriptions are considered by developers as high risk locations to develop as it is unclear what eventually will get permitted.

“In the absence of clear planning documents, developers wrongly assume that alle plots in a residential zoning can and subsequently must be developed. A common example would be a family that inherits the family mansion on a big plot of land in a residential zone, which is taxed at EUR 800.000. They bring it to the market and a developer pays EUR 2.700.000 for the plot and the mansion, assuming that he/she will be able to build an apartment building with 60 units. And because they have paid so much, [the developer] assume[s] that the building permit will be granted. Having more clear guidelines on what is possible in different residential zones would be beneficial for all.”

(Erik Wieërs, Flemish Government Architect)

“If a more top-down planning approach would be adopted, the framework will be more tight in some areas, and the degree of freedom for developers will be less, but it can also be expected that the risks will be more limited and more in line with the current returns for developers.”

(Rob Ragoen, COO, Triginta)

The absence of clear planning frameworks combined with the power of individual urban planning officers sometimes leads to an unequal playing field for developers. Some developers (Matexi, Zabra) also reported that It is difficult to understand why the project of one developer gets refused repeatedly while the proposal of another developer gets approved smoothly in the same (residential) zoning.

“To counter this, planning frameworks should be established and imposed by the highest government, where the same rules apply for all. Nowadays, local governments abandon last minute what they have agreed upon previously in a brownfield covenant, or a higher government body introduces an appeals against a lower government decision. There is little legal certainty left to work with and a lot of the existing planning instruments are not capable of coping in a legally binding way with the outcome of negotiations with the local governments. Therefore, the outcome of these negotiations is unsecure as well.”

(Laurens Brantegem, CEO, Zabra Real Estate)

As demonstrated by the project in Boechout, in the absence of a solid planning framework, the urban planning officer has to take up the presented project as an open discussion about the potential and limits of the site. Urban planning officers face pressure to make ad-hoc decisions without a clear roadmap. This uncertainty often results in suboptimal development outcomes.

¹⁵ Residential zonings is to be understood as the residential zonings in most of the Regional Plans that were established in the seventies. In these cases, residential zoning essentially means that it is possible to develop residential real estate and almost any other function, as long as it does not conflicts with a residential use. This is a very broad description and these residential zonings often did not express any elements such as building heights and building depth, giving rise to a lot of leeway and discussions.

Ideally, the planning frameworks should be established before the development question arises, starting with a clear vision of the local government on the development potential of a site; experience from municipalities that have established these frameworks (e.g. Nijlen) demonstrate that these provide a stable basis for negotiations with developers and result in better projects. Furthermore, the availability of these frameworks also avoid situations in which the developer has paid too much for an acquisition without consulting the local planning office representatives.”

(An Rekkers, CEO, VRP)

Often, these planning frameworks have not been established, due to time, resource and budget restraints, a lack of political courage to do so (fearing the vote of the local citizens), a lack of local support and a lot of pressure from developers to avoid these planning frameworks (because they need a lot of time to put into place or because they limit the potential to build create value on a site).

“The new environmental decision procedure is symptomatic of all the ad hoc solutions that have been crafted to cater the needs of faster and easier development. The objective is to speed up project driven developments, but due to a lack of consideration of the broader societal impact and a number of unconstitutional elements, this procedure is unlikely to result in more legal certainty for the developers either.”

(An Rekkers, CEO, VRP)

“Value / development potential is sometimes lost due to lower FSI¹⁶ than building regulations allow, due to potential opposition of citizens. The opposition of citizens is made easy because various reasons are valid to introduce an appeal. What we need are more objective rules that determine what an urban density can be.”

(Emilie Rousseaux, CEO, Belgian Land)

Establishing development frameworks offer the possibility to engage with neighbourhoods and to make the best possible spatial choices for that neighbourhood and for the wider community. That may also encompass educating citizens and taking decisions that go against the will of individuals or even neighbourhoods.

“Government should also take its responsibility, through a participative planning process, to engage with neighbourhoods, educate people and prepare them for the changes that are necessary. Now, there is ambiguity about the future, people are afraid of change and they react by opposing to projects and introducing appeals.”

(Marjolijn Claeys, Managing Director, Voorland)

¹⁶ The FAR or FSI is the ratio of the total floor area of buildings on a certain location to the size of the land of that location, or the limit imposed on such a ratio. An FSI of 2.0 would indicate that the total floor area of a building is two times the gross area of the plot on which it is constructed, as would be found in an apartment building.

“There is a gap of 10 to 15 years between what urban planners think is acceptable and what the general public finds acceptable, even if these type of developments are in their best interest, because they foresee dwellings in the centre of the municipality, close to amenities and services. But they do not see it that way and in the end it is the general public that votes for the local politicians that have to approve these densities. The Flemish Government could do more to educate them and to change the mental image of local villagers about the more dense form their village could take.”

(Marianne Mys, Managing Director Croomm)

Overall, It is important for both urban planners and developers to create the necessary development frameworks, with a long term spatial development vision as the starting point. The government should focus on to regaining control of planning and programming of urban functions such as new dwellings. It should involve citizens in the process of translating that vision into a development framework. Once the development framework is in place, it is a solid instrument to work with for both urban planners and developers. If this is not the case, the offer of new dwellings will be very limited and citizens might not accept the absence of suitable (social) housing solutions in areas where the need is high.

This approach has been adopted by some municipal development companies, such as AG VESPA and AG SOGENT.

“The added value of AG VESPA is that it can give building rights as soon as the permits are in place, keeping the cost of the land on his budget until this is the case. In this way, the private developer can avoid a costly prefinancing of the land. This system of cooperation works well when the spatial execution plans are not too detailed and at some point the landbank of AG VESPA will be used up.”

(Myriam Heuvelman, Chairwoman of the Executive Committee, AG VESPA)

Nicolas Bearelle (Revive) acknowledges that the municipal development companies can prefinance some of these operations, but the budget to do so is limited and it shields the real problems: development frameworks should have been established prior to acquisition and permitting procedures should go faster.

“The masterplan of OMA for the development of the Old Docks in Ghent dates from 2004 and 20 years later just over half of the project is realised. The creation of value lies in a public private cooperation rather than the partnership models that focuses on the public partner directing the development (without assuming the associated risks) and the private partner just constructing it (but still assuming the risks if it goes wrong). The real added value of a developer lies in his ability to create an integrated masterplan, adapt it to trends and market evolutions and deliver it. The fact that a public partner can take the acquisition cost of the plot on its budget until a development framework is established may seem beneficial, but in fact is not addressing the real problem: development frameworks should have been established prior to acquisition and

permitting procedures should go faster. The budget that is blocked in these projects is also a budget not spent on other government objectives. This is also demonstrated in the fact that, after a few of these operations, the autonomous municipal companies run out of budget to pursue new projects.”

(Nicolas Bearelle Founder and Chairman, Revive)

2.3.5 Conclusion

Via a number of interviews with representatives of the stakeholders subgroups of developers, institutional investors, social housing companies and urban planning, I have aimed to further investigate what the differences in vision and approach are, where value in the broader meaning gets lost, and where there are opportunities to create value by better mutual understanding, i.e. how the gap between developers and urban planners could be bridged. Although the input from the interviews is not statistically representative and coloured by personal experiences of the interviewees, it provides an overview of insights from both professions on a number of relevant themes.

While both developers and urban planners value professional cooperation and acknowledge that this leads to more qualitative projects and faster approvals, the interviews highlight a wide gap between developers and urban planners characterized by mutual distrust, divergent goals and different discourses. Developers prioritize profit and speed, often clashing with planners focused on long-term value, social impact, and community well-being. Different views over property rights, acceptable rewards for the risks taken, how and where to create density, and how to address the affordable housing question further exacerbate the divide. Developers emphasize individual property rights, the associated economical value and the ability to make a return on investment, while planners advocate for societal responsibility, the public interest and finding an equilibrium to balance the different interests. These differing visions may complicate seeking a common ground for future developments and to address issues as creating density and affordable housing in the right places.

Developers and urban planners often face significant challenges with long and uncertain permit application procedures. Developers seek quicker approvals to reduce costs and risks, but urban planners prioritize thorough assessments to ensure project quality and mitigate negative impacts. This tension is exacerbated by the high cost of capital, leading developers to push for shorter permit timelines, which can vary greatly based on the existence of a clear development framework, project complexity, local government support, individual or group citizen action, the resources at the planning office, and the choice of the developer to comply with existing planning frameworks instead of deviating from approved planning documents. This may give an opportunity to realise a higher return but generally entails public enquiries and a more lengthy and risky permitting process.

Delays in the permitting process certainly destroy value, benefiting only financing institutions and lawyers. Furthermore, the permitting process is hampered by legal uncertainties, frequent legislative changes, and the need for extensive documentation, which absorbs a lot of energy of architects and urban planners and can obscure the bigger urban planning questions to be resolved. Analysis of the project context and early involvement of the urban planning officers in the conception phase of the project would be valuable for both developers and urban planners. This is complicated by resource constraints on the side of the urban planning office and differing visions on the optimal approach to hold

preliminary design consultations. Of even greater value would be to formalise the outcome of this design consultation process in a urban planning certificate.

Unrealistic demands by urban planning officers and local politicians often frustrate developers, who struggle with the financial viability of their projects. Developers – and their architects - could also do more to smoothen the permitting process, by checking building permit applications before they are submitted. Citizen involvement is deemed to add value too, but is often marred by miscommunication and lack of transparency, leading to friction and further delays. This raises the question whether this should not be covered in the planning process. Developers go a long way to accommodate project opposition when identifiable and reasonable (from their viewpoint). But also urban planners believe that there is a limit to participation by individuals and neighbours, as the general public interest may differ from what these stakeholders desire. In the permitting process, there should be some room left for a negotiated approach between the elected local politicians, the urban planning officers and the developers. Finally, although access to administrative and legal appeal remains a basic right, both urban planning officers and developers agree that the cost and opportunities to introduce an appeal against a permit decision is just too easy and the scope of the appeal procedure too broad. Especially the ability of the delegated public servant of the province to negate in the appeal procedure the entire consultation and design process and review the whole permit application once again is a bridge too far that seems to be desired only by lawyers who seem to make a profitable business out of the frequent oppositions and appeals.

Achieving an equilibrium between private ambitions and societal impact is a crucial element of urban planning and design. This balance is often referred to by the 'quality' of the project, but the concept of quality in urban development itself is multifaceted and highly subjective. It is influenced by diverse perceptions, perspectives and priorities of urban planners, architects, interior architects, landscape architects, neighbours, and developers. Quality Chambers, established to ensure project quality, have mixed reviews; some urban planners and developers find them beneficial for better design integration, while urban planners and developers see them as bureaucratic obstacles. These chambers face issues like lack of formal authority and outcome and the free and inconsistent mode of operation leading to mixed results. Effective quality assurance involves clear discussions between developers and authorities on the underlying assumptions, ambitions and strategies to achieve a good project result. This was demonstrated by the successful development of the 'Military Hospital' to 'Green Quarter' in Antwerp, where clear guidelines facilitated collaboration and trust.

Urban planning in Flanders has failed. The focus of the urban planning debate is on issuing permits, in a highly legalised and detailed administrative way. While significant urban planning challenges remain, we have lost the overall picture of where urban planning should be heading and we do no longer have the right people at the right place to do so.

The complexity of the legislation, the frequent changes and the patchwork of ad hoc solutions create a *lasagna* of urban planning rules and regulations that has to be juxtaposed and interpreted to distil what the development framework might look like. The permitting process is also overregulated and over documented and the overemphasis on legal formalities has led to a loss of strategic vision and creativity. Alternative political motivations often override good urban planning considerations, causing frustration among developers and urban planners alike.

In Flanders, a clear choice has been made to favour urban planning at the level of the municipality and to push down responsibilities on spatial issues to the municipalities or cities, without adding appropriate means and competencies. Local governments are lacking the necessary resources and expertise and struggle to handle intricate planning procedures effectively. The ad hoc policies that have been launched (such as the environmental decision procedure) result in a lot of urban planners being tied up in evaluating permitting requests (instead of planning), work overload at the municipal administrations and legal insecurities everywhere. The absence of clear development frameworks creates uncertainty, impeding efficient and innovative urban development.

The Flemish government is not taking its responsibility to establish a strategic vision (the spatial policy plan for Flanders is still missing), to provide a set of clear and transparent regulations and to take some decisions that are required to be taken on the scale of the regions. The government should focus on to regaining control of planning and programming of urban functions such as new dwellings. It should involve citizens in the process of translating that vision into a development framework. Once the development framework is in place, it is a solid instrument to work with for both urban planners and developers. If this is not the case, the offer of new dwellings will be very limited and citizens might not accept the absence of suitable (social) housing solutions in areas where the need is high. A more streamlined approach with clear, stable regulations and better resource allocation could mitigate these issues.

3 CASE STUDY

To illustrate how risk and reward are managed by developers, I will analyse the Loop 5 project developed by Upgrade Estate. I have chosen this project and this developer for a number of reasons;

- Upgrade Estate has been successful in developing a successful housing concept for a target audience of students (*Upkot*), has gained valuable competencies in doing so, and has subsequently been able to leverage on the core competencies to develop new niches and brands such as *Upliving* and *Upoffiz*;
- Upgrade Estate capitalises on making, maintaining and managing a connection with its various stakeholders and it is interesting to see whether this relationship is working in both directions;
- The general perception of Upgrade Estate as family owned business, led by two CEO's that uphold the idea to create social impact and added societal value through an economically sustainable mode of operation, is rather positive;
- Upgrade Estate has been quite successful in obtaining permits for its projects, on the one hand by a data driven focus on the product, by a selective team composition, and the investment in a negotiation process with different authorities. On the other hand, Upgrade Estate does seem to engage actively in participative processes, nor ensuring buy-in from the neighbourhood;
- The underlying assets developed, realised, marketed and operated by Upgrade Estate are very similar to the build-to-rent assets that have become quite popular;
- Finally, Upgrade Estate uses an interesting combination of a widely used limited partner - general partner structure in real estate development, applied to a target group of rather wealthy individuals that can invest more than € 100.000. The financing model is interesting in the light of the emerging financialization of housing in Belgium and Flanders, since it brings the opportunity for individuals to unite financial and social returns in their investment decisions, as opposed to developing tradable income yielding assets and the focus on financial cashflows they bring;

First, I will bring a general but short perspective on the emergence of financialization, the transformation of the housing and real estate markets that it causes, and the power shift that it generates. Subsequently, I will indicate the factors that induce the financialization of housing and the adverse effects that might arise. Finally, I will briefly indicate the emergence of financialization in Belgium and Flanders.

The focus of the case study is on the presentation of the project, the presented narrative, the materialisation of the project in the public realm, the planning and permitting process, the innovative financing, especially by deregulated investments by private households, the social return on investment, the risk and reward distributions and the positive and negative effects of the project.

3.1 The issue of Financialization in Housing

3.1.1 General

Aalbers (2016) defines financialization as *“the increasing dominance of financial actors, markets, practices, measurements and narratives, that result in an increasingly larger share of the profit of the economy or of a sector being realized in financial markets and less and less in the real economy. It also refers to the resulting structural transformation of economies, firms, states and households entangled in the process.”*¹⁷ An important element in this definition is a shift of power dynamics: the financialization process redistributes power away from communities and local governments towards financial institutions and developers, potentially leading to less democratic and equitable development outcomes.¹⁸ Another important feature of financialization is its focus on value extraction rather than value generation.¹⁹

Financialization in the housing market occurs when housing and real estate markets are *transformed* by global capital markets and when, as a result, housing is treated as a commodity - a vehicle for wealth and capital accumulation – rather than a social good. The transformation usually starts by large capital flows being directed towards the real estate sector or a specific subsector (such as residential development), leading to a shift in power balance towards financial institutions and developers, away from local governments that become dependent on the availability of capital from private investors and professionalised investment funds, and away from individual borrowers that are in need of mortgage debt financing. The power shift then typically leads to (residential) real estate increasingly being developed and managed as a tradeable income yielding asset that needs to meet a specific set of investment criteria determined by that power shift. As real property is increasingly treated as a financial asset, land and buildings are moulded into homogenous assets to improve their liquidity and speed up their exchange²⁰, thereby losing their distinct features, especially their use value for the local communities. The materiality of buildings and their embeddedness in particular communities and places contrasts with the discrete disassembled bundles of cashflows that they generate. Such financialization of real estate often results in the division or disconnection of exchange value (ownership) and use value (users, community, stakeholders).

As such, financialization of housing is to be distinguished from the mere financing and realisation of large housing developments such as the German *Siedlungen*, the French *Grand Ensembles* or the Belgian development of social housing towers in the sixties. Although these developments are all considerable in size and financing needs, they primarily served a real housing need instead of capital accumulation and they did not transform the real estate development business.

¹⁷ Aalbers (2016), p. 2

¹⁸ Sassen, S. (2008), p. 10

¹⁹ Mazzucato (2023), p. 32

²⁰ Tapp, S., & Weber, R. (2023), p. 56

Aspects of financialization can be found in all subsectors of the housing market (student housing, assisted living, build-to-rent, etc.), in all phases of the development process (land acquisition, production and exploitation phase) and by different actors. Multiple actors can be involved in the financialization process of the housing market, from globally operating investment funds to individual households. Governments also do play an important role, among other things, by taking deregulatory measures such as more flexible conditions for mortgage lending and by allowing private investments in subsidized housing.²¹

The *build to rent* sector is described by BNP Paribas as the extension of the private rented sector, where real estate developers tailor their product to accommodate the needs of private investors looking for a long-term sustainable investment. These private investors have been attracted by the ability to fill up a void of missing public rental products and rising real estate risk premiums triggered by scarcity and a rise in housing prices.

BNP Paribas describes the Build-to-Rent product as follows:

“There is no standardized build-to-rent product across Europe. Models are idiosyncratic and vary considerably because they must meet local needs and regulations. However, there are some common characteristics such as the use of durable materials to absorb turnover and secure a long-term and sustainable investment. Build-to-Rent assets can include amenities, shared living spaces and services as parking (car or soft mobility transport), lounges, gym, cinema, swimming pool, coworking, concierge services, and nursery. The asset is designed and built to be liquid, to attract good quality tenants by meeting their needs

In summary, a Build-to-Rent asset is a new-build apartment block designed by developers, held by a single investor or joint venture, professionally managed and offered exclusively for the long and short-term rental sector. The asset can include some forms of amenities, but this depends on the investment model and markets. Investors focus on the building and the management to secure a long-term investment providing recurrent and stable income”²²

With respect to financialization in housing, the growing professionalism of different stakeholders, the development of niche markets, the application of the subsidiarity principle in urban planning down to the level of a small municipality, the retreat of the government from the position of favouring the right to own a property into the mere provision of favourable (social and private) housing conditions, the increasing polarisation between economic values and cultural values, the increasing gap between individualism and collectivism all add to a greater or lesser extent to the propagation of a financialized approach of housing.

According to Romainville (2017) the adverse effects of financialization of housing include an investment focus on certain delimited geographical areas, investment in standardized residential projects with similar technical and architectural features, rising prices and rents and an increasing social polarisation.²³ Other effects include tendencies to build high rise buildings, iconic buildings designed by

²¹ Sassen, J., & Vandenberg, J. (2023). p. 7

²² Pourcelot, A. Duah, S. (2022), p.15

²³ Romainville, A. (2017), p. 639

starchitects, monofunctional buildings, buildings isolated from the urban tissue and the surrounding landscape, the use of cheap noncircular materials, limited spaces (exterior, private or common), limited opportunities for social interaction within the building/development, a lack of identity and character, etc...

According to Aalbers (2018): *“Financialization has raised a significant amount of scientific interest from various fields of expertise. A good deal of financialization literature explores the build-up of private mortgage credit through the rise of home ownership, the introduction of new securitization techniques the adverse effects of disruptive eviction practices, the growing dominance of financial markets in the housing sector and the expansion into new markets and urban territories, the negative consequences for housing affordability, the displacement or gentrification changes the character of neighbourhoods and the reinforcement of existing urban inequalities.”*²⁴ In a later publication Aalbers (2016) traces the roots of financialization of housing to *“a broader finance-led regime of accumulation in which liberalized financial markets and neoliberal housing policies have reinforced house price cycles.”*²⁵

From a more conceptual point of view financialization is linked to the inherent tensions between capitalistic economic systems and evolving social structures. Wijburg G, Aalbers, et al. (2018) characterize Financialization 2.0 as *“a switch in institutional business models, from private equity and hedge funds that use housing for speculative purposes (buying low, selling high, increasing rents without maintenance) to institutional landlords that manage portfolios of residential housing, generating both rental income and capital gains as the market value of houses in ownership increases”*²⁶

Wijburg (2021) also argues that research should explore the ways in which new state-market relations can result in more stable and controlled patterns of real estate financialization that dampen down boom-and-bust cycles and funnel international capital into more ‘productive’ forms of investment. In this view and to some extent financialization should be considered as a *fait accompli* which, for better or for worse, shapes our economy and society and which needs to be embedded in more stable social relations.²⁷ Likewise, in relation to urban planning, more research is needed to investigate how urban planning approaches can cope with financialized urban development.

²⁴ Aalbers (2008), p. 150

²⁵ Aalbers (2016), p. 66

²⁶ Wijburg G, Aalbers, M. B., Heeg, S. (2018), p. 1113

²⁷ Wijburg (2021), p. 200

3.1.2 The emergence of financialization in Belgium and Flanders

The residential property market in Belgium has historically always been a buyers' market. A long and rich history of policies promoting both home ownership and self-provision established a deep need for both home ownership and self-building of preferably detached houses among Flemish households.²⁸ The vast majority of residential property is in the hands of private individuals, be it the owner-occupants or private investors who own one, two or multiple flats to rent out.²⁹

Van Loon (2017) describes how the financialization largely remained low in Flanders until 2017:

*“Many development projects are of relatively small size and usually [...] financed by individuals and investors with a local orientation.[...] Combined with the long duration of (sub) urban projects and the piecemeal approach, patient capital flows gradually into the production of a sprawling built environment.[...] As families strive for moderate low-risk growth of their multigenerational wealth and want to stay in control, they are very averse to high levels of capital.[...] and to mergers and acquisitions.[...] Patient capital fits well with Belgian real estate, with its long turnover times. It matches ‘the mental duration of capital with the mental duration of real estate projects’ ”*³⁰

However, Van Loon (2017) also describes the evolution and trend, since the late 1990's, to develop new residential units increasingly in urban built developments, creating more complexity and increasing the need for professional developers³¹ as well as, since the 2000's, the mushrooming of Public Private Partnerships (PPP) that connected the available public financing to urban built environments and fostered a more market oriented attitude towards urban development.

In the meantime, financialization of the real estate development process is also emerging in Belgium under the forms of professionalised elderly housing (assisted living), student housing, social housing (design & build on privately owned land, build to rent in a capped rent system) and the more broadly oriented build-to-rent residential developments (Matexi & Patrizia; ION Residential Platform & Thomas & Piron)³². The emergence of build-to-rent residential developments in Flanders is attributable to the growing number of tenants, rising rental prices and an increased mobility of young urban professionals.

The innovative financing mechanism used by Upgrade Estate to finance its projects ties into the emergence of financialization in Flanders, as it combines the development of a build to rent product, with a typical limited partner / general partner development structure. This approach differs sharply from the financing options that have been used in real estate development in Flanders so far and the professionalism with which this has been implemented makes it an interesting case study to see what we may expect if financialization would become more important.

²⁸ Van Loon (2017) p. 142

²⁹ Bordon, S. (2021)

³⁰ Van Loon (2017), p.31 & p80

³¹ Van Loon (2007), p.79 and p. 142

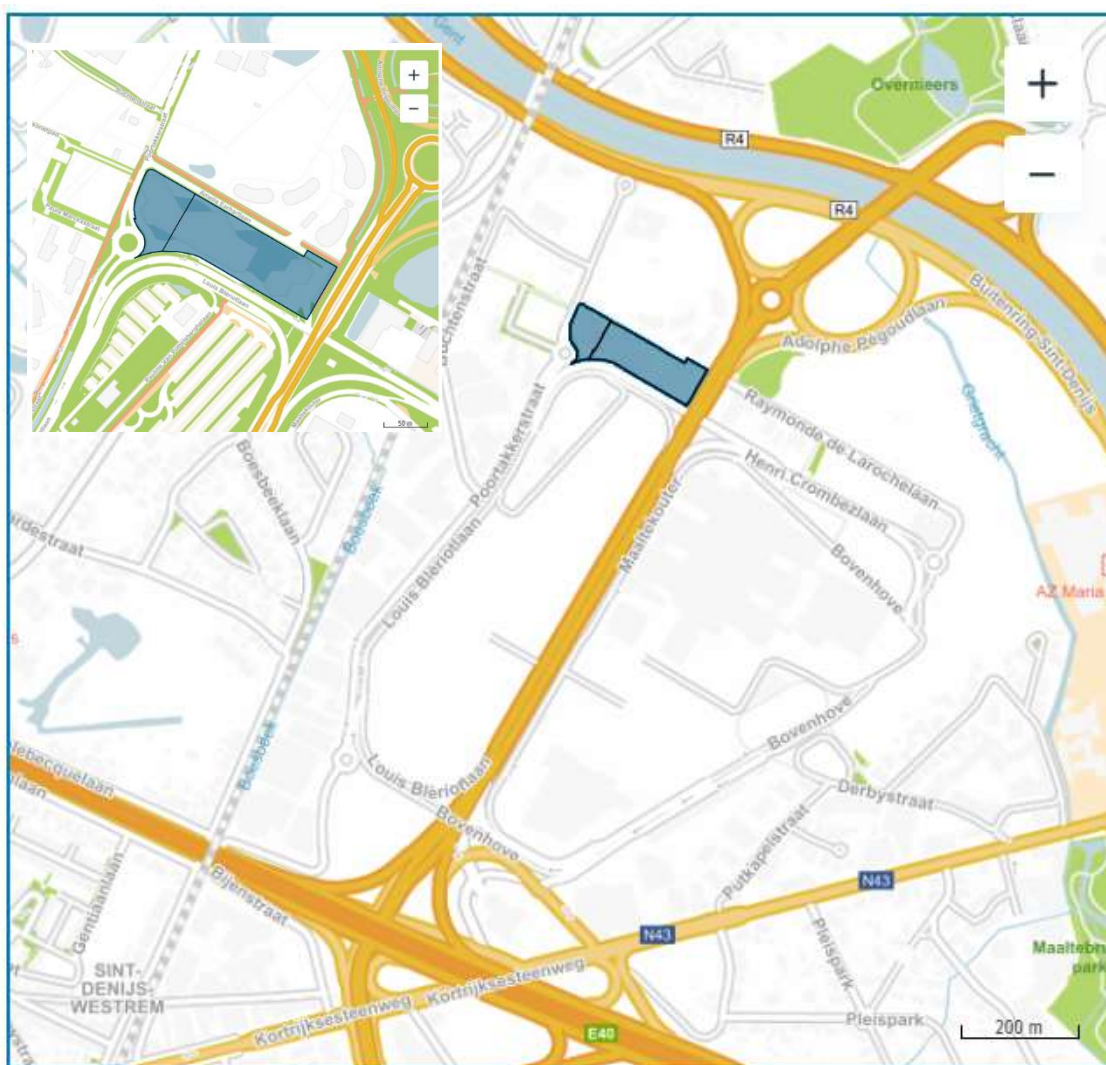
³² Vanacker, L. (2022)

3.2 Case-Study: Loop 5: Upoffiz - Upliving

3.2.1 Development context

The Loop 5 Project is located in the avenue Amelie Earhart N°2, 9051 Ghent on a plot of land of 1,53 ha.³³ It is part of a large redevelopment area in the south of Ghent, called the 'The Loop'. With respect to mobility, 'The Loop' is squeezed between the city's main infrastructures: a highway interchange, the main railways, the Ringvaart canal, and the ring road. This gives the area a good supra local connectivity and an enormous potential for development, but it equally hampers the creation of a qualitative and liveable urban environment due to the isolation of the location from local connectivity.³⁴

Figure 3: Location of The Loop 5.



Source: vastgoedinformatie.stad.gent

³³ Parcel number: Division: 25, Section A Plot number 122V and 312 V (44062A0122/00V000 and 44062A0312/00A000). Source: www.vastgoedinformatie.stad.gent

³⁴ <https://orgpermod.com/urbanism/projects/the-loop-gent>

In 1984 the former regional airport closed and the available space was used to establish a large scale event and exhibition centre, the 'expo'. From the end of the 20th century on, the city of Ghent started making plans to further develop the area and that planning process culminated in 2006 in the adoption of the Spatial Implementation Plan (RUP) 'SDW5-Handelbeurs', which has been the spatial and legal basis for the development of The Loop so far. The overall objective of the spatial implementation plan has been to achieve an integrated development of the entire area, with urban planning aspects such as unity in development, phasing of the development zones, an alignment of project development on mobility and construction of infrastructure, developing the site based on an integrated vision and assuring quality monitoring at all levels.³⁵ This also meant that parties of the land bank should participate equally in the risks and costs for the development of the area and the potential returns that result from it so that through the land development bank, the development of the total site was guaranteed. The main drawbacks of this approach were the size of zoning areas that stretched large parcels of land combined by merely indicative site layout plans and a lack of flexibility due to monofunctional zoning. As a whole, the area of The Loop was designated a zone for offices, office-type buildings and large-scale retail and leisure, supplemented with (limited) residential functions. The infrastructure provided for in the RUP has largely been implemented, and approximately 30% (156.000 m²) of the total developable gross floor area (552.500 m²) has been realized.³⁶

With respect to the parcel of the Loop 5, the Spatial Implementation Plan prescribes for monofunctional buildings (zone 4b) which can be either offices (max. 18.750 m²) or short stay housing (max 5.000 m²), but those functions cannot be mixed in the same building. The building height is limited to 6 floors, with the exception of one landmark building up to 10 floors. 60% of the zone can be built and the building footprint can be maximum 1.500 m². Parking can be organised grouped in various ways, but the number of connections to the street needs to be limited and the parking cannot impede a qualitative landscape of the areas between the buildings.³⁷ Furthermore, parking management has to be centralised. An interesting feature of the spatial implementation plan is that, within the development zone, shifting square meters from one development plot to another is possible, provided that this flexibility is limited to +/- 15 % of the indicate total allowable square meter per zone, that the shift occurs within the same phase and that both plots have the same functional typology.

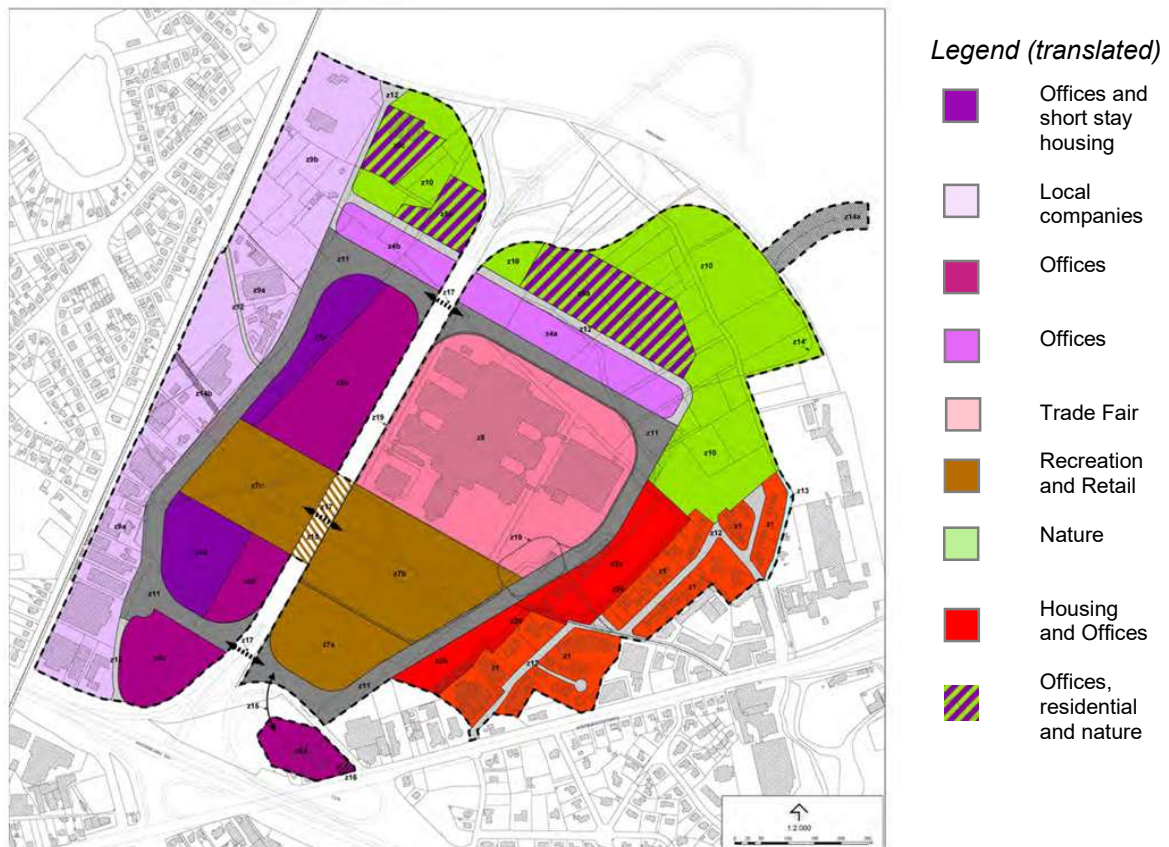
Ultimately, it is clear that the spatial implementation plan for The Loop combines a top down urban planning approach, expressed as monofunctional development zones, with respecting the vested interests of the various land owners, expressed as the number of developable gross floor area. Besides a number of limited and vaguely described urban planning principles and detailed prescriptions fostering ad hoc developments, there has never been a workable common vision on how the area should be developed and how the isolation from the urban tissue of Ghent can be addressed.

³⁵ RUP_44021_214_0SDW5_00005_SV_BG_1.pdf, p.10

³⁶ https://stad.gent/sites/default/files/media/documents/2021-THE-LOOP-EINDRAPPORT_Deel1.pdf, p. 16

³⁷ RUP_44021_214_0SDW5_00005_SV_BG_1.pdf, p.91

Figure 4: RUP Handelsbeurs: Graphical Plan RUP 'SDW - 5 Handelsbeurs' with indication of the different zoning.

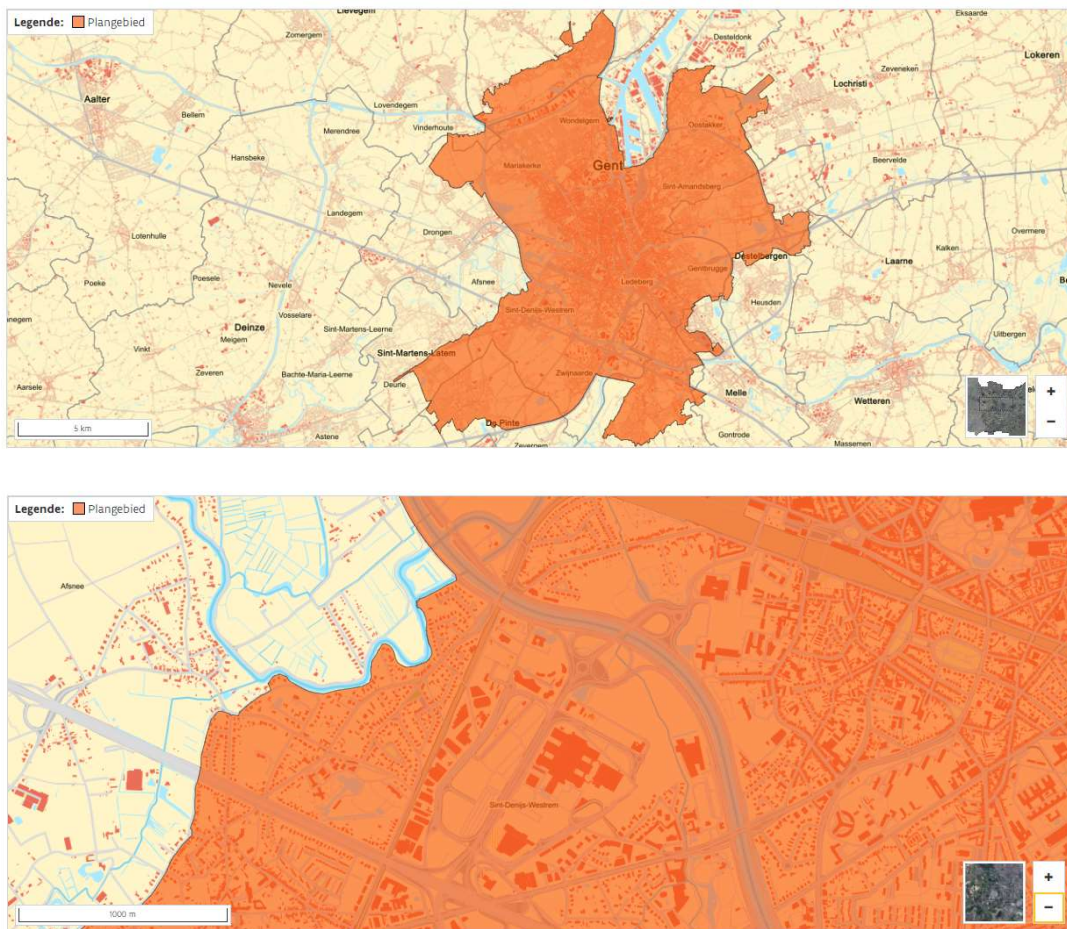


Source: Stad Gent (2021) *The Loop*, p. 29

The Loop' is situated within the boundaries of the 'metropolitan urban zone' of Ghent. This demarcation line does not have a direct impact on the zoning prescriptions, but it does indicate an area (one of 13 in total) that, according to the Spatial Structure Plan (RSV) Flanders, in force since 1997, plays a crucial role in the Flemish spatial structure, due to a strong concentration of population and economic activities. Within this 'metropolitan urban zone', among others, a mix of functions such as living, working, recreation and facilities within high-density zones is encouraged to create a lively and dynamic city environment. Furthermore, sustainable mobility options, such as pedestrian and cyclists access, and the use of public transport are promoted.³⁸

³⁸ <https://omgeving.vlaanderen.be/nl/ruimtelijk-beleid-en-planning/ruimtelijk-beleid/ruimtelijk-structuurplan-vlaanderen>

Figure 5: Demarcation of the metropolitan urban area of Ghent:



Source: <https://vastgoedinformatie.stad.gent/>

In 2021, 15 years after the adoption of the spatial implementation plan, an analysis of the development of The Loop so far showed that, development progress had been limited, with an ‘urban disaster area’ instead of a new urban quarter as a result.³⁹ Subsequently, the City of Ghent sharpened the vision of the development of ‘The Loop’ aiming to strengthen the identity of The Loop by abandoning the unimodal highway development logic and replacing it with a multimodal development logic of a station district. Other elements include upgrading the spatial quality by allowing clustering and mixing of functions, improving local accessibility and initiating a new development dynamic and process. This vision will be anchored in a modified spatial development plan, for which the environmental impact assessment is ongoing.

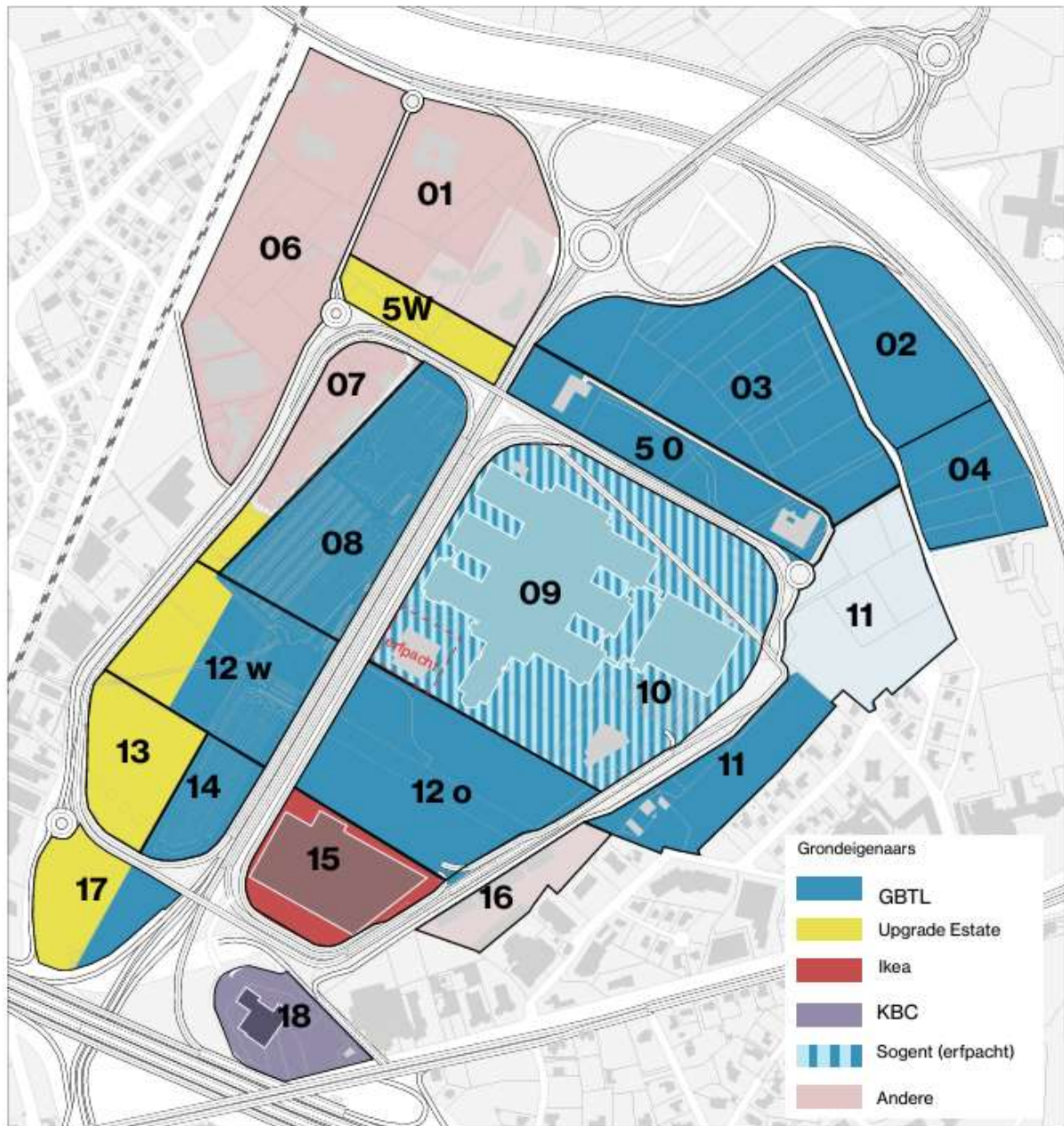
3.2.2 Ownership structure

At the time of the analysis mentioned above (2021), Upgrade Estate had already acquired the land required to develop The Loop 5 and some other development plots (indicated as Zone 5 W(est) and the yellow coloured plots on the figure below), Besides Upgrade Estate, Landbank The Loop (GBTL) is the

³⁹ https://stad.gent/sites/default/files/media/documents/2021-THE-LOOP-EINDRAPPORT_Deel1.pdf, p.40

largest owner of plots across The Loop. The remaining parts of the area are the plots on which the Expo is located. For these plots, Flanders Expo is the (long) leaseholder and Sogent, the city of Ghent's own development company, is the freeholder.

Figure 6: Ownership Structure The Loop, 2021



Source: Stad Gent (2021) *The Loop*, p. 34

3.2.3 The project – Loop 5 Upoffiz - Upliving

Photo 1: Loop5 – Upoffiz – Upliving.



Source: Upgrade-estate.be

Loop 5 aims to combine living and working on the same site.⁴⁰ The project includes the following programme: 2 buildings with private offices, 45 apartments, flex desks and 41 shared meeting rooms, mobility hub, multimedia studio and theatre with a capacity of 240 persons, 485 car parking spaces and a shared food facility.

Table 2: overview of the building programme of Loop 5

FEATURE	NUMBER / M ² / CAPACITY	DESCRIPTION
Offices	9.844 m ²	
Upliving	4.996 m ² , 45 apartments	Apartments for young urban professionals & expats
Flex desk & shared meeting rooms	41	Shared meeting spaces and flexible working spaces
Car Parking	485 places	Parking spaces for cars, of which 100 equipped with an electrical charging unit
Bicycle Parking	581 places	Parking spaces bikes
Theatre	240 persons	Theatre & Foyer for product launches, presentations, ...
Multimedia studio		Recording studio for webinars, podcasts, online talkshow...
Food		Coffeebar, take-away, private dining,...

⁴⁰ Upgrade Estate (2024) Loop 5 Investment Brochure, p. 3

Source: Building Permit, Investment Brochures Loop 5

The permitting process was prepared by having 3 roundtable meetings between 2018 and 2020, two passes at the so-called 'Quality Chamber', led by the city architect, and about 15 individual meetings. In addition, an environmental impact report had to be composed, as the project resorts under category 10b, annex 2 of the Executive Decision dd. 10/12/2004 ([significant] City Development Projects). Not taking into account a permit to install publicity and a permit to change the number of short stay apartments, the project was permitted in 2020 after a second introduction of the application. The first application resulted in a refusal, due to the ambiguity and status of the short stay apartments (residential recreative zoning), overshooting the allowable square meters for offices and a number of inconsistencies. So, after an long period of concertation, the project received a permit relatively quickly.

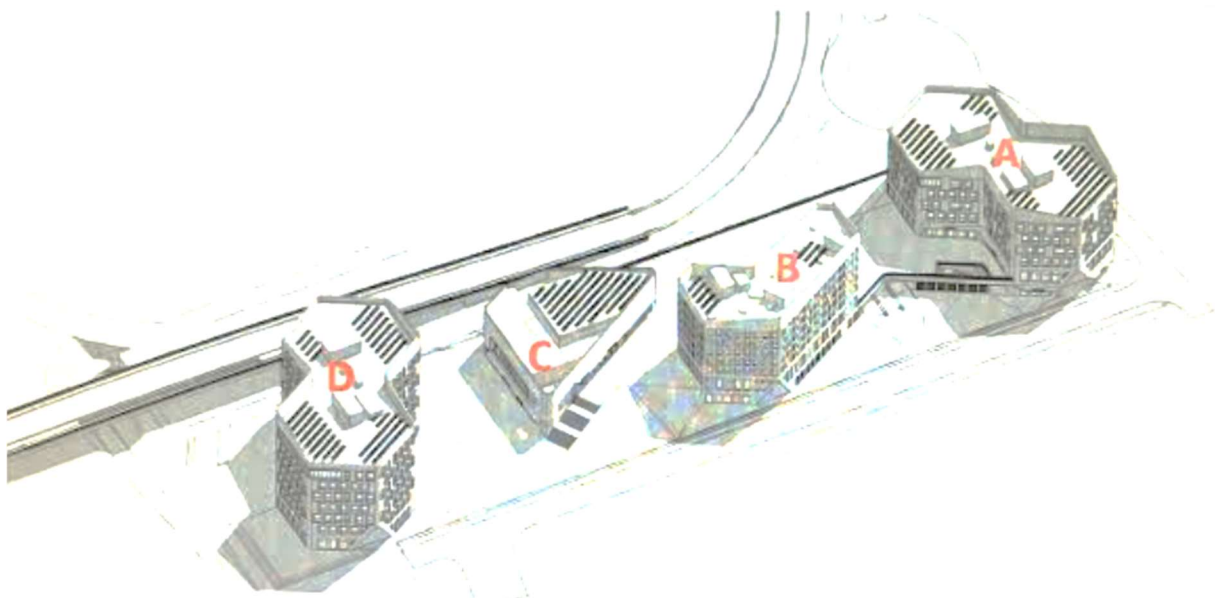
Table 3: overview of Building Permits for Loop 5

Permit	Decision	Description
OMV_2023161184	Conditional permit granted partially - 25 april 2024	Installing publicity on the facade of the Loop 5 office complex
OMV_2023076620	Conditional permit granted - 28 september 2023	Regularization of block B: changing the number of short stay residential units from 80 to 45
OMV_2020040725	Conditional permit granted - 10 december 2020	Establishing a building complex with 4 buildings, offices and short stay housing
OMV_2019065763	Permit refused - 24 december 2019	Creation of a building complex, offices, short-term housing, parking

Source: vastgoedinformatie.stad.gent

The total project is split over 4 volumes, which are indicated on the axonometry below.

Figure 7: Axonometry of the project



Source: Building Permits Loop 5

The Project Loop 5 is composed of an underground parking of 351 parking spaces, a logistical 'layer' with another 104 car parking spaces, 581 bicycle spaces, showers, electrical charging possibilities, shared mobility hub. This logistical 'layer' has an increased height, which makes it possible for mobility shuttles to enter and which offers flexibility for alternative uses of the parking spaces in the future. On the ground level and the roof of the logistical layer, a landscaped garden connects the 4 buildings that are arranged according to a honeycomb structure. Building A houses 7.606 m² of gross floor office space. The first floor above the parking deck has an increased height, to allow multiple other functions such as studios, workshops, flexible office spaces, etc. Building B has a floor space of 4.996 m² and has 5 identical floors with 45 apartments in total (average floor space per apartment is 91, m²). For this building, a regularization application was filed, because the developer wanted to decrease the number of units (from 80 to 45) and increase the floor space per unit, arguing that a survey had demonstrated that there was more demand for bigger units. Building C houses 1.129 m² and holds meeting spaces and common facilities. Building D houses 9.844 m² of gross floor office space.

Table 4: Density and footprint of the Project Loop 5

Floor	Building A	Building B	Building C	Building D
-1	Parking area	Parking area	Parking area	Parking area
0	573 m ²	267 m ²	258 m ²	1.404 m ²
+1	1.405 m ²	779 m ²	871 m ²	1.405 m ²
+2	1.407 m ²	790 m ²	Technical	1.407 m ²
+3	1.407 m ²	790 m ²		1.407 m ²
+4	1.407 m ²	790 m ²		1.407 m ²
+5	1.407 m ²	790 m ²		1.407 m ²
+6	Technical	790 m ²		1.407 m ²
+7		Technical		Technical
Total	7.606 m²	4.996 m²	1.129 m²	9.844 m²
Footprint	1.407 m²	812 m²	939 m²	1.407 m²

Source: Building Permits

To comply with the spatial development plan regulations, the developer had to draw on the flexibility rule to transfer a number of allowable square meters from the adjacent plot, as the addition of the total gross floor space of building A, C and D is 18.579 m², some 350 m² had already been allocated to another plot, and both added up together are just above the maximum of 18.750 m². This proves that introducing this type of flexibility may foster a quicker development without compromising the overall principles of a spatial development plan.

3.3 The developer

Upgrade Estate creates and manages homes for students, young professionals and growing businesses with a strong focus on connecting people. It does so via a number of brands, targeting specific user groups:

- Under the brand **Upkot**, Upgrade Estate builds and manages student home projects in different cities with a great focus on durability and ecology. Upkot combines efficiently designed student facilities (fully equipped rooms, chilled relaxrooms, common kitchens, garden with chickens and bike sheds) with a high performing customer intimacy approach (*upkot coaches* that organises activities, *upfix teams* that address technical problems, *sales ambassadors* that engage with investors).
- **Upliving** is a similar concept catering the need of the young urban professionals and offering partially furnished apartments (curtains, light fitting, equipped kitchen and wall cabinets are provided). As from 2018, Upgrade estate has leveraged its' ability to offer an operational excellent service and coach, connect and build communities to tap into a different customer base with a slightly different product (residential real estate).
- **Upoffiz** is the third brand of Upgrade Estate. The aim here is to lease non-residential real estate to provide *a home base for growth SMEs with greenery as a connecting element*.⁴¹ The Loop 5 is the first exponent of this segment. Here again, the core capabilities to connect and to service are leveraged, but this time into non-residential real estate, with a generally higher assumed risk profile.

3.3.1.1 The early years...

The story of Upgrade Estate started in 1999 when Koenraad BELSACK and Nele VAN DAMME, a young entrepreneurial couple invested their savings in renovating a house with six student rooms.⁴² They discovered their abilities to renovate small houses. Subsequently, they renovated an abandoned theatre in Ledeberg, which they acquired in 2004, into a student accommodation.⁴³

In 2009, I had a first live experience with Upgrade Estate. I was working as a project manager for a real estate development company and as a real estate broker, when the uncle of my former wife asked me to rent out an apartment that he and his wife, both doctors, had acquired in 2008 from Upgrade Estate. With about 10 years' experience in real estate and the only family member active in that sector, it was logical that the question headed my way. Nevertheless, I always regret working backchannels and prefer to do a proper due diligence before the acquisition contract is signed.

⁴¹ www.upoffiz.be

⁴² Verweire, K. (2020), p. 2

⁴³ Verweire, K. (2020), p. 2

The (to be) renovated property had been marketed under the name 'Loft Square' as an investment apartment with 3/4 bedrooms and a north facing terrace. The investment proposal indicated an estimated rent of 1.200 EUR per month, with about 100 EUR taxes and common costs and a proposal to rent out the property for a monthly fee of 100 EUR per month as well. Thus, the investment proposal stated, in 2008, a net rent of 1.000 EUR per month, resulting in a net yield of 3,5%⁴⁴ on paper at least. In 2005, the median rent for a house/apartment in Ghent was 450 Euros⁴⁵ and the rent for a property of that type at that location rented as a single family apartment would have been no more than 850 Euros. The current estimate for a family apartment located at the same address is a range from 970 Euro to 1.010 Euro.⁴⁶ and real estate prices have risen considerably in the last 10-15 years⁴⁷.

A closer investigation of the available information revealed that the building permit⁴⁸ for the renovation of the former theatre granted on April 25, 2005 the right to realise a building programme of 9 family apartments, 8 indoor parking spaces and storage rooms and 2 outdoor parking spaces. The renovation was limited to the existing volume of the building, but part of the volume had been carved out to create an internal garden and allow for daylight to enter some of the rooms. Each unit had an access to a designated part of the garden. At that time, the urban development regulation in Ghent, approved on June, 29, 2004 already had started limiting the subdivision of protected single family homes and had prescriptions for the dimensions and facilities to be present in rooms and studios. The analysis made in the motivation of the building permit starts with stating the actual state of the building (former theatre), but the history also shows that a building permit had been granted already in 2000 for the reconversion of the building into a multifamily residence with office/showroom. The rest of the motivation of the building permit for the Loftsquare project is very limited, and the prescriptions of the building development regulations in force are not actually checked which makes it debatable if the building permit for the project was granted in accordance with the applicable building regulations. Furthermore, analysis of the permit and the co-ownership deed revealed that the apartment was actually described and permitted as a 2 bedroom apartment.

⁴⁴ E-mail from Upgrade Estate, 30/05/2008

⁴⁵ Vandewiele, D. , Van Assche, J et al. (2008)

⁴⁶ Based on the estimated made by Huurschatter.be on June 11,2024

⁴⁷ The average inverse of rents in Belgium was 38,6 % between 2014 and 2023. Source: Eurostat.

⁴⁸ Building Permit 2004/20259, Archives Ghent, Accessed on 17/06/2024

Photo 2: Entrance of Loftsquare, Ledeberg



Photo taken on June 17, 2024

So, contrary to what had been held out in the investment proposal, the property had not been permitted as a student home and a net rent of 1.000 Euros was never achievable without letting the property to students or young urban professionals that paid 350-400 Euros for a room. The only option to comply with the regulations in force was to let the apartment to a tenant, who was willing to sublet it to 2 or 3 additional students/young urban professionals. While doing so, we also discovered that the technical installation (a.o. the ventilation of the single bathroom and the kitchen) was not equipped to handle a more frequent use by student residents and that other occupants of the building were not very keen on our tenants either, mainly because of differences in day- and nighttime usage. Finally, the investment

paid off, because we used the loophole to rent the apartment to students and because the apartment increased in value, which also contributes to the investor's total return.

The conclusions to be retained from this example are that Upgrade Estate has been able to capture the interest of liberal professions as a source investment group early on, that the proposed facilities did not entirely comply with regulations, that the proposed return was never guaranteed and that is wise to engage a real estate professional before acquiring a property.

3.3.1.2 Evolution and strategy

When the city of Ghent made it in 2010 virtually impossible to pursue the original business model to reconvert existing single family houses into smaller student facilities, Upgrade Estate scaled up and started developing and managing larger student homes and expanded to other cities. In June 2024, Upgrade Estate had built 29 student facilities under the Upkot brand housing 2.825 students and 5 semi-furnished sites for about 200 young urban professionals. About 2.500 investors are taking part in the financing of the projects.

3.3.1.3 Current structure and activities

Upgrade Estate is currently still led by Koenraad BELSACK and Nele VAN DAMME, life and business partners. The company is structured as a group with Upgrade Estate Group, with a total invested amount of 563 million Euros in 2024⁴⁹. As a whole, the Upgrade Estate Group has a portfolio of real estate assets under management, worth € 692 M and building projects in development and construction for + € 600 M. The group offers work for 114 employees and self-employed service providers and it operates in 7 cities in Belgium.⁵⁰

The main company in the group is Upgrade Estate BV, with company number 0840.066.124 was founded in 2011 by Koenraad BELSACK and Tom VAN DAMME. The company is based in Ghent, and the same address is home to another 45 companies in a complex structure. Most companies are special purpose companies (Special Purpose Vehicles⁵¹), owning just one property. Some other participation include *Tapazz*, that builds software and hardware that increases the sustainability and profitability of properties and *Limoengroen* (Lemon Green), a sustainable spin-off that focusses on our sustainable spin-off, focuses on various themes related to energy transition, data monitoring, renewable

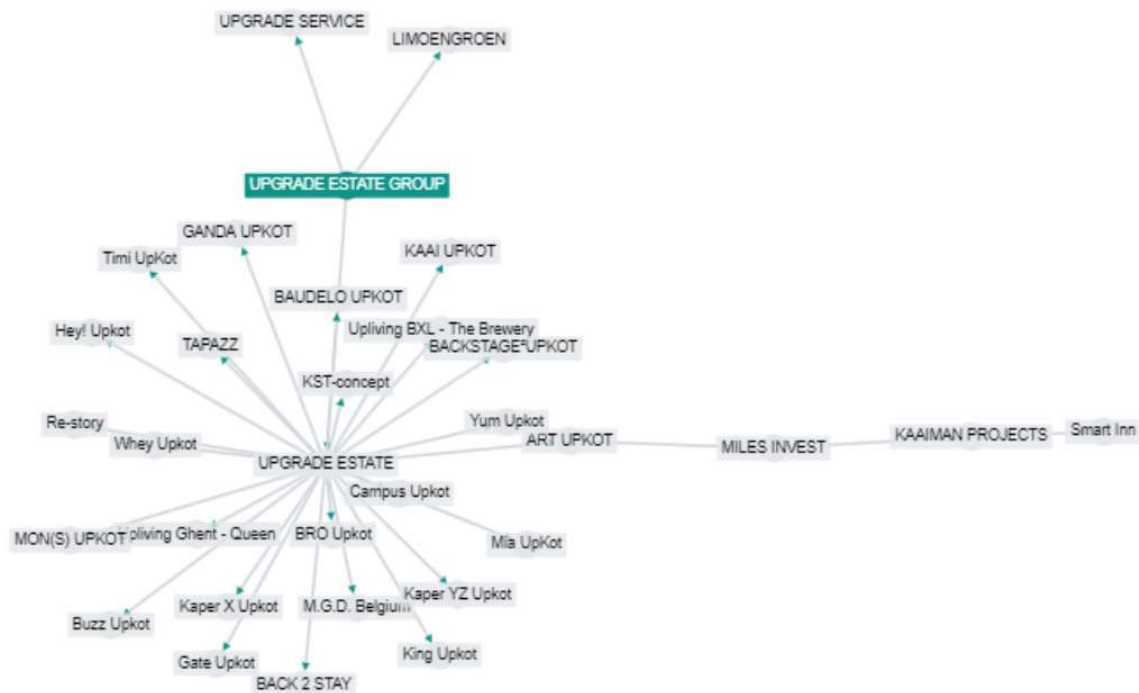
⁴⁹ <https://derijkstebelgen.be/nieuws/nieuw-dividend-van-45-miljoen-voor-nele-vandamme-en-koenraad-belsack> De Rijkste belgen. Accessed June 11, 2024

⁵⁰ Future Fit Report, https://hubs.ly/Q02CgW_10 p. 12

⁵¹ A special-purpose vehicle (SPV) is a legal entity that allows multiple investors to pool their capital and make an investment in a single company. In real estate development it is often used to acquire or hold a single property and limit all risks associated with that property or development to that company, thus effectively shielding the shareholders from any liability above and beyond their stake in the SPV.

technologies and sustainable construction. The participation of Upgrade Estate Group in 'Upoffiz|Upliving Ghent – Loop5 BV' is held by Upscale BV (see below).

Figure 8 Spider Structure of Upgrade Estate Group



Source: jaarrekening.be, Accessed June 10, 2024

From a process point of view, Upgrade Estate Group is responsible for the search, selection and development of sites ('Upscale activities'), the construction and supervision of the buildings ('Upsize activities') and the rental, maintenance and management of the facilities ('Upservice activities'). At the core of its capabilities are its *Service and Connectivity Engine* described by Verweire (2020) with respect to the Upkot activities as follows⁵²:

Upgrade Estate believes that connections can be built and strengthened with all stakeholders throughout the life cycle of an entire project. Every new upkot project starts with a prospection phase where the upscale team searches for and buys real estate properties. In this phase, Upgrade Estate benefits from its good relations with universities and high schools, but also from its relationships with various real estate agents. It also strives for open and long-term relationships with municipalities and involves them in their projects early on. Upgrade Estate often presents a vision document for each project and looks for support and partnerships in many ways.

⁵² Verweire, K. (2020), p. 9-10

The Upsize department is the technical department that builds the projects in line with the Upgrade Estate architectural standards and its financial constraints. Upsize maintains good relationships with its contractors and architects and organizes an annual party as a symbolic relationship event. When Upgrade Estate presents new projects to the press, it pays attention to also give credits to the architects and contractors.

When a project has been developed and has started, the sales unit looks for investors. In this phase, Upgrade Estate approaches its investors group and presents the new project. Potential investors get a personal appointment and are invited to one or more site visits during the construction period. Upgrade Estate extensively uses its investor database, called Teamleader⁵³, that captures relevant data about each investor—such as the number of projects invested, ranking, and all background information on the specific relationship (see Exhibit 2). The information from the database is used to reward loyal investors and ambassadors in a personal way. Although the company is communicating intensively using digital technology, it strives to maintain a personal touch.

When the project is sold to investors, the renting unit looks for tenants and manages the contracts. For Upgrade Estate, renting is more than a transactional relationship. Like with investors, the company has developed a personal approach to its tenants. Upgrade Estate examines the needs of each tenant and makes an appropriate and personal offer. The company has VIP lists to recognize its loyal tenants, or children from investors, who get priority access when they want to move to new locations. Upgrade Estate reduces administrative formalities as much as possible: contracts are drawn up electronically, and the tenant can easily access an internet portal with all relevant documents.

Property management includes community management with the Upkot coaches, cleaning and maintenance of the various upkot buildings, and in particular of the communal spaces. Guaranteeing high quality rooms and buildings requires that properties are well-maintained. In order to avoid conflicts, which inevitably emerge between an owner and a tenant, Upgrade Estate has set up clear charters with the rights and obligations of each tenant.

The business eco-system of Upgrade Estate Group is also highlighted in the Future Fit Report Progress Report 2023-2024:

- *Upgrade Estate Group BV:*
 - *Upgrade Estate NV:*
 - *Construction of buildings as a General Contractor: accommodation for students, young professionals, working professionals (Construction Department)*
 - *Designing the buildings (Pre-Construction Department)*
 - *Designing the technical installations of the buildings (Technical Engineering Department, part of Pre-construction Department)*
 - *Sale of Shares of property-owning companies (Sales Department)*
 - *Supporting activities: HR, Finance, Marketing, IT ... (HR Department, Marketing Department, Finance Department, IT Department)*
 - *Upgrade Estate Group BV (formerly under Upgrade Service BV)*
 - *Rental services of managed buildings*

⁵³ In the meantime, the data of the investor's database have been transferred to Hubspot

- *Real Estate Maintenance Services*
- *Socially oriented services, coaching*
- *Software developed for a share platform app (formerly under Tapazz BV)*
- *Limoengroen BV (with subsidiary companies):*
 - *Delivery of utility and energy services (maintenance, repair, replacements and inspections)*
 - *Upforest Oy: the new company owning a 107ha forest in Ahtäri and a 156ha forest in Iitti (Finland)*
 - *Wind energy projects in Wuustwezel, Arendonk and Grobbendonk, in development (permitting phase)*
 - *2 solar plants: one located in Wetteren (already permitted) of 1,1 MW and one located at the site of The Loop (still in permitting phase) of 5,5 MW*
 - *Solar panels on the roofs of the operational buildings*
- *Upscale BV (with subsidiary companies)*
 - *Real Estate Development, acquisition of land or real estate for (re-) development (Upscale Department)*
 - *Land bank*
- *The products and services delivered, are:*
 - *Buildings as assets to be delivered to property owning companies (SPV's)*
 - *Shares of property-owning companies, which are sold as financial assets*
 - *Management services to the property-owning companies*
 - *Utility Services Limoengroen (utilities, energy, water, ...)*
 - *Building Services: facility management, technical facility management, maintenance*
 - *Social Services for community building and supporting social cohesion: coaching, ...*
 - *Rental Services* ⁵⁴

Based on the feedback obtained in June 2024 of Upgrade Estate itself, the legal structure (Figure 9) has been reorganised in two consolidation circles as follows:

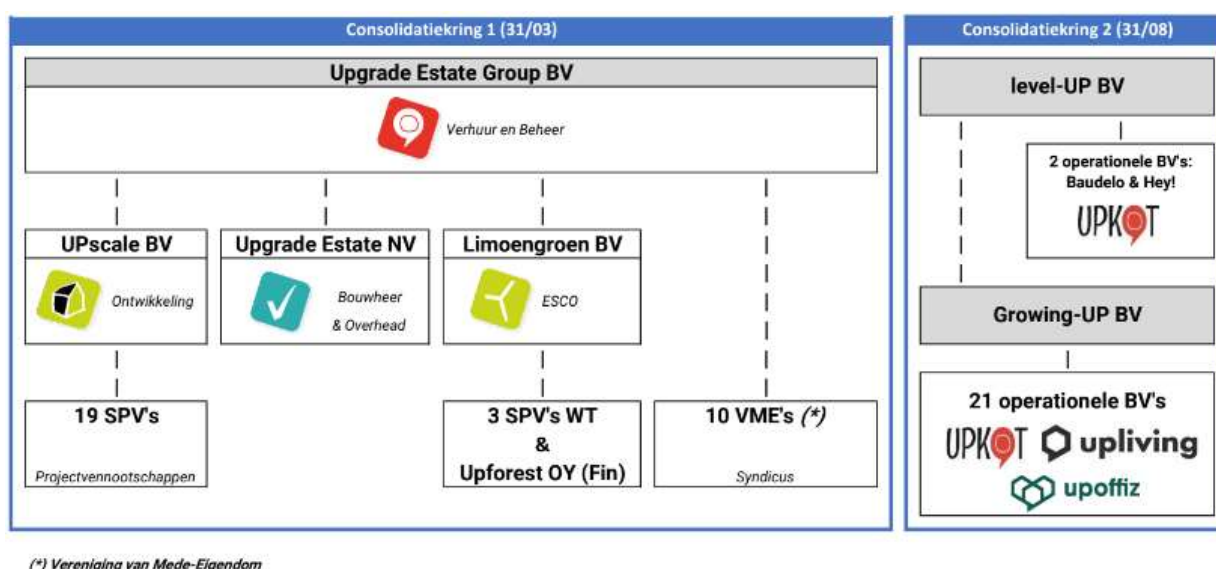
- **Project Development and Post-Delivery Services:** This group includes all companies and activities related to the development of projects and the services offered after delivery. This includes Upgrade Estate Group BV itself and its subsidiaries and sub-subsidiaries, such as the construction company Upgrade Estate NV, the energy sharing company Limoengroen BV and Upscale BV as the parent company of all project companies (land bank). Upgrade Estate Group BV is also the syndic of the 10 Co-Ownership Associations, being the first 10 Upkot projects that were realized as a VME at the time.

⁵⁴ Future Fit Progress Report 2023-2024, p. 9-10

- **Sustainable Investment Platform:** This platform is managed by level-UP BV and focuses on building a share portfolio, through the intermediate holding company Growing-UP BV, which consists of shares of already completed and rented projects. In concrete terms, this means that all B shares of operational Upkot, Upliving and Upoffiz companies are included in this consolidation circle. In addition, level-UP directly owns 100% of the shares of Baudelo Upkot BV and Hey! Upkot BV in its possession.

Both consolidation circles are audited annually by Grant Thornton via a contractual assignment. The consolidated figures are intended for the financing banks and for internal use only.

Figure 9 Simplified Structure of Upgrade Estate Group



Source: Upgrade Estate

3.3.1.4 Innovative financing model – Loop 5

An interesting and innovative feature of Upgrade's business model is the way they finance their projects. Each time a project is developed, a Special Purpose Vehicle (SPV) is created and funded by external investors. The minimum investment ticket in the equity of the SPV is generally 110.000 euros, which allows Upgrade to operate without the necessity to make a financial prospectus that indicates the main risks incurred, the involved entities, their financial background and fee structure and other relevant information to make an informed investment decision.⁵⁵

Investors invest directly into the equity of the SPV as limited partners, which on the one hand means that they indirectly control the main asset of that SPV, but on the other hand their capital investment is

⁵⁵ <https://www.fsma.be/nl/faq/1-welke-gevallen-moet-er-een-prospectus-woorden-gepubliceerd-en-welke-gevallen-een> Accessed: June 11, 2024

not guaranteed (equity) and they have no hard guarantees on a particular dividend yield or capital gain. In fact, in none of the investment brochures a particular yield or capital gain is promised. The investment brochures only mention a net payout yield incurred by other investors during 2023, and an average gross annual capital gain, followed by a disclaimer that these are based on an own DCF model of the company and that past revenues offer no guarantees for future returns. The brochures offer no information whether or not the calculations of these returns have will be audited, and what the underlying assumptions are and the Internal Regulations only foresee an option to do so⁵⁶. In the interview, the CEO of Upgrade Estate confirmed that they are in fact audited thoroughly by Grant Thornton and discussed at the level of the board of directors and the annual general meeting.

The investment structure bears a lot of similarities with a Real Estate Limited Partnership (RELP). In a Real Estate Limited Partnership, a group of investors pool their money to invest in property purchasing, development, or leasing. Under its limited partnership (LP) status, a RELP has a general partner who assumes full liability and one or more limited partners who are liable only up to the amount they contribute. The general partner is usually a corporation, an experienced property manager, or a real estate development firm. The limited partners are outside investors who provide financing in exchange for an investment return. Limited partners receive dividend distributions along with pass-through income annually which constitutes part of their return.⁵⁷

Advantages of this type of real estate investment structure include:⁵⁸

- RELP's have a narrowly defined focus: they provide the business structure for construction of a residential neighbourhood, a shopping centre, or a business plaza. They often specialize in a real estate niche like high-value commercial properties retirement developments or student housing.
- RELP's allow the investor to diversify the investment portfolio: the minimum ticket to participate is usually set at EUR 5.000. By pooling the investment, the investors gain access to a part of the real estate market that is normally only accessible for institutional investors.
- RELP's offer investors the advantage of partnering with a general partner who possesses extensive expertise and experience in real estate investment and management. This expertise can lead to more informed investment decisions, better property management, and ultimately, enhanced returns.
- The limited partner typically has a liability limited to the size of his investment and does not take an active part in the day-to-day management of the partnership structure. This can be particularly appealing to individuals who lack the time or expertise for active real estate management. Some entities set up advisory boards or other means of communication to encourage the insights and participation of limited partners.

⁵⁶ Internal Regulations Loop 5, March 17,2022, Article 8

⁵⁷ Hayes, A. (2022)

⁵⁸ This section includes advantages and disadvantages of RELPS, as stated on investors websites such as Investiopedia and Smartasset

- RELPs often pass down tax benefits to their limited partners, including deductions for depreciation and mortgage interest. These tax advantages can help reduce an investor's overall tax liability. In some countries, RELPs don't pay taxes at the entity level, income and losses pass through to the individual partners.

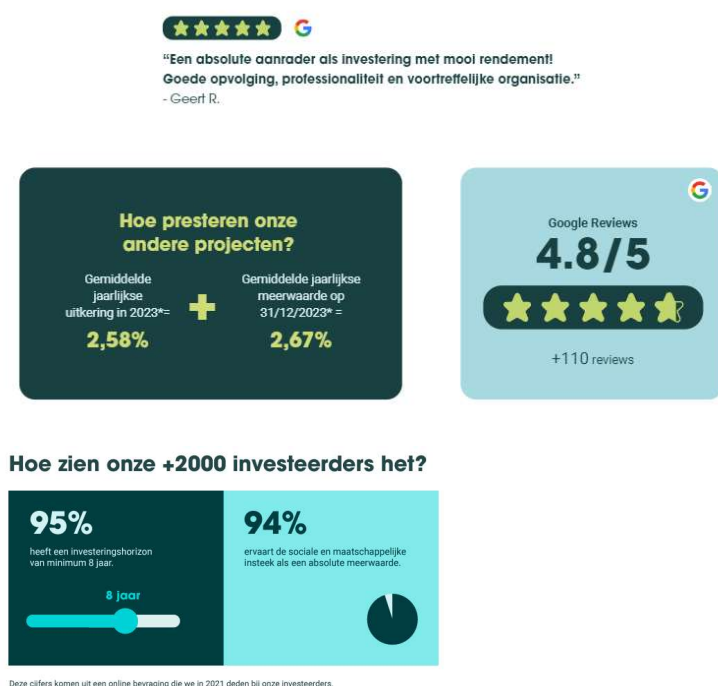
Drawbacks of investing in such a structure are:

- One significant disadvantage is the limited control LPs have over the investment. Decisions regarding property management, acquisitions and sales are typically made by the general partner. This lack of control can be frustrating for investors who prefer to have a more hands-on approach or want a say in strategic decisions.
- Many limited partnerships have a fixed-term lifespan so that partners receive their principal investment amount back at a specified maturity date. That also often means that the investment is illiquid: the investor cannot cash out at any time.
- Limited partners in a RELP remain exposed to real estate market risks, such as fluctuations in property values and rental income. A downturn in the real estate market can lead to the erosion of the invested capital, without the possibility of a quick exit.
- The success of a RELP largely depends on the competence and integrity of the general partner. If the general partner fails to effectively manage the properties or makes poor investment decisions, it can negatively impact the returns for limited partners.

Upgrade Estate underlines in multiple articles and brochures that most investors that invest in their company do so because of the social impact it has.⁵⁹ Other arguments are the stability of the investment in comparison to shares quoted on a stock exchange, the absence of a co-ownership deed, the pooling of revenues within 1 building, the hassle free rental and maintenance and the absence of transfer taxes at the acquisition or disposal stage of the investment. Soft factors that nudge investors as well are the (presumed) notoriety of other investors (e.g. Geert R. in the example below, a Google Review score of 4,8 based on 110 reviews or data gathered on other similar investors through an online survey) and the preferential treatment of (grand) children looking for a room to stay (in a context of scarcity).

⁵⁹ <https://www.bloovi.be/branded/insights/2021/marktleider-in-studentenhuisvesting-met-een-sociale-missie-de-relevantie-van-onze-studentenkamers-is-nooit-duidelijker-geweest-dan-tijdens-de-coronacrisis>

Figure 10: Nudging the investor



Source: investment brochures Upgrade Estate

The net payout yield that is mentioned (2,58% in 2023, 2,65% in 2021), is based on the average net payout yield in other projects, as stated in the table below.

Figure 11: Net payout yield of Upgrade Estate projects, payout distribution varying between 2,10 and 3,6 %, between 2015 - 2022

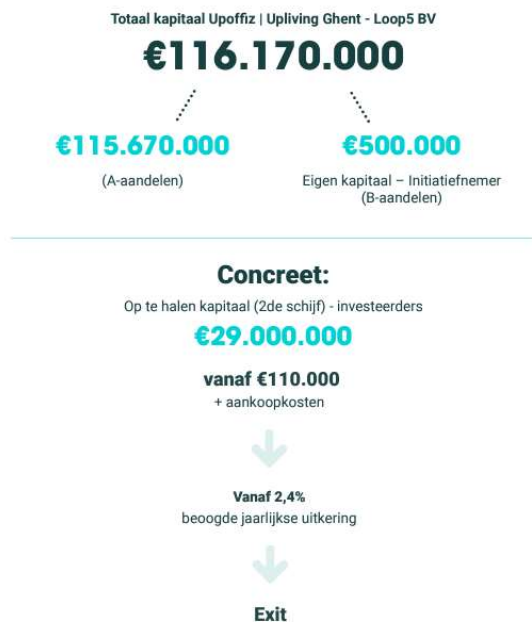
Rendementen/ Rendements	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Baudelo Upkot	2,50%	3,40%	3,45%	3,50%	3,50%	3,55%	3,55%
Mia Upkot		2,60%	2,80%	3,50%	3,50%	3,55%	3,60%
Timi Upkot			2,30%	2,40%	2,40%	3,20%	3,30%
Mon(s) Upkot			2,50%	2,50%	2,50%	2,55%	2,55%
Backstage ² Upkot				2,00%	2,00%	2,10%	2,10%
Ganda Upkot				2,50%	2,50%	2,55%	2,60%
Gate Upkot					2,00%	2,05%	2,10%
Upliving BXL - The Brewery						2,50%	2,60%
Kaper YZ Upkot						2,30%	2,40%
Bro Upkot						2,20%	2,30%
Campus Upkot							2,10%
Gemiddeld uitgekeerd/ Distribution moyenne	2,50%	3,00%	2,76%	2,73%	2,63%	2,66%	2,65%

Source: Sales Pitch, Upgrade Estate

The total investment budget of the Loop 5 project amounts to one hundred and sixteen million one hundred and seventy thousand euros (€ 116,170, 000). The contributed capital is represented by one hundred and fifteen million six hundred and seventy thousand (115,670,000) A Shares and five hundred thousand (500,000) B Shares, to which companies associated with Upgrade Estate Group have

subscribed. Hence, Upgrade Estate takes up the role of General Partner with only 0,43% of the capital. On December 31, 2023, about 81,5% of the capital had been underwritten.⁶⁰

Figure 12: Financial structure of the Loop 5 project



Source: Investment brochure Loop 5. Upgrade Estate

As always, the devil is in the details. When underwriting an investment in a Upgrade estate SPV, the investor is likely to pay an entrance fee of 2%, which can be waived in function of the amount invested. The early investors had to pay a downpayment of 40% at the subscription, another 35% at the completion of the roof works and the final 35% upon delivery, while the actual conversion of their payments in shares only took place on February 29, 2024. For the Loop 5 project, invested funds are blocked for 3 years after the closing of the investment (+/- start of the delivery of the building in February 2024). The actual payment of the equity stake usually follow a financial scheme that is aligned with construction progress.

Construction works for the Loop 5 project are executed by Upgrade Estate NV for a global at arm's length market price, including development and design costs, but shielding the SPV and thus the investors from the real cost of the works. The published annual accounts of the book year ending on 30 June 2019 and 2020 show a fixed asset value of € 2.008.191, which is presumably the acquisition value of the land. Subsequently the annual accounts show an increasing fixed asset value until the fixed asset value reaches €114.576.595 for the years ending on 31 August 2022 and 2023. This value is presumably the total value of the building, including the value increase of the land, which is expressed in a revaluation surplus of € 28.360.865 in August 2022 and € 19.000.183 in August 2023. Eventually, it seems that the construction cost overruns on the construction cost are offset by decreasing the

⁶⁰ Published Annual Accounts Upoffiz Loop 5, December 31, 2023

revaluation surplus. These construction cost overruns are attributable to increasing material costs and disturbance of the supply chain.⁶¹ Upgrade Estate does not have the intention of submitting the asset to an independent valuation in order to justify the upholding or the correction of the revaluation surplus.⁶²

The first annual payout will occur on October 1, 2024, followed by an annual payout.⁶³ The height of the payout is decided on the annual general meeting of the SPV, but fixed fees for the management and renting of the units – generally 20% including VAT is deducted. The payout is not structured as a dividend payout, since the rental income less the depreciation of the building does not result in a positive accounting result, which is required to distribute profit. Instead the excess free cash flow is paid out as a capital reduction of the initial investment and such a type of payout is not taxable.⁶⁴ To be able to do so, there needs to be a positive operational cashflow coming from the rental and other operational returns less the operational costs, without any significant exceptional costs that would result in a limited liquidity. The revaluation surplus cannot be used to do so, because it has been attributed to the value of the land and since land cannot be depreciated, the revaluation surplus cannot be distributed.

For the Loop 5 project, the annual return on investment is equally spread between A and B shareholders, but this is not the case if the underlying asset gets sold. In this case the gross target return (after corporate taxation) for A shareholders is 3%, followed by a carried interest⁶⁵ of 1,5% for B shareholders above this target return. In case of an exit, of an A shareholder, either voluntarily or forced, an exit fee of 3% is applicable on the value of the shares, payable to a company associated with Upgrade Estate Holding.⁶⁶ The value of the shares at the time of exit is determined via the DCF-model. Finally, a leasehold on the roof of the buildings is given to *Limoengroen*, Upgrade Estate's own provider of energy.

To assess the impact of these costs and fees on a planned investment of 110.000 Euros, I made a simplified model of all costs, making abstractions of fees paid in the construction phase or to *Limoengroen*, assuming an operational return of 2,4% on the investment (i.e. rental return after deduction of management fees and rental fees and other costs). Other standard assumptions include the application of the entry fee and exit fee and a 2% increase of the operational return, which is in line with longer term expectations. In May 2024, the Federal Planning Bureau expected a rent inflation of 3,1% for 2024 and 2% for 2025.⁶⁷

⁶¹ Upgrade Estate (2024) UPGAZET N6, P. 9

⁶² Confirmed by the CFO of Upgrade Estate via e-mail on July 11, 2024

⁶³ Confirmed by the CFO of Upgrade Estate via e-mail on July 11, 2024

⁶⁴ Preliminary Decision no. 2021.0953 dated 14.12.2021, SPF Finances, Available: www.ruling.be. Accessed: July 2024

⁶⁵ Carried interest is a share of the profits of an investment paid to the investment manager as an incentive fee. It makes sure that the interests of the investment manager are largely aligned with those of the investors, and it has the benefit of being tax free in Belgium.

⁶⁶ Intern Reglement, Loop 5, March, 17, 2022, Article 6

⁶⁷ Federal Planning Bureau, www.plan.be. Accessed June 11, 2024

The calculations are attached in annex 2 and the results are presented in the tables below. In the first four scenarios, the investor (A-Shareholder) is either holding his investment for the shorter term (Scenarios A and C, B years), or the longer term (Scenarios C and D). In scenarios A and C, there is no value increase of the building at the time of exit, in scenarios B and D, a capital gain of 2% per annum is calculated. As shown in the first table, the return for the A-investor is between 1,22% and 2,81% per annum. The threshold return rate to apply a carried interest (3%) is never reached and, according to Upgrade Estate, would not apply to this case of normal holding of the stock. As the repayment of a shareholder occurs via a return of the invested capital, no withholding tax is applicable in these cases.

The last 6 scenarios consider a holding period of 8 years, followed by a forced sale of the property, either by an asset deal (scenarios E,F,G,H) or a share deal (scenarios I and J). The scenarios further differ from each other depending on the percentage of Capital Gains Tax (CGT, 25% or 12,5 %), Withholding Tax (W.T. 30% or 15%) applied. In scenarios E, G and I, the value increase is assumed to be 3% per annum and in these cases the threshold level to apply a carried interest is never reached. In scenarios F, H and J, the annual value increase is presumed to be 5% per annum, which results in a carried interest payment to Upgrade Estate. As shown in the table, the return for the A-investor of a forced sale, given the assumption of a value increase of 5% per annum is limited to a range between 3 % and 3,23% per annum.

For the B-shareholder (Upgrade Estate), the picture looks entirely different. First of all, the investment is limited to only 0,43 %, so for every 110.000 euros invested by an A-shareholder, Upgrade Estate participates for 473 euros. This amount is immediately offset by the entrance fee of 2.000 euros, if not waived. On top of that, Upgrade Estate receives an exit fee and a carried interest in case of a sale. These calculations do not take into account provisions for refurbishment works or other costs that the SPV might have and that have to be taken into account before the annual general meeting can decide upon the height of the amount to be paid out. Similar, the entry fees and exit fees charged by Upgrade Estate might have to cover development costs. In any case, the investment in the Loop 5 project is at best an inflation hedge and above 3% return the majority of the profits will go to Upgrade Estate.

Figure 13 : Cashflows and Net return on investment

Scenario		Time Horizon	CGI	WT	Carried Interest	Divestment Value	Exit Fee	Carried Interest	Annual Return
Scen. A	ST - No Capital Gain	3	/	/	/	€ 110.000	€ -3.300		1,22%
Scen. B	ST - Capital Gain of 2%	3	/	/	/	€ 113.025	€ -3.391		1,87%
Scen. C	LT - No Capital Gain	8	/	/	/	€ 110.000	€ -3.300		2,04%
Scen. D	LT - Capital Gain of 2%	8	/	/	/	€ 118.762	€ -3.563		2,81%
Scen. E	LT - Sale of the Building (3% p.a.)	8	25,0%	30,0%	/	€ 126.609	€ -3.788		2,45%
Scen. F	LT - Sale of the Building (5% p.a.)	8	25,0%	30,0%	>3%	€ 143.990	€ -4.320	€ - 8.000	3,00%
Scen. G	LT - Sale of the Building (3% p.a.)	8	25,0%	15,0%	/	€ 126.609	€ -3.788		2,96%
Scen. H	LT - Sale of the Building (5% p.a.)	8	25,0%	15,0%	>3%	€ 143.990	€ -4.320	€ -16.350	3,00%
Scen. I	LT - Sale of the Building (3% p.a.)	8	12,5%	15,0%	/	€ 132.977	€ -3.989		3,41%
Scen. J	LT - Sale of the Building (5% p.a.)	8	12,5%	15,0%	>3%	€ 153.255	€ -4.588	€ -22.240	3,23%

Upgrade Estate Scenario		Time Horizon	Divestment Value	Entry and Exit Fees	Carried Interest
Scen. A	ST - No Capital Gain	3	€ 473	€ 5.500	
Scen. B	ST - Capital Gain of 2%	3	€ 486	€ 5.591	
Scen. C	LT - No Capital Gain	8	€ 473	€ 5.500	
Scen. D	LT - Capital Gain of 2%	8	€ 511	€ 5.763	
Scen. E	LT - Sale of the Building (3% p.a.)	8	€ 544	€ 5.998	
Scen. F	LT - Sale of the Building (5% p.a.)	8	€ 619	€ 6.520	€ 8.000
Scen. G	LT - Sale of the Building (3% p.a.)	8	€ 544	€ 5.998	
Scen. H	LT - Sale of the Building (5% p.a.)	8	€ 619	€ 6.520	€ 16.350
Scen. I	LT - Sale of the Building (3% p.a.)	8	€ 572	€ 6.189	
Scen. J	LT - Sale of the Building (5% p.a.)	8	€ 659	€ 6.798	€ 22.240

Source: own calculations

3.3.1.5 Goal and ambition of Upgrade Estate

The goal of the company is: *creating social impact and added societal value through an economically sustainable model. Real estate forms the backdrop – the setting where people connect, study, live and build a network for life.*⁶⁸ Social Impact is described on the company's website as refining the concept and creating added value that extends beyond meeting financial targets and results. Upgrade Estate invests in a number of charities but little or no information is available on the size of the investments or the achieved impact. Societal Impact is centred on ecological and social sustainability. To achieve this, Upgrade Estate applies the open source future-fit benchmark tool⁶⁹, which is linked to the Sustainable Development Goals (SDG's). Sharp targets include reducing energy consumption in existing buildings with 30% by 2024, reducing embodied carbon with 50% by 2025, making electrical charging units available in the vicinity of the student houses by 2030, etc...⁷⁰

These softer goals are taken into account in the feasibility studies of the projects, but achieving financial sustainability is also a clear goal in itself for Upgrade Estate. The ambition of Upgrade Estate is to grow its' market share to 5% of the Belgian student housing market.⁷¹ According to the website "*The Richest Belgians*" the activities would have generated a cumulative return of 22,5 million Euros for its founders Koenraad BELSACK and Nele VAN DAMME between 2019 and 2024.⁷² According to the founders, at least some of these funds have been reinvested in the company⁷³.

The combination of societal goals and a sound financial business model, together with a focus on cooperation and community building makes that Upgrade Estate is often referred to as a Zebra company.

3.3.1.6 Social Return on Investment

As shown above, the overall financial return for the individual investors remains limited to about 3% maximum. Upgrade Estate argues that these investors are not only driven by financial return, but they value the social and societal impact of what Upgrade Estate does. To demonstrate this additional return, Upgrade Estate engaged various groups of students to calculate the 'social return on investment'. According to Banke-Thomas, A. O. et al (2015) SROI is "*the process for understanding, measuring and reporting the social, economic and environmental value created by an intervention, program, policy or organization*".⁷⁴

⁶⁸ www.upgrade-estate.be

⁶⁹ For more information, see: <https://futurefitbusiness.org>

⁷⁰ Future Fit Progress Report 2023-2024

⁷¹ Verweire, K. (2020); p. 2

⁷² <https://derijkstebelgen.be/nieuws/nieuw-dividend-van-45-miljoen-voor-nele-vandamme-en-koenraad-belsack>. This information could not be verified.

⁷³ E-mail from Koenraad Belsack, August 13, /2024

⁷⁴ Banke-Thomas, A. O., Madaj, B., Charles, A., & van den Broek, N. (2015), p.3

The goal of this analysis is not so much to convince the existing investors – as Upgrade Estate has a very strong customer relationship with its investors – but rather to convince new investors to join the club. Depending on the calculations, the aggregation level and the elements included in the analysis, the combined SROI (of buildings and activities) for Upgrade Estate would be somewhere between 0,7% and 1,8%. The advantage of such an SROI analysis is that it can be used as a tool to improve the social impact and that it allows to communicate more transparently about social impact. On the other hand, there is a real danger of overestimating the calculated social value. Part of the outcome would probably have happened even if the activity had not taken place (e.g. students would have met themselves without the presence of a *kotcoach*). Another part of the outcome could be attributable to other factors than the activities organised by Upgrade Estate. Finally, the projects realised by Upgrade Estate have a realisation span of several years, which makes it difficult to pinpoint which part of the benefits are related to what year. Therefore, the most sound approach is to calculate the SROI per project, much in the same way as investors are also expecting a financial return for the project that they are investing in.

3.3.2 The stakeholders

3.3.2.1 Students

The Belgian student housing market is characterised by a fragmentation in which there are strong local differences in terms of demand, supply, regulations and, in general, useful and clear data. Belgium had an estimated 517,500 higher education students in academic year '22-'23, an increase of approximately 2%. The Top 10 student cities represent 90% of the total student population year on year.⁷⁵

Student housing primarily depends on the student population, driven by demography and democratisation. Both factors are expected to evolve favourably, with an increase in the younger population in the period 2023 -2031 and a need for about 95.000 more student rooms.⁷⁶ In a market characterised by further consolidation and professionalisation, important evolutions such as full digitalisation of key processes (searching, matching, letting, servicing) on the one hand and attention for the student's mental wellbeing are considered game changers. The link to a successful education and to student well-being is increasingly linked to a good housing infrastructure as well⁷⁷. Furthermore, 75% or more of the students prefer to pay a fixed 'cost of tenancy' price.⁷⁸ Finally, a study conducted by the Free University Brussels (VUB) demonstrated that about one on three (365,65%) of the contacted students indicated to feel lonely. Upgrade Estate has demonstrated its capability to capture these evolutions and to integrate these in its' business model.

⁷⁵ Stadim (2023) Kotkompas, p. 5

⁷⁶ <https://diggitstudentlife.eu/sites/default/files/2021-11/Kotkompas%202020.pdf>, p. 5

⁷⁷ Stadim (2023) Kotkompas, p. 5

⁷⁸ Stadim (2023) Kotkompas, p. 23

3.3.2.2 Young Urban Professionals

While we are more connected than ever - the average Facebook user has 338 'Friends' - , a major concern of policymakers and parents is the loneliness of the young professionals. Research executed by the University of Ghent showed that 54,5% of all young people (between 20-35) In Belgium suffer from loneliness.⁷⁹ Social isolation is treated as a health challenge in the UK, and it is the ambition to have GP referring patients to community activities and voluntary services in case of the establishment of loneliness.

An interesting study done at Facebook and published on the website of Harvard Business Review found that motivation of employees is mainly driven by career, community, and cause⁸⁰.

- *Career* is about work: having a job that provides autonomy, allows you to use your strengths, and promotes your learning and development. It's at the heart of intrinsic motivation.
- *Community* is about people: feeling respected, cared about, and recognized by others. It drives our sense of connection and belongingness.
- *Cause* is about purpose: feeling that you make a meaningful impact, identifying with the organization's mission, and believing that it does some good in the world. It's a source of pride.

Contrary to the belief that millennials are more concerned with meaning and purpose, the researchers found that younger people cared slightly less about cause — and slightly more about career — than older people. Also, they found that in Europe people find Community and Career equally important, and Cause somewhat less important. In their pursuit for Career, Community and Cause, young urban professionals frequently face high housing costs, social isolation, and career-building challenges. Cities offer the best career development perspectives in any profession, but housing costs are on the rise in all cities throughout Europe. This creates an opportunity to cater these needs via co-living formulas or short stay housing solutions, such as Upliving.

3.3.2.3 Future tenants

The short stay units are marketed to future tenants by Upgrade Estate and by the University of Ghent.⁸¹ The University of Ghent is endorsing and promoting the project as follows:

*Upgrade Estate's residences are dedicated to creating a real community and enabling students to have an unforgettable student time at Upkot.
In addition, sustainability is fully central and this both socially and environmentally.*

⁷⁹ <https://eenzaamheid.info/belgie-of-nederland/>

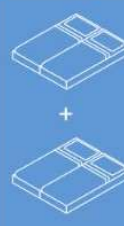
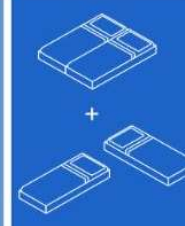
⁸⁰ Goler, L. Gale, J., Harrington B. & Grant (2018)

⁸¹ <https://www.ugent.be/student/nl/meer-dan-studeren/huisvesting/residenceloop> Accessed June 19,2024

The vibrant community is fueled by the Upkot coach who will organize events for students to connect with each other. Upkot's shared facilities and spaces provide the necessary extra comfort for residents.

To get an idea of the future accommodation, future tenants can have a look at the promotional video, which is part of the standard rental process of upliving.⁸²

Figure 14: Short term rental options for Residence 'Loop 5'

Residence				
Type	Type 1	Type 2	Type 3	Type 4
Description	Studio-like with twin beds	Flat-like with twin beds	Flat-like with twin beds	Family-like with twin beds and two singles
Beds				
# Bedrooms	0	1	2	2
Where?	Residence Loop	Residence Loop	Residence Loop	Residence Loop
Who?				
Price	Short term: €870	Short term: €1097	Short term: €1334	Short term: €1334

Source: <https://www.ugent.be/student/nl/meer-dan-studeren/huisvesting/residenceloop> Accessed: June 19, 2024

Included in the rental price are:

- private kitchen(ette) with four cooking plates and cooking hood
- fridge (with freezing compartment)
- combi-microwave
- 24-pieces set of cutlery, pots and pans, cups, glasses, mugs, plates
- cleaning set and garbage bags
- bed with pocket springs mattress, cover, bed linen, pillow, duvet (no towels!)
- internet⁸³

The offices are marketed to vibrant start-up or scale-up companies that can rent space between 250 m² and 1.400 m² at about 42 €/sqm. The price includes a private office, which can be given an own atmosphere in line with the corporate identity, a fixed package use of shared meeting rooms, (low)

⁸² https://youreka-virtualtours.be/tours/upliving_loop5/?startConfiguration=upliving&configurationId=1&startNode=node20&hideIntro=1&lang=EN, Accessed: June 19, 2024

⁸³ <https://www.ugent.be/student/nl/meer-dan-studeren/huisvesting/residenceloop>

Including energy consumption, internet, use of coffee corner & multimedia. There is also a coach team, campus app, and a number of shared facilities such as the experience garden and access to different mobility solutions. All the tenants' employees become members of the Academy free of charge with the aim to inspire, connect and innovate. The features of the service offering correspond to what these type of companies prefer, and is based on own market research of Upgrade Estate.

The concept is successful: the offices are fully let for a period of 9 years. Tenants include: Neckermann, Grant Thornton, Delaware, Polysense, DD Engineering, Spinae, CEVI, nexxworks, v/ntecc, hsbacad, and 62 Miles.⁸⁴

Figure 15: Example of floor layout for office space - 'Loop 5'



Source: Office Future Tenant Folder July 2023

3.3.2.4 Investors

Investors play a key role in the business model of Upgrade Estate. Upgrade Estate strongly invests in building a relationship with its' investors. They can participate in a loyalty plan (to gain 'Uppies'), they are contacted regularly by mail and post, they are invited to new openings and they get the change to

⁸⁴ Upgrade Estate (2024) Bijlage partnerships op loop 5. *Samen maken we sterke merken*. p.26-27

attend lectures at the Upgrade Academy. Upgrade Estate also relieves investors of the burden to seek tenants, fulfil the administrative obligations, perform maintenance, etc...

The expected return on investment of classical student housing concepts are believed to be higher than those for more common residential investments, due to the short term leases (10 or 12 months) and the higher management and maintenance costs. In Belgium, a qualitative student housing complex situated in an urban context near an educational institution, can yield a gross return of 4,5 – 5,6 %.⁸⁵

Investors can either invest directly in student housing, by converting existing dwellings into student housing, or indirectly either by investing in a quoted student housing company such as Xior or by investing in one of the projects of Upgrade Estate or Quares Student Housing as a limited partner. Each form of investing has its advantages and drawbacks, which are indicated in the table below.

Table 5: Advantages and drawbacks of investing in student housing

Investment type	Direct	Indirect Limited partner (e.g. Upgrade Estate)	Indirect Stock Exchange (e.g. Xior)
Assets	Ownership of the building (+)	Ownership of shares (?)	Ownership of shares (+)
Management	Own management (-) Serviced (+) at a cost (-) Tangible (+) Control (+)	Professional Management (+) Follow-up on new trends (+) Strong concepts with proven track record (+) Community Building (+)	Professional Management (+) Follow-up on new trends (+)
Financing/Return	Directly related to interest rate (?) Stable asset value (?) Net Yield (-) due to taxation, insurance costs, Personal Emotional value (+)	Ownership of the building (+) Financial Return clipped by GP carried interest and other fees (-) High social/societal return (+)	Volatility (-) Yield and exposure to interest depending on leverage (?) Low social/societal return(-)
Risk	Single Asset (-) No diversification (-) Fixed asset, LT investment (-) Legislative changes making it impossible to split up properties, limitations in basic deeds, abuse of power by local governments (-)	Single Asset (-) No Diversification (-) Holding Period (-) Absence of transparent investment information (-) Low leverage (+)	Liquidity (+) Diversified (+) Transparent investment information (+) Highly leveraged (-)

Source: own appreciation: (+) indicates an advantage , (-) a drawback and (?) an insecure outcome.

⁸⁵ Stadim (2023) Kotcompas, p. 5

Upgrade Estate holds somewhat the middle ground between a direct investment and a pure financial investment and according to the CEO, their investors are happy with the balance between a (lower but stable) financial and a social/societal return. An important element here is to deliver what has been promised, to walk the talk. Overall, a more transparent and mature market with a larger share of professional providers and further development of efficient management platforms and smart building technologies could better capture the risks present in the current market.⁸⁶ On the other hand, private investments are hindered by the abuse of power of some public authorities, like the city of Ghent, that enforces limitations on individual ownership via urban planning regulations.⁸⁷

3.3.2.5 Public authorities

Government authorities and regulatory bodies play a significant role in the real estate development process by issuing permits, zoning approvals, and building codes. Upgrade Estate must comply with various regulations and obtain approvals from local, regional and federal agencies.⁸⁸ The company invests in its relationships with the various representatives of these bodies and documents the interactions, but at the same time the CEO of Upgrade Estate confirms that the number of levels and people involved has become too big.

Upgrade Estate also invests in its relationship with educational institutions. The first partnership was concluded in 2012 and in the meantime another 12 colleges and universities followed, including Ghent University.⁸⁹

3.3.2.6 Professional parties involved

For the development of the loop 5 project, Upgrade Estate has composed a design team consisting of Bontinck Architecture and Engineering and Studio Basta. The architect describes the project as follows:

Four buildings will be arranged in a honeycomb pattern within the landscape. The ordered, yet seemingly playful embedding of the structures in the surrounding environment comprises a transition between the organic appeal of Field 01 located opposite the area, and the more urban appeal of the Loop's core area.

The idea of connection, interweaving or entwining comprises the foundation of the honeycomb pattern in which the structures are embedded.

The structure and shape of the buildings are derived directly from the hexagons in the honeycomb pattern. These varying 'polyhedra' and derived shapes all speak the same visual language. Through their geometry, they enter into a dialogue with each other and with the surrounding buildings.⁹⁰

⁸⁶ Stadim (2020) Kotkompas 2020, p. 25

⁸⁷ Council of the State, Judgement nr. 255.193, December 6, 2022

⁸⁸ Future Fit Progress Report 2023 – 2024, p. 25

⁸⁹ Upgrade Estate (2024) : Bijlage Partnerships op Loop 5: *Samen Maken We Sterke Merken* p.19

⁹⁰ <https://www.bontinck.biz/en/projects/loop-5/>, Accessed: June 19,2024

Studio Basta was selected for the design of the landscaped garden, which is an important feature of the project. For the structural engineering and special techniques, Upgrade Estate engaged VK Engineering and Boydens, both now part of Sweco. Acoustic advice was given by Bureau de Fonseca.

Throughout the building process, Upgrade Estate coordinated a number of trades and subcontractors, such as Deblaere that delivered the closed shell and Decat that installed the building techniques.

3.3.2.7 Employees

Employees and independent service providers are the beating heart of the Upgrade Estate. In all ranks of the company, they bring creativity, relieve investors, bring social impact to tenants, design or build new projects, provide services etc..⁹¹ But the concepts that Upgrade Estate delivers also have a positive impact on the productivity and stress levels of employees. For the Loop 5 project, the design brief clearly included that all offices had to have a direct relationship with the landscaped garden surrounding the buildings and research was done to ensure that the working environment had a positive impact on the stress levels of the employees.

3.3.2.8 Educational institutions

Upgrade Estate maintains good ties with educational institutions, in various stages of the development. In the developing stage, Upgrade shares knowledge and engages educational institutions for market research purposes. Educational institutions are also important to tenants of Upgrade (especially Upkot).

3.3.2.9 Community – Urban Quality for the Citizens of Ghent

Local communities are impacted by real estate development projects, as new construction can affect neighbourhood character and identity, property values, access to amenities and environmental impacts. With respect to the development of the Loop 5 project, there is no evidence that some form of citizen participation has been held. In his interview CEO Koenraad BELSACK states that responses have been given to a number of individually raised questions, and that the absence of formal opposition to the project also stems from the absence of direct neighbours. A direct and individual response seems also to be the modus operandi for the other projects developed by Upgrade Estate. The obtained permits are likely more the outcome of targeted product user surveys and a negotiating process with government representatives than the result of a participative process. The CEO of Upgrade Estate, Koenraad BELSACK confirmed that his company is still looking for the right way to engage with neighbourhood representatives.

⁹¹ Future Fit Progress Report 2023*2024, p. 25

When being questioned about the permitting process for Loop 5, the City Architect of Ghent, president of the Quality Chamber that assessed the qualities of the project, acknowledges that the permitting process for this project was 'difficult', due to the isolated urban context of the Loop, and due to a mismatch between the timing of the City to rethink the neighbourhood and the pressure of Upgrade Estate to develop the project:

"The developer, Upgrade Estate, was not willing to wait for these planning processes but wanted to develop the acquired site in a short term and within the existing urban planning framework. Furthermore, it proved difficult to establish a common vision for the project, and the inability to do so created a lot of frustration at the private and at the public side of the negotiation table. The fact that the developer already had chosen an architect and the experience that this architect was not willing to engage in the development of a common vision and work towards a common output, did not make things easier."

(Peter Vanden Abeele, City Architect of Ghent, President of the Quality Chamber)

The outcome of the process is not necessarily bad for everyone. For instance, the programme of the Loop 5 project is in line with the existing spatial development plan and the integration of work and living spaces seems to fit into the (still developing) vision of the city reposition this area as the 'southern station district'. The architectural form is anything but the standard office layout. The integration of the volumes upon a technical 'deck' that covers the parking and ancillary facilities and that provides a rooftop garden with pedestrian connections is clearly an added value for the tenants, visitors and users of the building. Furthermore, the impact of the project has been the subject of an environmental impact assessment. From a real estate development perspective, and in line with other developments by Upgrade Estate, the concept has moulded to create real estate value as identified by Vos (2005).⁹² The development is in line with the development vision of Upgrade Estate, provides synergies between functions, responds to expectations in terms of appearance, image and theming, is situated in the vicinity of urban transport, is accessible, offers sufficient parking solutions, has a high visibility and integrates different services and amenities.

On the other hand, the project can also be perceived as an oasis in the concrete desert that composed of high density developments and large infrastructure connections. This is by no means an integrated neighbourhood development and there is no added value for citizens that do not need to be there either. This exemplifies the tension between the city that needs (too much?) time to envision a neighbourhood and adapt the spatial development plan, and a company that wants to realise a development within time and budget to generate a return on investment.

⁹² Vos, A. (2005), p. 19

3.3.3 Value Creation and Risk Sharing

Upgrade Estate has a clear mission and vision and creates a mix of financial and social/societal value. With sharply defined 'brands' such as Upkot, Upliving and Upoffiz, combined with a strong service and connectivity engine, it caters the needs and desires of investors as well as tenants. For the first, they provide a hassle-free approach to investing in one of their brands with a lower but stable return. For the latter, they aim to follow the lifecycle of the tenant: tenants generally enter on of Upkot's facilities as students, they evolve to young urban professionals that can find an accommodation in an Upliving concept and some of them might start a business that can take advantage of the office space and shared facilities an Upoffiz site, such as The Loop 5.

Upgrade Estate navigates a complex network of stakeholders throughout the development process, balancing competing interests and priorities to successfully bring projects to fruition.⁹³ Solid internal and market research combined with numerous meetings and exchanges prior to the introduction of building permit request have resulted in relatively smooth permitting procedures. The development of the loop 5 certainly has created real estate value for its tenants, visitors and users, but the site remains isolated in a neighbourhood that still needs to be envisioned and developed. Nevertheless, even Upgrade Estate indicates that the time to obtain a permit has increased and indicates that it struggles with involving a broader community in the conception phase of the project.

It is clear that Upgrade Estate uses a common real estate limited partnership (RELP) structure to finance its projects. Investments in Real Estate Limited Partnerships are considered to be alternative investments with a high risk and high return profile, targeted to high-net-worth individuals that usually have a family office and the professionals at their disposal to thoroughly assess the general partner's background and performance with past projects, inquire about reporting frequency, investment oversight, and property management, scan the market risks, review the placement memorandum, clarify the associated agreements and fee structure, and get a clear picture on the investment timeline from funding to projected exit.

The innovative point of this structure is that wealthy and less wealthy individuals can participate as an individual partner as from EUR 110.000. This structure holds somewhat the middle ground between direct investment in real estate and indirect investment in an indirect investment in real estate funds quoted on a stock exchange. Within this structure Upgrade Estate takes on the role of general partner that manages all aspects of the development process. For this, Upgrade estate is compensated via significant commissions, fees and carried interest which resulted in a solid equity base of the Upgrade Estate Group and personal wealth increase of its founders. For the A-investors, the potential financial return will likely be in a range between 2 and 3%.

⁹³ Future Fit Progress Report 2023-2024, p.26

From a risk perspective, the limited partners in Loop 5 remain legally liable for the bulk of the investment (99,56%) and the associated risks, e.g. construction cost overruns, delivery delays, vacancy rates, quality of services provided to tenants etc... Upgrade Estate is relatively transparent about the structure and the fees of an individual project such as Loop 5, but only when very specific questions are asked. Yet it is obvious that conflicts of interest persist on all levels of the financing structure. External directors in the SPV have not been appointed so far⁹⁴, the auditor of the DCF model is a tenant in Loop 5, there is no quantity surveyor overlooking progress and construction costs, Upgrade Estate is looking to build another 1.000 student homes adjacent to the Loop 5 project (which may have a negative impact on rental prices of Upliving units in Loop 5, etc...).

In the whole set-up of the Loop 5 project, there is no real financial risk for Upgrade Estate: the risk/reward premium under the form of the revaluation surplus has been set sufficiently high at about 24% and if this buffer should ever be used to cover rising construction costs or vacancy, the real risk lies with the A-shareholders of the Loop 5 company. The fact that an investor does not have a real impact on the governance of the investment vehicle and has to assume the associated risks is not that different from the situation of an indirect investment in real estate actions, but the absence of a solid prospectus or information memorandum about the investment clearly is. The conclusion here is that the Financial Services and Market Authority (FSMA) should ensure that these documents are made and made available.

To further limit the risks for the investors, other elements that might be considered for these types of investments are:

- the obligation to have independent directors;
- procedures to handle conflicts of interests;
- an imposed annual audit of the accounts and underlying assumptions, and
- annual valuation of the assets by an independent valuer.

From a moral and brand value perspective, Upgrade Estate can reassure and convince investors based on notoriety, which is the combination of a very strong relationship with its investors, a stable but relatively low financial return, social and societal responsibility, excellent corporate marketing and a proven track record.

In a way, the operation of Upgrade Estate and its products (be it *Upkot*, *Upliving*, *Upoffiz* or a combination as at the Loop 5 project) show a lot of similarities with the build-to-rent products: they are new-build blocks designed and produced in function of a proven concept, held by a single SPV, there is a lot of focus on the project itself and the management is kept in one hand to ensure a recurrent and stable income. Especially in and around Ghent, Upgrade Estate has managed to develop a number of

⁹⁴ Since the conversion of the investors' downpayments only took place on February 29, 2024 the first annual meeting with these present still needs to be organised in February 2025. According to Upgrade Estate no external directors have been appointed, but several persons have introduced their candidacy.

these products besides the Loop 5 project:: 1.581 student rooms in 15 facilities (Upkot) and 90 units short stay in 3 facilities (Upliving).

With respect to the Loop 5 project, it is fair to say that the values of fostering connectivity between people and creating living and working environments that enhance individual well-being have been nicely integrated into the project. The urban form of the hexagonal buildings on landscaped garden that covers a functional pedestal has gained the approval of the Quality Chamber and is refreshing. The concept has also been proofed, in the sense that the complex is fully let (office spaces as well as short stay apartments), which cannot be said from adjacent sustainable but more common office buildings. It is a place of high impact and superior experience, offering a curated and scalable 'homefield advantage' to business, and transforming real estate from a 'space to work' into a 'business tool'.⁹⁵

Overall, the financing mechanism of Upgrade Estate offers an interesting opportunity to combine financial and social returns in the hands of individual investors, which can be local community members or tenants. This would be a valid alternative for the threat of an emerging financialization, if the balance between the financial return and risks would be shifted more towards an equilibrium for the A-shareholders and if remunerated professional external directors would oversee the operations on behalf of these A-shareholders. Finally, it would be a pity to see that the different cashflow streams generated by the portfolio and flowing towards the Sustainable Investment Platform, would eventually be marketed as well.

⁹⁵ Macagnano, M. (2021) p.3

4 GENERATING VALUE IN REAL ESTATE AND URBAN DEVELOPMENT

4.1 Introduction

As one of the objectives of this thesis is to bridge the gap between real estate and urban development, I will first start with describing the real estate development process, how risks are managed and how reward or success is measured. Starting from the definition of exchange value, I will show that the determination of even this aspect of value is not always rational, and market premiums and even emotional premiums may apply. Then, I will broaden the concept of value to use value and personal emotional value and undertake an attempt to link this to the space triad of Lefebvre. This basic framework is subsequently used to get insights how space is created and produced, and which concepts of value should be taken into account. I conclude the chapter with some reflections on how value - or quality – is assessed, a.o. by the so-called ‘Quality Chambers’.

4.2 Real estate development

Real estate

Real Estate is commonly referred to as the land, the physical property on that land, and the immovable improvements, whether natural or man-made, fixed to that land such as buildings, structures, utilities, trees, landscaping, fencing, walls and wells as well as the presence of minerals and water.⁹⁶

Graaskamp (1981) defines real estate as “*space delineated by man, relative to a fixed geography, intended to contain an activity for a specific period of time. To the three dimensions of space (length, width, and height), then, real estate has a fourth dimension : time for possession and benefit. This can be referred to as the ‘space-time’ characteristic*”.⁹⁷

Hence, a complementary aspect of real estate is the bundle of rights associated with it.⁹⁸ The bundle of rights is composed of legal rights to control the real estate, possess it and dispose of it, but the bundle of rights also encompasses direct and indirect personal use rights such as the right to shelter, security and privacy, as well as enjoyment of a location that facilitates access to local community services and amenities, which can be restricted to persons holding a legal right on real estate in that community, with

⁹⁶ Based on the definition found in Ling, D. C., & Archer, W. R. (2020), p. 2

⁹⁷ Graaskamp, J.A. (1981) p. 1

⁹⁸ Based on the definition found in Ling, D. C., & Archer, W. R. (2020), p. 4

or without taxation of the use of these services and amenities. Overall, the more complete the bundle of rights associated with a particular real estate is, the more valuable it will be.⁹⁹

The legal rights are determined by the competent authority through the legal system that is made applicable to the geographical location of that real estate. The legal system may attribute full ownership rights to real estate (then often referred to as 'property') or limited ownership rights (such as a leasehold or rent). Legal rights may be subdivided and distributed among owners and non owners. The legal system may also restrict ownership to certain (government) bodies or individuals (only nationals), limit the legal rights in time and in space (height, depth) and it may further regulate the use of these rights by planning, zoning, establishing building codes, and by issuing permits that can be conditional. Finally, the competent authority may also preserve certain types of real estate wholly (for instance streets and parks) or partially (for instance apparent or covert public easements) for public use.

From a developers' perspective, control over the bundle of rights is a crucial precondition to engage in the development of real estate. An important element here is that, at least in Flanders, a private developer¹⁰⁰ has no means to expropriate real estate to give it a new function (only the competent authority can do so if substantially motivated) and rights of first refusal at the benefit of private developers are only conventional and very limited. Therefore, performing complicated land operations to gain control over larger development zones often requires the involvement of the competent public authority that can use expropriation or a right first refusal. Conversely, private developers often have to pursue and await development *opportunities*, i.e. (portions of) abandoned, underutilized or undervalued real estate that are becoming available.

Graaskamp (1981) further identified some important characteristics of real estate:

- land available for development is *scarce*;
- as land cannot be reproduced, any structures built or developed on a specific piece of land are characterised by a high degree of *uniqueness or heterogeneity*; regardless of whether or not the structures themselves are unique or just a copy of similar structures in other places;
- real estate is – by definition – immovable and subject to a very specific combination of geographical location, infrastructural facilities, structural conditions and applicable bundle of rights, this gives real estate a very *limited substitutability*;
- real estate has a *long life cycle and useful life*.¹⁰¹

Finally, real estate is often defined as a triangle of space, money and time. In this sense a particular usage is attributed to a defined space which generates an estimated cash flow over a specific period of

⁹⁹ D. C., & Archer, W. R. (2020), p. 24

¹⁰⁰ The focus of this master thesis is the gap between the private developer and the urban planning office, although some of the findings may also apply to public development companies that do not mainly pursue a profit maximisation approach, such as housing companies, or cooperative development organisations that seek to maximise the total value (instead of financial return only) for their shareholders and stakeholders.

¹⁰¹ Graaskamp (1981), p. 28-29

time. This definition primarily makes reference to the economic benefit derived from the space produced by the developer.¹⁰²

Real estate development

Miles, Berens et al (2007) describe real estate development as *“the process of creating value by making tangible improvements to land or constructing new buildings, often involving the coordinated efforts of architects, contractors, and financial analysts to transform a vision into a profitable project”*.¹⁰³

They stress the importance of coordination, the establishment of broadly defined partnerships and the engagement of land, labour, capital, management and entrepreneurship to transform an idea into reality.¹⁰⁴ They also describe the increasing complexity of the activity:

*Today, development requires more knowledge than ever before about the specifics of prospective markets and marketing, patterns of urban growth, neighbourhood associations, traffic, legal requirements, local regulations, public policy, conveyances and contracts, elements of building design, site development, construction techniques, environmental issues, infrastructure, financing, risk control, and time management. Ever-increasing capacities and complexities along each of these dimensions have resulted in increased specialization. As more affiliated professionals work with developers, the size of the development team has expanded and the roles of some professionals have changed.”*¹⁰⁵

They note that the product of the development process — a new or a redeveloped project — is a result of the coordinated efforts of many allied professionals. All participants enjoy a higher probability of achieving their goals and objectives if they understand how the development process works, who the other players are, how their objectives are interwoven, and the need to achieve consensus.¹⁰⁶

Peiser R.B. and Frej A.B. (2004) make an explicit link to managing risks and define real estate development as *“the art [...] of building real estate value by managing development risk.”*¹⁰⁷ Subsequently, a *real estate developer* can be defined as the person that is actively involved in the development process and takes the risks to redevelop, in view of the possible associated reward.¹⁰⁸ Real estate developers operate as either trader or investor developers.

¹⁰² Wiegmann, T. (2012) p. 26.

¹⁰³ Miles, M. E., Berens, G., & Weiss, M. A. (2015), p. 2

¹⁰⁴ Ibidem

¹⁰⁵ Ibidem

¹⁰⁶ Ibidem

¹⁰⁷ Peiser R.B., Frej A.B., (2004), p. 12

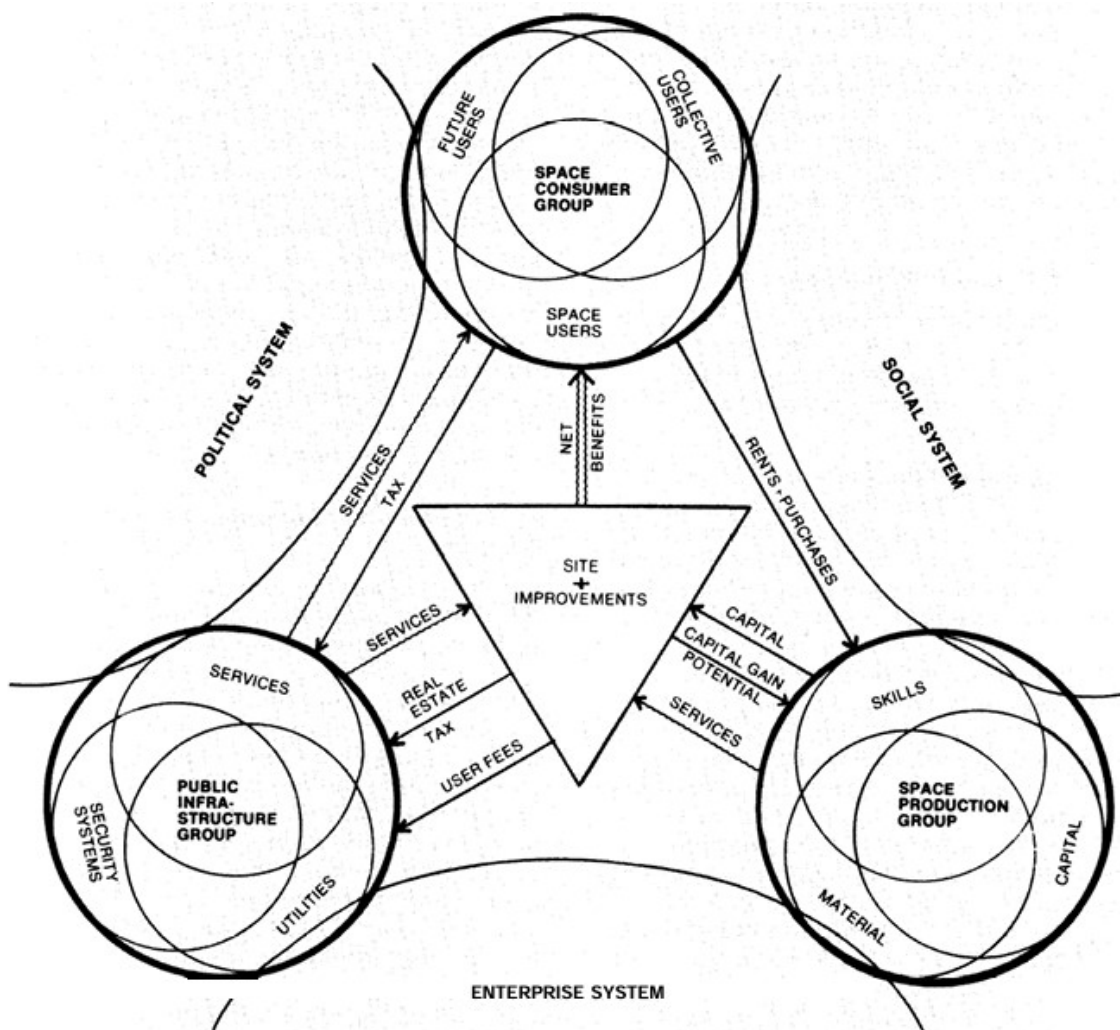
¹⁰⁸ Peiser, R.B., Frey, A.B. (2004), *Professional Real Estate Development – The ULI Guide To The Business*, Urban Land Institute, Second Edition p. 13

In summary, real estate development is a highly complex, dynamic and multi-disciplinary challenge to forge an allied interest and to coordinate a process of transformation of real estate to a higher and better value.

The real estate development process

According to Graaskamp (1985), the real estate process is the constant interaction of three groups—space users (consumers), space producers (those with site specific expertise), and public infrastructures (offsite services and facilities):¹⁰⁹

Figure 16: The Real Estate Process



Source, Graaskamp (1981), p.4

¹⁰⁹ Graaskamp (1985), p. 3.

- The space consumer group includes
 - o *individual space users* attempting to rent or buy real estate space to house their specific needs and attempting to improve their own satisfaction and security, using their own funds and making their own trade-offs;
 - o *collective users* generally pursue their interests in real estate activity through the political systems that purchase open space, provide for public infrastructures, or regulate space production with pooled funds from taxes, bonding, etc.
 - o *future users* are typically represented by proxy, either by developers (their future clients), by the urban planning officers (the general public), or by special interest groups who advocate for a certain type of future user (e.g. the future generations)
- The space production group includes those who have the necessary expertise to improve the value of a site, those who assemble the capital and those who prepare and assemble the materials as on site.
- The public infrastructure group includes all those enterprises that provide a network of tangible and intangible off-site systems for the individual space user, including physical networks of street and sewer and other utilities, services like education, police and fire, and operational systems for deed registration, governmental regulation, adjudication, and all forms of economic activity with efficiencies of scale that suggest collective off-site action.

Although other subdivisions are possible, the real estate development process can be roughly split into ten phases, which normally are passed through by a professional developer more less sequentially, although there may be some overlap, the activities of each phase may interact and repositioning may be necessary along the way.¹¹⁰

These ten phases are:

1. Identification of an opportunity;
2. Establishing site control;
3. Market and Location Analysis;
4. Feasibility Analysis and testing;
5. Refining the Design;
6. Obtaining Permits and Approvals;
7. Securing Financing and Insurance;
8. Construction;
9. Marketing, Letting and Sales;
10. Management and Operation.

Following the identification of a development opportunity, establishing site control, either by acquiring the plot or by obtaining an option to acquire the plot, is the entry ticket to development. It is nice to have

¹¹⁰ This section is a variation of the Eight Phase Model brought forward in Ling & Archer (2018), p.605.

a unique development idea or to make a state of the art masterplan, but in the end, without the ability to perform legal action on real estate, ideas and plans will remain ideas and plans.

Once control over the site has been ensured, all available and obtainable information (demography, sales prices, sales speed, desired typologies, site characteristics, zoning restrictions, construction costs, indicative selling/letting levels, etc) will be gathered in a market and location analysis. This steps usually involves testing whether local political support for the project exists, what the development vision is of the local planning office and what neighbourhood opposition to the project might be.

When this homework has been done, the conceptual version of the intended project is analysed in a feasibility analysis. As the underlying assumptions may vary over time, the feasibility study is usually tested via sensitivity (change of one or two input parameters) and scenario analysis (change of multiple parameters). This usually leads to a formal decision to abandon the project, to rework the project or to continue with the underlying concept. If the latter is the case, the design is refined conceptually and technically and subsequently the developer applies for the necessary permits and approvals.

Obtaining a permit is usually a precondition to obtain financing and insurance and certainly to start the construction phase. Securing financing is important to be able to leverage return¹¹¹ and insurance allows to shift some risks to the insurance company (e.g. faulty design claims).

The next stage is the organising the Marketing, Letting and Sales aspect of the development. For specific projects (e.g. business park or commercial development, ...) or specific contracts (e.g. build-operate-transfer, Public Private Partnerships (PPP), ...) the development may also include a *Management and Operation phase*.

While progressing throughout the different phases, the real estate developer has to interact with various stakeholders and react to various events, each time considering the impact on the current and the following phase of development. This also means that the ability to have an impact on the outcome of the development process is bigger in the beginning of the process and that the project specific manoeuvrability, *i.e. the scope for structuring architectural, technical, economic and legal aspects*, declines throughout these phases. Graaskamp (1985) describes this effect as follows¹¹²:

"In its early stages of the development process, the initiation phase is characterised by a high degree of uncertainty and, in particular, creative and complex search and analysis procedures. At the end of this phase, success potentials and competitive advantages of real estate projects are identified and the project fundamentals defined."

¹¹¹ Leveraging in real estate financing refers to the use of borrowed capital to increase the potential return on investment of the development project. The developer can reduce the amount of equity financing significantly, but has to pay interest on the borrowed capital (which has to be lower than the expected return off the developer to create a lever). This way of financing real estate development amplifies both the potential return and the risk.

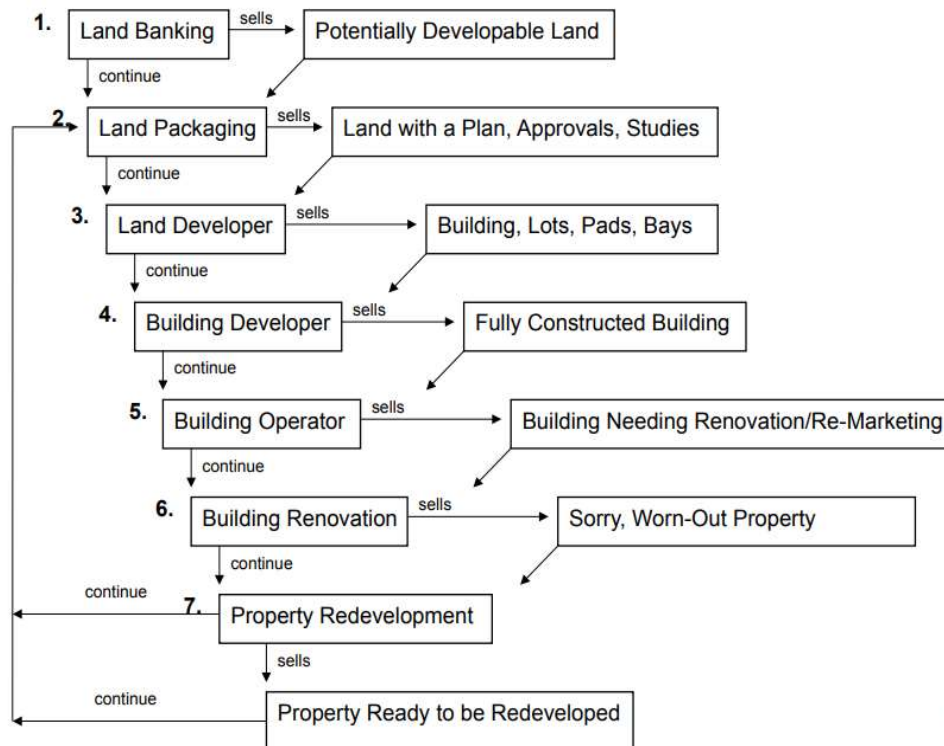
¹¹² Graaskamp (1985), p. 46

Finally, another important element in considering the real estate development process is that a developer can operate in any or all of different stages of development in the total life cycle of a real estate project. In total, Kohlhepp (2013) described seven sequential stages through which real estate development can create value:

1. Land Banking Stage: The “Land Banker” acquires or holds undeveloped or “raw” land that he believes will become attractive for future development through general and broad market trends or perhaps. Land bankers can be active in the pursuit of opportunistic “land buys”. Although many land bankers can be adroit land owners such as estates or government agencies or public utilities. This is a relatively passive investment position. Good examples of “land bankers” are public utilities, universities, and inheritors of the “family farm.” When the market conditions are right, the land banker then sells the land to a “land packager”. The land banking stage and the redevelopment stage are really the same except that the land banker usually has “green fields” and the redeveloper has “brown fields.”
2. Land Packaging Stage: The “Land Packager” buys the raw land from the passive land banker and then improves the value of the land through conceptual land planning, zoning changes, financing schemes, or other “paper enhancements” like title insurance, accurate surveys, or environmental studies. Examples of land packagers are land planning firms, politically skilled lawyers, and governmental agencies who attempt to obtain government approvals of land they own. This “packaged land” is then sold to the “land developer”.
3. Land Development Stage: The “Land Developer” buys the land with the paper enhancements from the land packager and then improves the land so it can be sold as finished building pads to building developer. This usually involves the construction of horizontal infrastructure such as roads and utilities as well as common improvements such as water detention and recreational facilities. A good example of the land developers are master-planned community developers who construct the roads, utilities, and recreational amenities and then sell building lots to home builders.
4. Building Development Stage: The “Building Developer” buys the finished pad from the land developer and then does the vertical development by constructing the building improvements. During construction, the building developer may also attempt to lease the building so the finished building can be sold to the building operator. Home builders are a good example of building developers.
5. Operating Stage: The “Building Operator” leases up the property, manages the property, and develops a building operating history so it can be sold to other building operators during its economic life or sold to a building renovator at the end of its economic life.
6. Renovation Stage: The “Property Renovator” buys the property with substantial economic and/or physical depreciation and creates value by curing these deficiencies then repositioning and operating the building until the property is ready for redevelopment.

7. Redevelopment Stage. The “Property Re-developer” buys the property with such serious physical or functional deficiencies that the improvements must be torn down and/or redeveloped for another use. This essentially begins the real estate development process all over again. In every major city, government-sponsored redevelopment agencies are probably the largest players in the stage.

Figure 17: Real Estate Development Process, A Value Creation process



Source: Kohlhepp, D.B. (2013) 'Creating Value in the Real Estate Development Process', Maryland Association of Assessing Officers, 2013 Education Conference, June 19, 2013 John Hopkins Carey Business School

In the context of Flanders, it is important to see that land banking and land packaging activities, which are deemed to be highly speculative, are no longer performed by companies that are considered to be real estate developers and that is a mistake that is often made, leading to a negative perception of the real estate development. One huge exception to this, is the so-called and still on-going ribbon developments along existing roads: in these cases a land owner can simply split large plots in smaller buildable land plots without a huge investment in roads and utilities, essentially packaging the land for an immediate and high individual sales value, thereby shifting the negative effects of sprawl, congestion and high infrastructure maintenance cost to the wide community.

As a matter of fact, as An Rekkers, CEO of the Association for Space and Planning (VRP), indicated in the interview, referring to the intended “building shift”: *“the Flemish government takes decisions on full market level compensations for plot owners which often have speculated on value increases of their land, while the execution of the associated urban planning documents and costs are passed on to the local government.”*

In addition, the activities of Land Developers, with classical examples such as Immobel and Matexi, are coming to an end by lack of sufficient opportunities of undeveloped land. This type of activity may still go on for a while, but essentially it is the phasing out of already acquired land stock in a context where more and more local opposition and physical constraints limit the profitability of these operations.

This leads to the important consideration that real estate development in Flanders, in the not so distant future, may consist of only two types of operation:

- site redevelopment, followed generally by
- building (re)development .

4.3 Risk, Risk Management and Risk Shifting

4.3.1.1 General concepts

(Expected) Profit and Return

Although the concepts “profit” and “return” are closely related, they do differ and knowledge about these differences is less widespread among real estate developers and urban planners than one would assume.

- *Profit* in real estate development refers to the financial gain achieved after all expenses related to the project are subtracted from the total revenue.
 - It is a measure of the *absolute gain* from a development project;
 - In that perspective, it is more closely related to the budget that is commonly used to allocate expenses and investments in a government like context;
 - An important element are the expenses *related to the project*: the allocation of fixed costs can be troublesome for a real estate developer: e.g.
 - some projects are easy to manage and less time consuming, while others require a lot of resources from the same pool of employees;
 - fixed costs may have an annual occurrence (e.g. wages) while developing projects is a cyclical activity that can span multiple years; this effect can only be countered by composing a real estate development portfolio of some scale, to counter the cyclical effects and optimise utilisation of the fixed resources;

- not all fixed costs are attributable to projects within a given time frame;
- The same reasoning goes for the consumption of the available financial resources
- Conversely, absolute gains of projects have to be available to pay for the non-attributable fixed costs and to insure an increase of liquidity to further invest in new projects.

Suppose that 2 real estate projects A and B, each of 40 units that generate a profit of 25.000 EUR per unit, excluding personnel costs and financing costs.

- Project A develops smoothly with a project developer costing 100.000 EUR per year working on the project 1 day in a week for 3 years. To realise project A, external financing of 6.000.000 EUR is necessary at an interest rate of 4%. The loan is taken up gradually during the development period of 3 years. Thus the profit (before taxes) of project A is $1.000.000 \text{ EUR} - 60.000 \text{ EUR} - 360.000 \text{ EUR} = 580.000 \text{ EUR}$.
 - Project B is more difficult and complex and requires the developer to work at least half of the available time on the project, for 3 years. To realise project B, external financing of 8.000.000 EUR is necessary at an interest rate of 4%. The loan is taken up gradually during the development period of 3 years. Thus the profit (before taxes) of project B is $1.000.000 \text{ EUR} - 150.000 \text{ EUR} - 480.000 \text{ EUR} = 370.000 \text{ EUR}$.
 - Suppose the developer only has one employee and these two projects, then the project developers cost is not covered for 2 days in the week, or 40.000 EUR per year. This cost has to be allocated to both projects to determine the overall profit of the development company. What will be the cost allocation driver: turnover, profit, time spent?
- *(Financial) Return* is the ratio of profit to the initial investment
- It is a measure of the *efficiency* of an investment. It provides insight into how effectively the capital was used;
 - A higher return indicates better performance relative to the amount of capital invested;
 - Returns in real estate development can be expressed by various metrics, but often used are Return on Investment or Return (ROI) to measure the efficiency of an investment on the individual project level and Return on Capital Employed (ROCE) to measure efficiency of the capital employed on the level of the company;
 - Returns always have to be related to the risks associated with the development;
 - Individual returns on projects and the associated risk profiles are often compared to the real estate development company's average cost of capital and average risk profile.

Suppose a residential real estate developer is generating a return for his shareholders of 8% on the equity made available for these type of developments. This target return has been consistently met over the last 5 years and pipeline potential, market conditions and other factors have a similar outlook as experienced in those 5 years. A real estate developer proposes a new project to the investment committee, which includes 50% residential development and 50 %

hotel development. While the development of residential real estate is the bread and butter of the development company, hotel development is not and to make things worse, no hotel operator and end investors have been identified. However, the business case demonstrates a substantially higher return of 12% on equity. What will be the concerns of the investment committee? Some real live thoughts:

- the proposed investment is out of the normal scope of the company, which changes the risk profile of the company for its investors and for the financing institutions;
- while the company has a track record in residential development (an a higher likelihood to effectively realise a return of 8%) there are probably no benchmarks to see how the company would do in the particular case of hotel development;
- the company may well lack the human resources to follow up this type of project;
- the time to obtain a permit for a hotel may well be longer than expected;
- the combination of residential real estate and hotel may result in coordination conflicts and technical problems, etc...

For profit and the resulting return metric alike, it is important to note the difference between the *presumed* value, the *expected* value and the *observed* value:

- a *presumed value* is the value that is expected as an initial estimate or assumption made about future profits and returns, often based on preliminary data or comparable projects, it is a hypothetical value based on a rough sketch and a back of the envelope calculation;
 - a land developer with a proven track record in allotment type developments would identify a development opportunity and its profitability by presuming that, often on the basis of a rough sketch, he will be able to realise a number of parcels in a presumed timeframe, at a certain square meter price for the land that can be sold after the execution of infrastructure works, and by applying standard costs from previous projects to estimate the cost of these infrastructure works;
 - a building developer might assume that, in residential areas without further zoning prescriptions, in Flanders the Floor Space Index (FSI) generally is about 2 and work with that assumption to see whether there is a development opportunity or not;
- the *expected value* is a calculated value representing often the average outcome of profit and return, accounting for various probabilities or differences;
 - expected values are (re)calculated at various checkpoints throughout the development process, often at times when a decision has to be made that is almost impossible to reverse, such as:
 - the pursuit of an opportunity;
 - the acquisition of a plot;
 - the introduction of a building permit application;

- the evaluation of a building permit application and its conditions;
 - the start of the infrastructure works;
 - the preliminary delivery of the building;
- to calculate these expected values, financial modelling is often applied and it is important to note that:
 - financial models – even the more sophisticated ones – remain a simplified representation of reality
 - financial models often assume input parameters as averages, i.e. as a mean of a probability distribution that is easily considered to be normal distribution; some cost functions may well be represented by other probability distributions as would be the case of soil contamination for instance;
 - the insecurity of the outcome is only partially solved by applying model testing under the form of sensitivity analysis of various discrete input parameters or scenario analysis if the assumptions may change more drastically;
- The *observed value* is the *actual* value of , e.g. the actual number of units and square meters for which a building permit has been granted or the actual profit and return realized after the project has been executed.
 - It is based on real, historical data rather than estimates or projections;
 - As the real estate project evolves and more information becomes available, more and more presumed and expected values are replaced by (irreversible) observed values;
 - Variance analysis is often used to compare observed values with presumed and expected values to understand discrepancies and improve future projections.

Risk and Uncertainty

As the future is uncertain, some events or changed circumstances, that were not known at the start of the project, can affect the expected outcome of a real estate development project. Events and changed circumstances can both have a positive and a negative impact on the outcome of a project. Although, risks can also lead to opportunities, in everyday usage, risk is often used synonymously with the probability of a known loss.¹¹³

Risk can be defined as the combination of the *likelihood* of an event or changed circumstance, and the *magnitude* of its consequences.¹¹⁴

¹¹³ Khumpaisai, S. (2011), p. 2

¹¹⁴ ISO Guide 73:2009(en)

Risks exist due to uncertainty. *Uncertainty* is the state, even partial, of deficiency of information related to, understanding or knowledge of, an event, its consequence, or likelihood.¹¹⁵ If an unfavourable event or change circumstances has happened, there is no risk but there might be an issue to be dealt with.

Sources of uncertainty

Bräutigam, Esche and Mehler-Bicher (2003) distinguish, in the context of real options valuations, between *technical endogeneous* and market related *exogeneous uncertainty*.¹¹⁶

“Endogeneous uncertainty refers to firm-specific uncertainty which is diversifiable by building portfolios (e.g. investing in different real estate projects at the same time). Exogeneous uncertainty applies to the entire market and thus is not diversifiable as all projects will be affected (e.g. interest rate risk related to variable interest on revolving loans). Most uncertainties will neither be totally endogeneous or exogeneous; rather they will tend toward one of the two. [...] The uncertainty category which is closest to being just endogenous is project uncertainty. This category includes two sub-categories, uncertainty concerning time and uncertainty concerning complexity. Time impacts the project schedule as a whole as well as the individual milestones. [...] Complexity increases as projects grow larger and unfamiliar; it involves issues such as coordination and control.”

Brach (2003) uses a similar distinction between *private and internal uncertainty* (which can be managed and overcome) and *external uncertainties* (which have to be undergone).¹¹⁷ The real option approach is interesting because it integrates *managerial flexibility* in the valuation by assuming that at each stage in the future, pending on the then-prevailing market conditions, management will choose the value-maximizing and loss minimizing path forward.¹¹⁸

Brach (2003) distinguishes six common real options:

- *Option to Defer* an investment until more information has become available;
- *Exit Options* or *Option to Abandon* a project once the new information has been obtained;
- *Option to Switch Input or Output Parameters* of a project once the new information has been obtained;
- *Option to Change Scale* (Expand/Contract) in light of newly arrived information;
- *Option to Grow*, creating the infrastructure or the opportunity for future follow-on projects;
- *Option to Stage* or *Compound Options* or *Time to Build Options*, i.e breaking up investment into incremental conditional steps with subsequent options to evaluate the project at the next step.

¹¹⁵ Ibidem, 1.1, note 5

¹¹⁶ Bräutigam, J., Esche, C., & Mehler-Bicher, A. (2003), p.5.

¹¹⁷ Brach, M.A. (2003), p. 5

¹¹⁸ Brach, M.A. (2003), p.7

All of the above options can be applied to real estate development. The holding of vacant land can be viewed as a real option to develop a completed building at a future date. The source of value from executing the option comes from the right to obtain the underlying asset, a developed building, by paying the exercise price which is generally composed of the construction cost of the building. Because the cost of property development is irreversible, uncertainty of real estate values gives the holder of the land an incentive to defer the development and gain information on the evolution of built property values. When a real estate developer sees an opportunity, he or she may choose to acquire the plot without further investigation or enquiry, or to defer that decision until more information about the potential of the plot has become apparent. Similarly, a real estate developer may apply for a building permit according to the highest and best use that he or she sees fit for a given development plot, but by requesting a deviation from the existing zoning regulations. When confronted with local opposition, the developer may subsequently decide to comply with the opposition, to change the scale of the project or to abandon the project.

Real estate thus contains a multiplicity of embedded real options due to its intrinsic nature and due to the fact that the sector operates under high conditions of uncertainty. In particular, the real estate developer has agency power to take decisions throughout the different stages of development. This possibility of entrepreneurial action is a fundamental aspect of the real estate development industry.¹¹⁹ Each decision may have an impact on all of the remaining options, so these outcomes have to be taken into account to make that the decision. Furthermore, as expected outcomes are replaced by actual outcomes throughout the development process, uncertainty resolves and the ability for manoeuvring becomes more and more limited. Also, at a given point, the uncertainty never gets resolved in time or by further study and a decision still has to be taken.

Types of risk

Various real estate development risks exist and they can be categorised in many ways, depending on the nature of the risk, the stage of development, the phase of development, the impact and so on. As a project progresses, types and extent of risks may change; new risks may emerge and existing risks may change in their importance.¹²⁰

It would lead far to undertake an attempt to describe all of these risks, but some insights are important. Often a distinction is made between *systematic* risk and *unsystematic* or *specific* risks, in line with the distinction between endogenous and exogeneous sources of uncertainty. Systematic risk can be summarised as the risk caused by several factors that affect the investment: for example, risk caused by a change in the economic situation or in government policy towards property investment could be counted as systematic. This means that developers are not able to control either the probability or the consequences of risk caused by broader economic and political issues. Real estate developers do have

¹¹⁹ Guy, S , Henneberry, J; (2000) p.38

¹²⁰ Rahman, Kumaraswamy. (2001), p 2

some degree of control over unsystematic or specific risk as they are able to control the causes and consequence of such risks occurring in the invested project, because most unsystematic risks are caused by internal factors.

From a real estate developers point of view, the main risks associated with the real estate development process of a project will include locational risks, acquisition risks, permitting risks, financial risks, construction risks, commercial risks and project management risks. Most of the risks can be associated with a particular project, are related to the timeframe of the real estate development process, and are often ultimately expressed as a loss of expected return on investment (ROI), either by a change in the likelihood of occurrence or the magnitude of the outcome.

Graaskamp (1981) considers the passing of time the most critical risk in the development process:

“Time permits the power of compound interest to erode the developer’s resources, and it allows the conditions of competition and consumer needs which were true when the project started to change significantly.

*Perhaps it is the impact of compound interest which is least understood by most government regulators and most often used for extortion by those few who do understand it”.*¹²¹

This is confirmed by Guy and Henneberry(2000), who state that (changes in) time horizon has a significant impact on the perception of project related risk¹²².

Some risks may also play out at the level of the development company such as aggregated financial risks, a stock of non-developable land, reputational risks. These types of company risks are the risks that are considered by financial institutions and investors, along with project specific risks of the project that they are funding or investing in.

From an urban planning perspective the community risks are broader and the time of impact far longer than merely the development process. Even if the real estate development process would have taken 10 years from start to end, In most cases, the resulting construction will probably still stand there after 100 years. Permitting and allowing execution of the project may lead to coordination risks, compliance risks, budget risks, defaulting infrastructure risks, defaulting public services risks and other social and societal risks such as displacement, gentrification and loss of character and/or identity.

An individual development may also have less apparent consequences on the long run and that makes it so difficult to find an equilibrium between the individual objectives of the real estate developers and the total of financial, social and societal risks associated with the project. This is especially the case if an certain type of development keeps on going on and only after a lapse of time the negative effects of

¹²¹ Graaskamp (1981), p. 13

¹²² Guy, S., & Henneberry, J. (2000), p. 38

allowing these projects in this particular space become apparent. New developments result in ongoing construction activities, which in turn and in the long run can harm sensitive ecosystems, pollute air and water, and contribute to urban heat islands. Identifying these risks and managing them is navigating uncharted territory.

4.3.1.2 Risk management: the theory

Wiegelmann (2012) defines risk management related to real estate development as *“a structured and disciplined approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties a real estate development organisation faces as it creates value.*

This definition reflects certain fundamental ideas, namely that : *“risk management is*

- *a systematic process;*
- *an ongoing challenge;*
- *applied in strategy formulation;*
- *aligned with the real estate development organisation's specific risk appetite;*
- *applied across the whole real estate development organisation, involving every unit and level;*
- *designed in order to identify events potentially affecting the real estate development organisation; and*
- *intended to preserve value and allow value to be created.”*¹²³

More generally, risk management is defined by the International Standards Organisation as *“the coordinated activities to direct and control an organization with regard to risk”*.¹²⁴ The risk management process risk is described by the ISO as *“the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring,] reporting, [and reviewing risk.”*¹²⁵ The process encompasses:

- Communication to and consulting of stakeholders to share or obtain information, and to engage in dialogue regarding the management of risk; The information to be shared or obtained can relate to the existence, nature, form, likelihood, significance, evaluation, acceptability and treatment of the management of risk. The stakeholders may be the shareholders, but also financial institutions and important business partners;
- Establishing the *context*: defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria;
- Identification of risk sources, possible events or circumstances, their causes and their potential consequences;

¹²³ Wiegelmann (2012), p. 61

¹²⁴ ISO Guide 73:2009(en),art. 2.1

¹²⁵ Ibidem, 3.1

- Risk *analysis* to comprehend the nature of risk and to determine the level of risk (as a product of likelihood of occurrence and magnitude of the consequences); the consequences are a factor of the frequency and time of exposure to the risk, the vulnerability and the potential knock-on effects which may lead to escalations of the initial effects through a chain-reaction;
- Risk *evaluation*: comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable;
- Risk *control* which can involve:
 - *Risk avoidance*: avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk, e.g. not buying contaminated land;
 - *Risk elimination*: removing the risk source, e.g. only buying the parcel when a permit has been obtained;
 - *Risk reduction*: changing the likelihood of occurrence or the magnitude of the consequences, e.g. further investigating a presumed pollution to ringfence the location and characterise the form of soil pollution;
 - *Risk sharing* (partially) *risk shifting* or *risk transfer* (fully): sharing the risk with another party or parties in the assumption that they are more capable of assuming these risks or more willing to do so, often involving a premium to be paid, e.g. transferring construction risks to the general contractor for a fixed price;
 - *Risk retention*: retaining the (residual) risk, assuming it by informed decision and possibly by foreseeing a risk allowance premium, e.g. expecting a higher return for a real estate project with higher residual risks than the commonly executed projects;
- *Monitoring* of risks: continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected:
- *Reporting* the risks: providing information to stakeholders regarding the current state of risk and its management;
- *Reviewing* the risks: activity undertaken to determine the suitability, adequacy and effectiveness of risk management frameworks, risk management processes and control on the management of risks to achieve established objectives.

According to Johnson and Dietrich (2003), assessing the risks is getting more and more difficult due to the emergence of more sophisticated forms of development, with increasingly complex financial and contractual relationships shaping the project and shifting the liabilities from one party to another.¹²⁶

Risk management should therefore be a continuing activity throughout the duration of the project. Especially at the outset of the project, the identification, analysis and evaluation of potential risks is imperative, as high level of uncertainty are present and the manoeuvrability is still high. Once the development process has started, foreseeing risks before they materialise and responding to them when they inevitably occur, is a key competency of a real estate developer.

¹²⁶ Johnson C.& Dietrich P. (2003), p.3

4.3.1.3 Risk Management: the practice

The fallacy of the rational real estate developer

In their treatment of development, researchers in the property sector tend to adopt positivist methodologies which emphasise the application of rational decision-making techniques by utility-maximisers within a mainstream economics paradigm.¹²⁷ From a neo-liberal perspective, real estate development is a market driven activity set in motion when, after rational analysis, expected profits from a new “highest and best use” reach a tipping point. The rational real estate developer engages resources and follows a sequence of *stages* and *phases* to maximise the return on investment, actively evaluating and managing risks along the way.

These risk-adjusted strategies are adopted according to the framework of modern portfolio theory, first posited by Harry Markowitz in 1952. At the core of this theory is the trade-off between expected return and risk: investors will aim to achieve the highest expected return for a certain level of risk, or they will aim for the lowest level of risk for a certain expected return. In this logic, higher returns are associated with higher risks and vice versa.

The problem with these neo-liberal theories, like with most mainstream economic theories, is that the conditions for these theories to be applicable are almost never fulfilled. Aalbers (2016) illustrates the key differences between mainstream and political economics in the table below.

Table 6: Key differences between Mainstream and Political Economics

<i>Mainstream Economics</i>	<i>Political Economy</i>
1 Actors have complete information.	Actors do not have full and complete information (uneven access).
2 Information is free.	Information is usually not free to most actors (power/knowledge).
3 All actors act in the same rational way according to exogenously given preferences.	Rationality is complicated and not singular (multiple rationalities).
4 Actors are oriented toward profit or utility maximization.	Actors may be oriented to other things, e.g. the long-term survival of their firm or a happy, fulfilled life.
5 State intervention negatively alters the workings of the market.	State intervention is a pre-condition for markets to exist; can do many things, not necessarily negatively impacting markets; corporations also use states.
6 Market equilibrium appears by itself as a result of market forces.	Market equilibrium is a rare occurrence; change is constant; markets differ from each other according to product and place.

Source: Aalbers (2016), p. 15

¹²⁷ Guy, S , Henneberry, J; (2000) p.2399

Real Estate development occurs in the (more realistic) context of political economy, with different actors pursuing different goals according to multiple rationalities and with uneven access to available information. These actors have agency, they do not necessarily operate rationally, and they interact with the real estate market as well as with the broader social, political and institutional context in which development occurs. Conversely, the production of space is influenced by the existing social structures and by the relationship between and the agency of its actors¹²⁸. Guy & Henneberry (2002) concur with Gottdeiner (1994), whom they quote: *"The production of space is captured best as the complex articulation between structure and agency, which is always in motion."*¹²⁹

Guironnet and Halbert (2014) made an interesting contribution by defining urban development projects as an attempt to transform land-use by leveraging resources (including capital) exchanged on real estate markets. They put forward the notion of *'tradeable income-yielding assets'* to capture the shift in the purpose of building provision from owner-occupying to rental (buy-to-let) market. They describe financialization as the restructuring of the built environment (real estate, infrastructures) into bundles of assets provided for finance capital investors looking to diversify their portfolio through risk-adjusted strategies. This restructuring is based on the circulation of investor's strategies and requirements among key actors in the development process (e.g. local authorities, planners, development agencies, property developers). They report the *production* of market representations, by internationalized property consultants, skewed towards investors' standards.¹³⁰ This circulation of ways of understanding and *making sense* of the evolving 'economics' of is confirmed by Guy Henneberry (2002):

*"The models, the indices, the annual report, and accounts, and so on, that are circulated and eased into organisational thinking in an effort to make and frame property markets, form part of the language that makes up and makes sense of economics."*¹³¹

Guironnet and Halbert (2014) thus recognize that investment and asset managers have articulated expectations, not only regarding risk-adjusted returns, but also regarding the corresponding built form and its uses and these expectations are distributed informally as trading requirements. As such, investment and asset managers do have agency and their selectivity is the output of a social construction. Their preferences proceed from the sedimentation of standards emerging out of the ongoing circulation of experiences within a small community that takes investment decisions. This contributes to the emergence of a doxa over what spaces, buildings, and tenants constitute viable tradable income-yielding assets.¹³² This social construction of the ideal tradeable income yielding asset is situated in time and space and can be altered too. From the viewpoint of urban development, it may be worthwhile to undertake an attempt to alter the social construction of the investment manager's rationale.

¹²⁸ Healey, P., & Barrett, S. M. (1990), p. 90

¹²⁹ Guy, S. & Henneberry, J. (200), p. 2410

¹³⁰ Guironnet & Halbert (2014), p. 15

¹³¹ Guy, S. & Hennebaerry, J (2002), p. 281

¹³² Guironnet & Halbert (2014), p. 32

Furthermore, an empirical study conducted by Wiegmann (2012) indicated that :

*“– the developers’ approach towards the management of risks tends to be characterized by a lack of formalisation and co-ordination and largely rely on individual judgment and experience;
– risk management is not regarded as a continuous and dynamic process and is often fragmented with only few development organisations having formal processes to align risk management with corporate strategy;
– most real estate developers do not conduct their risk management aligned to the organisation’s specific risk appetite;
– many organisations have some measures of risk management activities but few can claim to have an enterprise wide risk management strategy”.*¹³³

This leads to the conclusion that it is a fallacy that real estate developers are operating solely based on facts. Urban development projects are shaped for finance capital investments by an inclination to develop buildings according to *opinionated* rather than fact-based market representations propagating some kind of investor’s standards, the tailoring of buildings as ‘quasi-financial’ assets in the course of real estate development, and the evolution of strategic planning and land development to narratives and regulatory frameworks that suit the needs of large investors or the public authorities that need them and are willing to give investors some leeway.

Maybe the best option is to consider real estate development an art. *“It is creative, often extremely complex, partly logical, and partly intuitive. [...] What cannot be taught are two ingredients essential to the success of the real estate developer/entrepreneur: creativity and drive.”*¹³⁴

Risk shifting

Wiegmann (2012) considers shifting of risk the safest type of risk management; although it is associated with relatively high costs and limited applicability.¹³⁵

From a practitioner’s point of view I would not entirely agree. From all the risk control measures that can be taken, risk shifting is certainly the most desirable one if it can be done at a reasonable cost. While risk avoidance will lead the developer to abandoning the project and writing off the sunk costs, risk elimination and risk reduction may lead to additional costs and an additional exposure to risk, which is often forgotten. If, after further investigation, a presumed pollution remains as big as presumed, the likelihood of a problem is the same, the cost to remove the pollution probably too, but the costs to further investigate the problem will have to be added to the investment. If the developer subsequently still decides to abandon the project, the costs to be written off will have become higher. So, alternative risk

¹³³ Wiegmann, T. (2012)

¹³⁴ Miles, M. E., Berens, G., & Weiss, M. A. (2015), p. 2

¹³⁵ Wiegmann (2012), p.80

control measures come with a cost too. Furthermore, risk shifting does occur frequently in the real estate development business, and often at no cost at all.

The appetite, from a real estate developers' point of view to transfer or shift the risks is integrated in the following motto, well known among developers:

1. Buy low
2. Sell high
3. Shift the risks to the another (contracting party or third party)
4. Reap the benefits of the development yourself.

From the analysis of the case study, it is obvious that Upgrade Estate has developed a financial structure that makes the A-shareholders the ultimate risk bearers. Due to the lack of a prospectus or information memorandum, most of the investors are probably unaware of the risks that they are taking, so there is no cost attached to it. Another example where some of the real estate development risks are shifted to clients via contracts are for instance building cost indexation clauses in sales agreements. Other contractual parties that often bear part of the real estate development risks are landlords that sell to real estate developers, contractors and financial institutions.

The ability of the real estate developer to transfer part or all of the risk to contractual parties depends on the professionalism of the contracting party and the negotiation power of that party. Buyers of individual houses, apartments, student accommodation and even buyers of shares in one of Upgrade Estate's facilities have neither the knowledge or the power to (re)negotiate the contractual agreements. They do have the option to avoid these risks by not buying, and if they buy, it is likely because they trust the reputation of the real estate developer, as is the case with Upgrade Estate. That is certainly one of the reasons why Upgrade Estate invests in ethical business conduct, transparency (to some degree spontaneous and if not, upon request) and in the perception of accountability.

Shifting the risks to third parties or to the wider community also occurs in real estate development. These opportunities for risk shifting may surface because of a lack of professionalism of those third parties simply because of the inability to oversee all of the social and societal risks associated with the proposed development.

Risk sharing

Calabresi & Melamed (1972), in the context of a society that has to decide on a set of entitlements in the field of accident law, made the following important observations:

“(i) that economic efficiency standing alone would dictate that set of entitlements which favours knowledgeable choices between social benefits and the social costs of obtaining them, and between social costs and the social costs of avoiding them;

(2) that this implies, in the absence of certainty as to whether a benefit is worth its costs to society, that the cost should be put on the party or activity best located to make such a cost

benefit analysis; (3) that in particular contexts like accidents or pollution this suggests putting costs on the party or activity which can most cheaply avoid them;

(4) that in the absence of certainty as to who that party or activity is, the costs should be put on the party or activity which can with the lowest transaction costs act in the market to correct an error in entitlements by inducing the party who can avoid social costs most cheaply to do so; and

*(5) that since we are in an area where [...] markets do not work perfectly - there are transaction costs - a decision will often have to be made on whether market transactions or collective fiat is most likely to bring us closer to the Pareto optimal result the "perfect" market would reach."*¹³⁶

The context for which Calabresi & Melamed (1972) made the observation bears a lot of resemblance to the situation of a real estate developer on the one hand requesting and obtaining a building permit, i.e. an entitlement to a particular use over a period of time, generating a cash flow and an economic value, and the urban planning officer that has to assess whether and to what extent the proposed development will be 'harmful' to the wider community, in a context of imperfect markets, high transaction costs and high uncertainty about the total social benefits and costs.

The observations of Calabresi & Melamed (1972) have led to the truism that the party best able to manage the risk should also bear the risk. This principle suggests that – by doing so - the overall risk to the project is minimized, and the chances of success are increased and it has often been used to motivate risk sharing within the context of Public Private Partnerships (PPP). These type of partnerships can be based on contractual arrangements or joint ventures between public and private partners and hold the promise that public and private sectors can be bridged through alliance and the pursuit of a common identified goal, thereby losing somewhat of the typical distinction between private entrepreneurs and public authorities. PPP's have been adopted around the globe as a strategy to, among other goals, redevelop declining downtowns, transform waterfronts and revitalize inner-city neighbourhoods.¹³⁷

Another rationale for the adoption PPP in urban development is the ability to make progress and impact in a context of non-development of urban policy and 'laissez-faire' modes of suburban development.¹³⁸

PPP structures have also been used for urban regeneration projects in Antwerp (*Eilandje, Groen Kwartier, Spoor Noord, Nieuw Zuid*), and Ghent (*Nieuwe Dokken*). Cities like Antwerp and Ghent, and at a later stage also other municipalities, often brought old and abandoned government properties into a deal with developers that allowed them to negotiate terms around spatial quality that reached further

¹³⁶ Calabresi, G., & Melamed, A. D. (1972), p. 1096

¹³⁷ Sagalyn, L.B (2012). P. 234

¹³⁸ Van Loon, J. (2017), p. 144

than the regular planning tools and adopt a more market oriented approach towards urban development and even actively operate on asset markets.¹³⁹

The use of PPP is motivated by the Flemish Government as a means to achieve societal value, to share infrastructure, to engage specialist knowledge of the private sector and to share risks.¹⁴⁰ With respect to the last argument, the Flemish Government stresses the importance to come to an equitable distribution of the risks, the tasks to be performed, the means to be engaged and the benefits. Strangely enough the specialist knowledge of the private sector as well as the public sector does not seem to include an appreciation of the characteristic image of the project, as this has been preserved for the Quality Chambers.

One example of how a PPP may result in a more fruitful cooperation than the situation where the private developer and the local authorities operate within their normal comfort zone would be brownfield development. Suppose that after the closure of an important local factory, a polluted plot remains unused in the centre of a local town. The town is characterised by smaller houses and the odd apartment building of 2/3 floors maximum. The zoning prescriptions have been determined in 1975 and allow a residential project without further description of building heights, footprints or FSI. Without knowledge of the presence and the extent of pollution, the urban planning officer would probably stick to the existing typologies and morphology as a means to conserve character and identify of the local town. This could lead to a situation where the tipping point to engage in a real estate development is never reached and the sites remains polluted and unbuilt forever. Joining forces in a PPP may lead to a situation where the local government realises this and allows for a higher density in order to achieve a better use of the site for the local community. The allowable FSI could even be made dependent on the actual site remediation cost. In, this approach the government makes the tough public choices (e.g. increasing the development density versus public aesthetic principles) and the developer plays his/her role subject to the market-based and site specific uncertainties.

Having illustrated the potential benefit of PPP structures to share the risks, it needs to be admitted that experiences with these type of structures remain mixed. Advocates will stress the ability to address more complex development projects, engaging private capital, knowledge and experience, as well as gains in efficiency and ways to capture part of the benefits along with the risks. Critics will pinpoint the loss of control by the public sector, the inability to make a fair evaluation of public interests, the inequitable risk and/or reward distribution and the engagement of public funds to generate private benefits.

¹³⁹ Van Loon, J. (2017), p. 142

¹⁴⁰ Vlaams Kenniscentrum Publiek Private Samenwerking (2018),p. 6

This brings us to the question whether it is a good idea for the (local) government to participate in risk sharing schemes and assume at some point residual risks. The answer of Mazzucato (2023) is clear:

“Public value cannot be about simply correcting problems around public goods by redistributing wealth. Public value can and must become an objective in itself, and a permission to co-create value in different spaces with new forms of collaborations focused on problem solving.”¹⁴¹

“Admitting the role of the State as lead risk taker and innovator means also admitting the massive risks it must take, under extreme uncertainty, and hence the high probability of failure.”¹⁴²

To do so, both Mazzucato (2023, p.xxxix) and Sagalyn (2012, p. 254) agree that capacity building for public officials will be necessary. Mazzucato (2023, p xxxix) adds the importance to keep critical functions of government inhouse, rather than outsourcing them, thereby *“abnegating responsibility for designing solutions and steering complex collaborations.”*

4.4 Value and Quality

4.4.1.1 Introduction

Different academic disciplines, such as economics, sociology, philosophy and anthropology have developed a distinct concept of “value”. It is beyond the scope of this paper to analyse and discuss these concepts in depth. Authors such as Bozeman (2007) and Kuletskaya (2023b) are far better positioned to discuss the emergence, development and dialectics between the different value concepts. Drawing on these insights, I will focus on concepts of value that are attributed to real estate developers and urban planners in evaluations of spatial choices: exchange value, use value and socio-cultural value and I will undertake an attempt to complement these with the concept of personal emotional value. As architects and Quality Chambers play an important role in that evaluation, I will extend the discussion to the concept of “quality”. Subsequently, I will look into the role of the so-called “Quality Chambers”.

4.4.1.2 Exchange Value

Bozeman (2007) notes that economists tend to equate value to resource exchange value (e.g., money, prices, barter), *“often recognizing that price is a substitute for inherent value but nonetheless preferring to focus on measuring the proxy rather than dealing with the conceptual muddle arising from any effort to deal more directly with value”*.¹⁴³

¹⁴¹ Mazzucato, M. (2023), p. xxvi

¹⁴² Mazzucato, M. (2023), p.11

¹⁴³ Bozeman, B. (2007), p.114

Exchange value seems, at first sight, the easiest concept to explain. According to Graaskamp (1981): the ultimate criterion of value is cash:

“A fundamental element in real estate is that any space-time unit has a corresponding monetary value. While many of the value judgments and debates about real estate projects relate to elusive criteria of what is good and beautiful, in a money economy the ultimate criterion is cash.”¹⁴⁴

Exchange value thus represents the value of a good or service in the context of trade or exchange, generally expressed in terms of money. Trade or exchange can happen privately, as a one to one transaction, or via a market. Geltner, Miller et al. (2014) make a distinction between the *space* market and the *asset* market.¹⁴⁵

“The space market is the market for the use and enjoyment of land and buildings. As described above, real estate often comes with a bundle of rights, one of which is the entitlement to use it. On the demand side of this market are individuals, households, firms or institutions that want to use the space for a limited time and pay a rent for it to the owner. The asset market is the market for the exchange of ownership rights at a price and is part of the larger capital market, the market for capital assets of all types.¹⁴⁶ While the building users that make up the demand side of the space market require the physical characteristics of real estate assets, this is not generally or fundamentally the case for the investors that form the demand side of the asset real estate market. Asset market investors are seeking future cashflows.”

In this concept, a real estate development is a composition of tradeable income yielding assets and the wider built environment is a bundle of those assets all together. “Income yielding” refers to a cashflow that can be connected to a higher and better use of that asset after the completion of the development process. “Tradeable” refers to reaching an equilibrium on an exchange price in a real estate market.

This view is illustrated in the definition of *Development Property* by the International Valuations Standards Council (ISV):

A Development Property can generally be defined as any property, which has development potential and where its existing use value is below the market value. In the context of this chapter, development properties are defined as interests where improvements are either being contemplated or are in progress at the valuation date and include:

- (a) the construction of buildings on previously undeveloped land,*
- (b) previously undeveloped land which is being provided with infrastructure,*
- (c) the redevelopment of previously developed land,*
- (d) the improvement or alteration of existing buildings or structures,*
- (e) land allocated for development in a statutory plan, and*

¹⁴⁴ Graaskamp, J.A. (1981) p. 1

¹⁴⁵ Geltner, D., Miller, N. G., Clayton, J., & Eichholtz, P. (2014), p. 2

¹⁴⁶ Geltner, D., Miller, N. G., Clayton, J., & Eichholtz, P. (2014), p. 12

(f) land allocated for a higher value uses or higher density in a statutory plan.¹⁴⁷

The difficulties begin when the question is raised how this exchange value creation is assessed, i.e. how (developed) properties are valued. Several valuation methods exist, but the ISV and RICS are both in favour of a market valuation or a residual valuation method.

- When adopting a market valuation, valuation guidelines will always prescribe to seek for comparable assets as reference points, in which case a unique property with distinct architectural features, common spaces and mixed programme will be more difficult to compare than a monofunctional standardised development property.
- In the residual method the current value of the development property is indicated by the residual amount after deducting all known or anticipated costs required to complete the development from the anticipated value following completion. The anticipated value following completion is often determined via an income model, i.e. by estimating the cashflows that the property will generate in the long run. The anticipated value following completion is highly sensitive to relatively small changes in the forecast cash flows. Therefore, the reliability is dependent upon the quality of the information available on the timing, income and costs that are anticipated¹⁴⁸. A higher reliability means a higher valuation and vice versa. So, if there is little information available on the location of the development property, because it is not in an investor's sweet spot city, or because the development tries to integrate a mix of functions that mix together nicely on the drawing board, but for which there are no comparables, the valuation is likely to be lower.

Another example of how the price that is paid on a market may well not reflect the true value of a real estate asset is the so-called asset *flipping*. Asset flipping occurs when a real estate developer purchases land or property with the intent of quickly selling it for a profit, often after making minor improvements or renovations. This is considered a speculative strategy comparable to land packaging, aimed at capitalizing on market fluctuations or benefiting from undervalued properties. So, if the exchange value would be the one and only measure of value, there would be not much space for real estate developers to extract surplus value from their development activities.

As Kuletskaya (2023b) points out, the concept of exchange value has been discussed in a vast body of academic literature and one of the critiques often formulated is that exchange value is systematically prioritized under capitalism, giving it a negative bias.¹⁴⁹ Much in the same way, an overly focus on exchange value and the monetary assessment of spatial choices is often attributed to real estate developers and investors, as exponents of the capital system. Subsequently, the focus on exchange value is then even further reduced to maximisation of units, surfaces and volumes, although examples

¹⁴⁷ IVS (2016), IVS 410 Development Property p. 5

¹⁴⁸ IVS 410 Development Property, p. 9

¹⁴⁹ Kuletskaya, D. (2023b), p. 4

exist where reducing any of these actually led to an increase of exchange value.¹⁵⁰ The emergence of financialization in Flanders may only add to such a flat image of real estate developers as “money wolves” being interested only in selling their ‘product’ at the highest price.

When it comes to urban planning, advocates of exchange value will focus on minimal government intervention, zoning and building regulations to maximise opportunity spotting and flexibility to pursue the highest possible use. Urban planners also look at the dynamics of the local market to assess whether the effects of a new real estate project will lead to a desired macro-economic uplift for the neighbourhood or to gentrification and displacement. Urban development charges that are imposed via general ordinance tend to be expressed in terms of monetary value only, while case by case imposition of these charges tend to be more geared towards creating other sources of community value by developing the project.

4.4.1.3 (Objective) Use value

Land and buildings require particular socio-institutional embeddings within specific socio-institutional regimes for it to possess exchange value. Exchange value is therefore, in the long run, always dependent on the use value. And this use value can, in Lefebvrian terms, be *absolute* in the sense of the intrinsic characteristics of particular plot, *relative* in the sense of a location with respect to another location or the availability of alternatives, or *relational* in that particular social relations are expressed through it.¹⁵¹ This is in line with the analysis that real estate is the land, the buildings and the appurtenances absolute value), but also the associated direct and indirect personal usage rights (relational value) and the enjoyment of a location (relative value).

Use value was attached by Lefebvre at first to the ‘city’ and ‘urban life’, to evolve to a ‘general use value’ and a ‘use value of a commodity’, such as the ‘inhabitable space, a distance and consequently schedule of everyday life’ (Lefebvre, quoted in Kuletskaya (2023b))¹⁵². At that point, the concept of use value of a commodity in the work of Lefebvre relates to “*something objectively useful*”¹⁵³, or to *objectively* useful attributes, which cannot be fully absorbed by the exchange value.¹⁵⁴ Puletskaya (2023 b) further analyses the evolution of the concept of use value in Harvey’s readings: “*where use values are still placed in the domain of the absolute and material space*”.

The government and urban planning regulations play an important role in the determination of the use value of a plot. Through the realization of infrastructure works and the adoption of zoning regulations,

¹⁵⁰ A good example of this is the development of the Green Quarter in Antwerp, where only 404 residential units were developed instead of the 500 units that were considered to be the maximum allowable number of units. The reduction in the number of units led to a diversification of the typologies and added exchange value by offering uniqueness and privacy to the future residents and users.

¹⁵¹ Swyngedouw, E., & Ward, K. (2023), p.43

¹⁵² Lefebvre, quoted in Kuletskaya (2023b), p. 9

¹⁵³ Kuletskaya (2023 b), p.9

¹⁵⁴ Lefebvre (1974,1984), p.356

the intrinsic value of a plot can be altered. The government also influences the relative positioning of a certain property versus other properties, e.g. by adopting legislation with respect to energy efficiency of buildings or by organising a liquid housing market. The government can actively support the attachment to the social significance of certain (heritage) properties, as opposed to others. Finally, the government also determines zoning regulations, building codes and so on, and all of these have a direct impact on the use of space.

As the antipode of exchange value, use value is often attributed a positive framing. Kuletskaya (2023b) notes that “*‘aesthetic’ architecture is considered to produce use-value and is considered as ‘good’*”, whereas a more commodified architecture of the real estate industry results in ‘bad’ exchange value”.¹⁵⁵

4.4.1.4 Social and Cultural Use Value

Coase, (1960), in the context of solving harmful effects of production activities, argues that the ‘social product’ has social significance too. He defines the social product as “*the private product mines the fall in the value of production elsewhere for which no compensation is paid by the business. The private product is the value of the additional product resulting from a particular activity of business*”.¹⁵⁶ Finally he argues that “*in devising and choosing between social arrangements, we should have regard for the total effect*”¹⁵⁷ and that corrective measures, i.e. removing the source of a harmful effect may not always be the best solution, as it may lead to other undesired effects.

In the context of urban planning and real estate development, the authority granting the permit ultimately has to evaluate and decide taking into account the overall *social value* of a real estate development. It might be undesirable for some neighbours to construct a social housing building of 6 floors because they lose their line of sight to unspoiled nature, but there may be a high need for social housing in that particular neighbourhood, justifying a favourable decision from the perspective the total social value.

The concept of social and cultural value focuses on the *significance* of spaces within a community beyond their economic or functional *utility*. From an urban planning point of view, social value thus refers to the benefits that spaces provide to communities, such as fostering social interactions, inclusiveness, and community identity. It includes the contribution of urban spaces to well-being, social cohesion, and the quality of life. Cultural value relates to the significance of spaces in reflecting and preserving cultural heritage, traditions, and cultural identity. This includes the role of urban environments in maintaining cultural practices, architecture, historical landmarks, and the overall cultural expression of a community. In discussions with real estate developers, urban planning officers will likely stresses for instance the importance of preserving cultural heritage, promoting social cohesion, and ensuring that urban spaces reflect the identity and values of the local community.

¹⁵⁵ Kuletskaya (2023 b), p. 47

¹⁵⁶ Coase, R.H. (1960), p 40

¹⁵⁷ Coase, R.H; (1960à, p.44

The concept of social and cultural use value aligns largely with both the concepts of conceived space, perceived space and (cognitively) lived space. Perceived space includes the physical environment as well as the social relations that are inscribed within it. It offers the framework in which space is experienced while the experience of that space can also resist to, reinterpret, and reshape perceived space by reacting upon it incidentally, or by more formally struggling with or opposing to the regime governing the conception of space. The concept of social and cultural value emphasizes how (the production of) space is also a product of social and cultural processes and practices, in addition to economic processes and practices.

4.4.1.5 Personal Emotional Value

As personal experience can have a symbolic, hedonic, and aesthetic components that go well beyond the utilitarian and the socially and culturally stratified meanings of value, a concept of personal emotional value is required to complete the spectrum. As Kuletskaya (2023b) raises this point as follows: *“Accepting that use-values can be socially useless or even pure fiction allows questioning, for example, the operations of real estate branding industry and the role architecture and media play in it.”*¹⁵⁸ To me, the answer seems straightforward: a socially useless use value is no use value at all but may well be a socially or culturally constructed value without a defined use, or a personal emotional value. Luxury value may be sold by marketers at *the price of being there*, and that may be valued on a personal and emotional base without a corresponding use value. Hence Personal emotional value, in the context of urban planning and real estate development, refers to the significance or worth that an *individual* attaches to a space, a place or a building, based on their emotions, feelings, and personal experiences.

This value is deeply subjective and varies from person to person, as it is shaped by individual memories, personal connections, and emotional responses. As a complement to the value determined by utility and by social and cultural aspects, personal emotional value may include *“purely symbolic / sentimental value related to the inner self, [perception of] appearance / personality of one self (external self) and pure enjoyment or fun.”*¹⁵⁹ Bozeman (2007) also observes that there is a cognitive element and an emotional aspects to *values*, but he presupposes that both elements have to be present to designate an evaluative judgment as valuing something.¹⁶⁰

Differences in personal emotional value can to some extent be explained by taking an information processing perspective, i.e. by looking at the consumer's cognitive apparatus that embodies *“intricately interwoven subsystems of beliefs and knowledge structures”* that function as shorthand to make a relatively conscious decision.¹⁶¹ According to Holbrook, M. B., & Hirschman, E. C. (1982), this

¹⁵⁸ Kuletskaya (2023b), p. 11 (sentence to be found in web version only)

¹⁵⁹ Marco, E., Williams, K., & Oliveira, S. (2020). p. 7

¹⁶⁰ Bozeman, B. (2007), p. 114

¹⁶¹ Holbrook, M. B., & Hirschman, E. C. (1982). p. 136

information processing perspective could be supplemented and enriched by adding a mixture of a more experiential perspective.¹⁶² The experiential perspective offers promising opportunities to focus more on private and unconscious cognitive processes and discover a broader set of emotions and personal experiences. Furthermore, it allows to “hinge on an appreciation of a product [or a service] for its own sake, apart from any utilitarian function that it may or may not perform.”¹⁶³ Hence, key aspects of personal emotional value include a high degree of subjectivity, irrationality and uniqueness, emotional connection and irreplaceability. Personal emotional shapes how they perceive, people perceive, interact with, and prioritize the built space around them. Spaces and buildings with personal emotional value often contribute to a person’s sense of personal identity and belonging.

While emotional value may not be taken into account in a professional valuation of a property, it may or may not have an influence on the exchange value. Personal emotional value then results in the inflated value of, for instance, a home because of the emotional attachment to it. This personal emotional value can be present in the mind of the current owner, because of significant moments lived in the property, ongoing family ownership, time spent renovating it and so on. The emotional value can be present in the mind of the buyer too, for instance as a premium to be paid to be part of that particular local community, proximity to relatives in the vicinity and so on. The personal emotional value will only result in a higher exchange value insofar a buyer can be found that is willing to pay a premium to the normal exchange value based on utilitarian aspects, because of his personal emotional value. Likewise a house may not get sold if the current owners’ expectation exceeds the normal exchange value based on utilitarian aspects, which is not met by a particular buyers’ personal emotional value. Such a premium paid above the normal exchange value is sometimes coined as ‘the true value that a god damn fool is willing to pay for it’.

4.4.1.6 Summary of relational Value and Space Concepts

As discussed above, various concepts of value exist and in Figure 18, drawing on the work of Lefevre (1974, 1984), I undertake an attempt to graphically position these concepts to see the voids and overlaps between the *relational* concepts of value described above and the spatial triad conceived by Lefebvre. A first important remark is that a visual positioning always involves simplification and as such it may lack nuance. Secondly the figure represents relational concepts of value and space, which is the playing field for the urban planner well as the real estate developer. Although the latter may often be blamed for looking only at abstract elements of space and value, as indicated above, this is not necessarily the case and not necessarily the optimal route towards profit maximisation either.

¹⁶² Holbrook, M. B., & Hirschman, E. C. (1982), p. 138

¹⁶³ Mc Gregor (1974) cited in Holbrook, M. B., & Hirschman, E. C. (1982). p. 138

To begin with, the exchange value can encompass all utilitarian value concepts as well as an emotional premium, related to the emotional value displayed by a willing buyer. In general, the exchange value will include a what I have called a 'market premium', i.e. variance (not necessarily a positive value) to the intrinsic value that covers (temporarily) reproducibly market trends such as the desirability of a neighbourhood or the fact that an interbellum property is 'in fashion'. The exchange value may also include an 'emotional premium', but this does not occur all the time as, a 'willing buyer' is required to raise the exchange value to this point. Personal emotional value may be generated by marketing efforts or by assemblage of product/building qualities that will trigger emotional value for particular buyers, but this is not necessarily so.

As indicated above, something as emotional value needs to complement concepts such as use value of a commodity and general use value. To describe emotional value as some sort of "use" risks to obscure the experiential perspective on consumer behaviour. Therefore, I have designated the concept as "personal emotional value". Personal Emotional Value ties in to the concept of 'Lived Space' by Lefebvre, but I find it useful to make a distinction between the lived space that is determined and constructed by social and cultural relations in the broadest sense (*cognitively lived space*), and the lived space that is purely symbolic, emotional and individually experienced (*emotionally lived space*). Lefebvre (1974,1984) approaches this somewhat differently in that he combines aspects of time, space, the body and *desire* in the appropriation of space.¹⁶⁴ Desire may express the outcome of a purely cognitive process, but it may as well be a purely emotional experience.

Cognitively lived space refers to the way individuals, as part of broader social and cultural relations, perceive, understand, and mentally process space. It involves the intellectual and analytical engagement with the environment, focusing on how space is organized, navigated, and understood more or less in a rational or logical manner. Cognitively lived space is about how people construct mental maps of their surroundings, how they orient themselves, how they understand spatial relationships (e.g., distance, direction, and scale) and how they interpret the effects of the interaction with that space on their social and cultural relations. It involves the conscious processing of social, cultural and spatial information, and therefore it is largely influenced by knowledge, education, and experience. For example, a person might cognitively understand the significance of a historic site, recognize the functional purpose of a public square or identify herself with a community identity.

Emotionally lived space refers to the emotional and affective experiences that individuals associate with a particular space. It encompasses the feelings, moods, and emotional responses that are triggered by a space, which can be deeply personal and subjective. As with emotional value, emotionally lived space, is often shaped by memories and associations - which may somewhat blur the distinction with the cognitive lived space concept – but it may also simply trigger enjoyment or fun .

Emotionally lived space is often the representation of space to a (private) individual, household, group of friends or family, other than the representation of space to a (public)(social or cultural) broader group

¹⁶⁴ Lefebvre, H. (1974,1984), p. 12

or community (of which that individual, household, group of friends or family may also be a part). Although both private users and public users use the space and tend to mold it to suit their preferences, the distinction lies in the motivation. Within broader public groups, the motivation is actively or passively *expressed*¹⁶⁵ and often motivated by a narrative, while individuals, friends, families and fools may not display a motivation for their behaviour and use of space, nor for the price they are willing to pay for it.

The original concept of lived space, as intended by Lefebvre, encompasses the cognitively lived space, but not emotionally lived space as it does not integrate purely experiential aspects such as love, enjoyment or fun:

*“Lived space bears the stamp of the conflict between an inevitable, if long and difficult, maturation process and a failure to mature that leaves particular original resources and reserves untouched.”*¹⁶⁶

Finally, Lefebvre defines *conceived space* as the space produced architects, urbanists and planners¹⁶⁷, but also as the “space of the dominant mode of production”.¹⁶⁸ As such, the conception of space is influenced by the dominant visions of social and cultural value on the one hand, and by more objective *use* values on the other hand. The regime in power controls the production of social space through conceived space. And that social space encompasses perceived space, cognitively lived space and only to limited extent, emotionally lived space. Examples of emotionally lived space that can be taken into account in the conception of spaces are for instance aesthetic appreciations, quality of life and the character, identity and sense of community in a neighbourhood.

Going further than that into the personal emotion zone, by taking into account even more subjective emotions risks to make urban planning subject to individual desires and embargos. Examples where the conceived space stretches too far into the personal emotional zone are conceptions of privacy over and above what has been agreed upon as a civil right, the continuation of a way of life, personal memories and fear of change.

Because of its central role in the production of space, the conceived space has been given a central role in the figure as well.

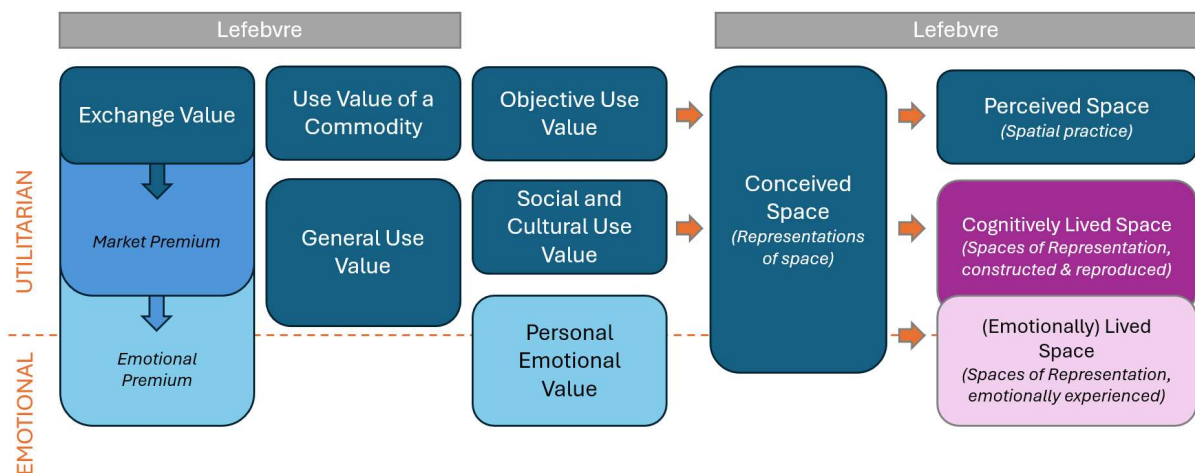
¹⁶⁵ “It is in this space [lived space] that the ‘private’ realm asserts itself, albeit more or less vigorously, and always: in a conflictual way, against the public one.” - Lefebvre (1974,1984), p. 362

¹⁶⁶ Lefebvre, H.. (1974,1984), p. 362

¹⁶⁷ Lefebvre, H. (1974,1984), p. 398

¹⁶⁸ Lefebvre, H. (1974,1984), p. 360

Figure 18: Relation between value concepts and space concepts



Source: own simplification and interpretation

4.4.1.7 Architectural Value and Assessing Quality

As architects play an important role in real estate development, as creators of buildings and spaces, and also appear at the side of urban planning professionals to evaluate architectural quality – often through the so-called Quality Chambers”, a short reflection on architectural value and quality, within the broader context of the scheme of value and space concepts presented above, is desirable.

Architecture and the City

Gandelsonas (1998) explores the complex relationship between architecture and the city, focusing on how cities have historically been treated as objects of architectural desire and discourse. *“The relationship is based on an object [– the building –] shared by both architectural practice and economic and the political economic structure. The signifier – the building – collapses two objects: the architectural building and the urban building.”*¹⁶⁹ He also touches on two other important – and often sensitive – points:

1. Architecture is not an artistic practice to the fullest extent. Instead, the architect holds *“disturbing in-between position between an autonomous artist or a carpenter building for a ‘client’”*¹⁷⁰ Architects work for a client, in the context of this master thesis, that client would be a real estate developer. Lefebvre (1974,1984) establishes the same problem in that architectural production merely reflects the production of buildings and spaces, which holds the middle ground between what the client is willing to pay for and what the urban planning officer is willing to allow, upon which the architect makes sure he can make a living by complying:

¹⁶⁹ Gandelsonas, M. (1998), p.130

¹⁷⁰ Gandelsonas, M. (1998), p.130

*"Architects have a trade. They raise the question of architecture's 'specificity' because they want to establish that trade's claim to legitimacy. Some of them then draw the conclusion that there are such things as 'architectural space' and 'architectural production' (specific, of course). Whereupon they close their case."*¹⁷¹

2. Architects need to move beyond their urban fantasy to *"domesticate the wild economic and political forces that traverse the urban body to impose an order"*¹⁷² and engage with the city's inherent dynamism and unpredictability.

*"The moment the architectural gaze hits the city, its shapes become the focus, an opening toward a symbolic process that eclipses the actions that take place in it, that shifts the focus from the urban scene where "life" takes place to the stage itself, where real time recedes and space comes to the foreground. But the reality of the city as a process, as an economic dynamo, as a place of both physical and nonphysical exchange, has always resisted the suppression of time, of difference, of the contingent, of its reduction to the status of a building; that is, to the spatiality and totalizing nature of the object implied by the architectural urban practice"*¹⁷³

At some point, architecture is a blend of art and practice, enriching the human experience while meeting practical needs, continuously combining elements of design, function and impact. Architecture is the very mirror of society, reflecting the values, traditions, or identity of the place where it is built.

"Architecture is the very mirror of life. You only have to cast your eyes on buildings to feel the presence of the past, the spirit of a place; they are the reflection of society." (L.M. Pei)¹⁷⁴

Architectural Value and Quality

Architecture is generally valued when it contributes positively to the environment, society, and culture, and stands the test of time both in terms of utility and aesthetic appeal. Architecture is a component of the 'conceived space' and has an impact on the 'perceived space' and the 'lived space'.

The architectural perspective generally focusses on the spatiality and the materiality of the built environment.¹⁷⁵ Assessing the architectural quality in the context of urban planning is therefore one of multiple elements to be considered, and it often remains anchored to the location of the building plot where it materialises. The degree of (allowed or desired) impact of architecture on the built space

¹⁷¹ Lefebvre, H. (1974,1984), p.104

¹⁷² Gandelsonas, M. (1998), p.130

¹⁷³ Gandelsonas, M. (1998), p.131

¹⁷⁴ <https://www.goodreads.com/quotes/7789154-architecture-is-the-very-mirror-of-life-you-only-have>

¹⁷⁵ Kuletskaya (2023a), p.4

depends on the importance attached to it and varies across societies and functions. A public building is likely to be allowed more the status of a landmark than a residential building.

Nevertheless, the definition of 'Architectural Quality' is somehow hard to pinpoint. Quality can be understood as the second «category» of the Stoic ontological definition, i.e. the attributes or properties *“that make a substratum; the shapeless and unidentifiable matter, a specific object.”*¹⁷⁶ As the Stoic framework for understanding the nature of reality is hierarchical, 'quality' does not encompass 'state' and 'relative state', thus excluding the relationship of that building with its surroundings and its' impact. In that context, evaluation of the architectural quality would be limited to an assessment of the attributes or the properties of the building (inside out), such as creativity, purposeful design, efficiency, accessibility, comfort, harmony, materiality and level of detail. Within the space triad of Lefebvre (1974,1984) such a limited definition of quality, as part of the conceived space, would not even impact the whole spectrum of perceived space. On the contrary, such a definition resonates (more) with concepts such as 'exchange value', 'use value of a commodity' or 'objective use value'. It should be noted however that, insofar the appreciation of (this limited definition of) architectural quality is made by only a few (highly subjective) architects, it is by no means to be considered an 'objective' measure of value.

Adding another layer, architectural quality could also be understood to encompass relational aspects of the building with the surrounding space. If this is the case elements such as contextual fit, community engagement and socio-cultural significance become relevant and part of the assessment.

Quality as defined and assessed by Quality Chambers

As part of the permitting process, the quality of some projects is evaluated by a so-called “Quality Chamber”. In Ghent, for instance, the scope of the Quality Chamber encompasses all projects that have as significant impact on the urban form of a city:

- Projects of a certain scale, e.g. min. 15 housing units
- Projects with a specific (landmark) location
- Projects with a specific legal / urban planning context
- Projects with a specific programme (new housing typologies, combination of housing with working, etc..)
- Projects that introduce new urban infrastructure into the urban tissue: new mobility axis, new parcs, etc...

The Flemish Knowledge Centre for Public Private Partnerhips (2018) gives the following definition of a Quality Chamber: *“A Quality Chamber consists of a group of experts [in the field of architecture, urban planning, mobility, environment, greenery, sustainability and housing], who advise the municipality directly and independently on certain construction projects and interventions in the public space”*.¹⁷⁷

¹⁷⁶ Lefas, P. (2000), p.189

¹⁷⁷ Flemish Knowledge Centre for Public Private Partnerhips (2018), p.26.

Quality, as interpreted and applied by these so-called 'Quality Chambers' is to be understood in even a broader sense. Vervloesem (2024) gives an insight into the vision of the Quality Chamber of Ghent on the scope of their quality assessment:

*"The Quality Chamber offers space to discuss what cannot be captured in rules and regulations. This assessment has already been carried out by the relevant municipal services. This creates the opportunity to discuss essential aspects of urban development, such as the beauty, quality and social value of a building or environment. During the discussions, attention is paid to matters such as the appearance, character, materialisation, spatial embedding, climate robustness, accessibility and addressing, public-private relations, neighbourhood strengthening programmes, greening and de-hardening, the experience, perception and meaning of the built environment, etc. In other words, this dialogue offers the opportunity to put quality criteria on the table that go beyond classic real estate logics in the name of profit maximisation, or than clear management and efficiency objectives that are mainly established on the basis of their own internal operating logic and take too little account of the value and meaning for future users. The experiences of the past years show that an open discussion, in which both the client and the design team are present, can contribute to a situation in which all parties are convinced of a win-win situation. In this way, not only financial and functional, but also social gains can be achieved."*¹⁷⁸

According to this description, the quality assessed by the Quality Chamber encompasses the evaluation of the totality of the *social gains* and the other elements of urban development, such as *appearance, character, materialisation, spatial embedding, climate robustness, accessibility and addressing, public-private relations, neighbourhood strengthening programmes, greening and de-hardening, the experience, perception and meaning of the built environment, etc* It should be noted, however, that different definitions of Quality Chambers exist, as well as different motivations for their intervention.

Furthermore, still according to the description, the role of the relevant municipal services is limited to assessing what is captured in rules and regulations, whereas the Quality Chamber fosters an open communication about the project. This vision is confirmed by the City Architect of Ghent, who states that the main contribution of the Quality Chamber is to come to a fruitful discussion about the project. This opens the discussion on the various roles in the permitting process: what exactly is the role of an urban planner, what is the role of an urban planning officer, what is the role of the architect, what is the role of the Quality Chamber and what is the role of the Municipal Commission for Urban Planning in all of this? And if the role of the Quality Chamber is defined as broadly as it is, why are these Quality Chambers mainly composed of architects? Reflecting back on the input of the interviews, it is safe to say that the

¹⁷⁸ Vervloesem, E. (2024), p.13

work of the Quality Chambers is not always valued by real estate developers and leads to tensions with real estate developers as well as urban planning officials.

Reflecting on the role of the urban planner in all of this, means reflecting on the educational aspects of the master's degree in urban planning. Is architectural expertise required to become an urban planner? Should being an urban planner not be a prerequisite to be part of a Quality Chamber and if it is, what is the added value? Why does the (mainly) architectural evaluation in Quality Chambers takes precedence over the assessment of a Municipal Commission for Urban Planning, a body that consists of minimum one forth experts in urban planning, as well as representatives of all strands of the local society. In this context also, one could raise the question whether the 'urban planning professionals' would not benefit from a Master's degree in urban planning and why this is clearly not the case. Reversely, if the objective of urban planners is not to ticking boxes and merely evaluating the rules and regulations, who will do that part of the process and what type of education will sharpen these competencies? And in-between advising and ticking boxes, the *process* of issuing permits and validating urban quality also has to be *managed*: is it necessary that an urban planner takes on this role, or is this a task which is better suited for other professionals at the urban planning office?

Another reflection that surfaced in the interviews was the not legally binding form of the advice of the Quality Chambers and the importance that is attached to it. "*Quality is made by discussion, not by rules*" is quoted by the Flemish Government Architect and the City Architect of Ghent. Overall, there seems to be a strong undercurrent that opening the discussion on projects, providing guidance on how problems can be solved by design, and managing public tendering procedures in the field of architectural assignments and city development is the real focus of a Quality Chamber. While these are all valuable competencies, the question remains why these have to be integrated into such a loose and ambiguous body, instead of being integrated in a competence centre managed by the Flemish Government.

It is clear that assessing architectural quality is often subjective and influenced by personal vision and preferences, cultural background and education. Therefore, it is imperative that, in the context of the assessment of the building permit application, the professional evaluation of architectural quality occurs in balance with the assessment of other important urban planning elements, by qualified persons taking into account an agreed upon urban planning framework if it exists, as a standing advice in a legally binding procedure. To this, the voice of the local community can be added in a formal way, to allow the competent authorities to take an informed decision with respect to a building permit application.

4.4.1.8 The creation of value

As indicated above, the creation of value can be looked upon from the viewpoint of the architect (creation of architectural value), the real estate developer (creation of real estate value = exchange value + market premium + emotional premium) and the wider community (creation of community/urban value = objective use value, social and cultural use value, personal emotional value).

Guy & Henneberry (2000)) describe urban development as follows: *“Urban development is a complex process which entails the orchestration of finance, materials, labour and expertise by many actors within a wider, social, economic and political environment.”*¹⁷⁹ The process involves someone to take a development initiative. An initiative is defined by Merriam-webster as *“the power or opportunity to do something before others do.”*¹⁸⁰. Taking development initiative means proactively identifying opportunities, and then acting on them before anyone else does. Key elements are taking a proactive stance, being creative and resourceful, managing risk and assuming ownership of tasks or projects.

More often than not, taking initiatives is attributed to the private sector, here real estate developers. Nevertheless, public bodies can also take initiatives to create value. These may include the conception of a masterplan, subsidizing brownfield redevelopment, investing in public infrastructure, the realisation of social housing and so on.

Factors creating value

Roulac, Adair. & al. (2006) identify the perception or recognition of an opportunity as a key driver of value in the case of real estate development.¹⁸¹ Fisher and Martin (1995) place emphasis on a narrow group of factors including physical real estate, property rights, bundle of rights and financial components as factors that provide value to real estate.¹⁸² According to Miles, Berens et al (2015) *“value is created by providing usable space over time with associated services. It is these three things — space, time, and services — in association that are needed so consumers can enjoy the intended benefits of the built space.”*¹⁸³

Gaddy and Hart (1993) reflect that *“real estate value is created, changed and destroyed by the interaction of four forces: physical, political, economic and social.”*¹⁸⁴ Physical includes factors such as climate, topography, availability of water and water quality. The political externalities which affect property value include government controls over money and credit, government insured or guaranteed loan schemes, health and safety codes, building codes, rent controls and tax burdens. Economic factors include availability of employment, wage and salary levels, the economic base and diversification. Social externalities include demographics and life-style changes.¹⁸⁵

All of these authors are taking the view that development involves the creation of value by converting a potential opportunity into real estate product that can be sold at a price, i.e. every site has a *highest and*

¹⁷⁹ Guy, S. & Henneberry, J. (2000), p. 5

¹⁸⁰ Merriam-Webster.com Dictionary, Merriam-Webster, <https://www.merriam-webster.com/dictionary/the%20initiative>. Accessed 13 Aug. 2024

¹⁸¹ Roulac, S., Adair, A. & al. (2006), p. 10

¹⁸² Fisher, J.D., Martin, R.S. (1995)

¹⁸³ Miles, M. E., Berens, G., Eppli, M. J., & Weiss, M. A. (2015). p. 20

¹⁸⁴ Gaddy, W.E., Hart, R.E. (2015), p.184

¹⁸⁵ Roulac, S., Adair, A. & al. (2006), p. 4

best use that will maximise its exchange value. According to the International Valuation Standards Organisation (IVS), the highest and best use is “*the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible.*”¹⁸⁶

This inside-out view has been complemented by Graaskamp (1981), who argues that better information about economic and environmental cause and effect of land use decisions leads to more sensitive, refined allocation of property rights (private ownership, public institutional ownership, common indivisible ownership), so that the corresponding cost of land use decisions are fairer to all citizens.¹⁸⁷ Compensating cashflows of benefits and costs are seen by Graaskamp as one way to measure the relative burden on interacting parties and to refine allocations of rights and responsibilities.

The concept of ‘highest and best use’ is then only “*a one- dimensional measure of the adequacy of a development concept and cash for the landowner even when it is apparent that there are many vested interests in the cash flows that are affected by a given land use decision.*”¹⁸⁸ To take into account this multiplicity of vested interests, the fact that a parcel must be considered within a larger system and pattern of land uses, and the recognition of how a specific use would contribute to community environment and community development goals, Graaskamp finds it more suitable to replace the terminology of ‘*highest and best use*’ by the terminology of ‘*most fitting use and of most probable use*’.¹⁸⁹ In this terminology, the ‘most fitting use’ reflects the needs of society as a cluster of groups, while the ‘most probable use’ refers to the accommodation of political interests.¹⁹⁰

Factors destroying value

Graaskamp (1981) considers the passing of time the most critical risk in the development process:

*“Time permits the power of compound interest to erode the developer’s resources, and it allows the conditions of competition and consumer needs which were true when the project started to change significantly.”*¹⁹¹

The importance of time on urban value (either by a lower real estate value or by a lower budget available to compensate the effects of the development on the community) was also confirmed in nearly all conducted interviews, by both real estate developers and urban planners.

A second important parameter of value destruction is the level of uncertainty that is beyond the control of the real estate developer and the urban planner. For the former, uncertainty adds legal costs and risk to an already capital intensive operation. For the latter, uncertainty slows down the assessment of

¹⁸⁶ IVS (2022), *104 Bases of Value*, article 30.3

¹⁸⁷ Graaskamp, J.A. (1981) p. 9

¹⁸⁸ Graaskamp, J.A. (1981) p. 10

¹⁸⁹ Graaskamp, J.A. (1981) p. 10

¹⁹⁰ Graaskamp, J.A. (1981) p. 31

¹⁹¹ Graaskamp, J.A. (1981) p. 30

permit applications (in first instance or appeal procedures) and leads to additional legal costs as well. Uncertainty may also lead to abandoning development for a longer period, leaving the site as it is for years.

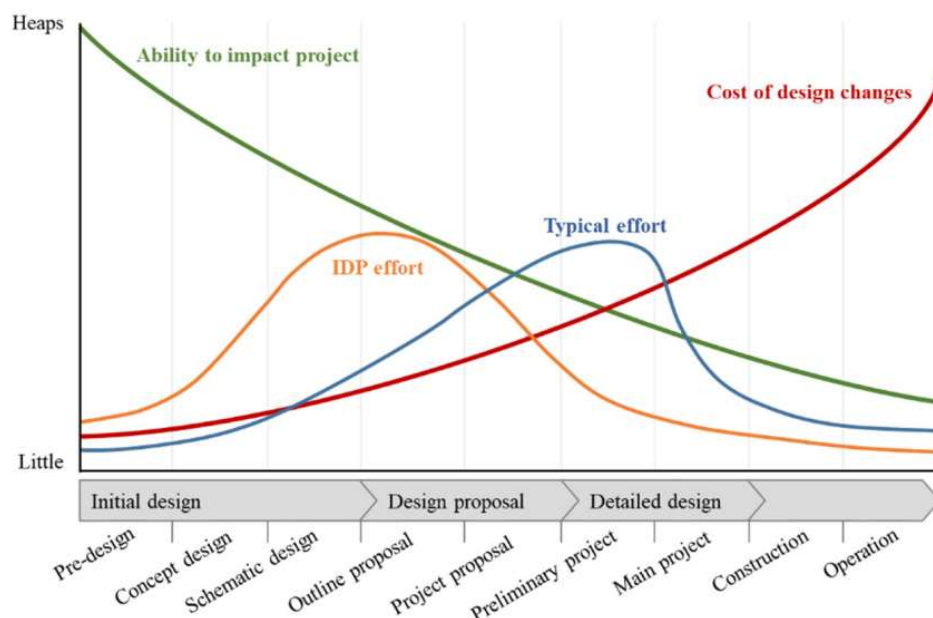
Process view on value creation

From a process point of view, Roulac, S., Adair, A. & al. (2006) hypothesise “*that value is created in real estate development through entrepreneurial efforts and absorption of risk. The former involves assembling different services, project participants, components and other contributions in ways so that the whole is more valuable than the sum of the parts whereas the latter creates value by taking on risks that others are unable or unwilling to take on.*”¹⁹²

As indicated above, Graaskamp (1981) defines the development process as “*the interaction of the three major groups to produce land use plans and building specifications where the present value of the benefits to each group exceeds the present value of all expenditures that will be required of each group over the life of the development.*”¹⁹³

As illustrated in the MacLeamy graph shown in Figure 19, the ability to impact a project is high in the early phases, while the cost of design changes is low.

Figure 19: MacLeamy Graph - Decision impact and costs through project stages in integrated design processes (IDP)



Source: Kamari, A. (2023), Figure 3, reproduced from: Landgren, M.; Skovmand Jakobsen, S.; Wohlenberg, B.; Jensen, L.M. Integrated design processes—a mapping of guidelines with Danish conventional ‘silo’ design practice as the reference point. *Archit. Eng. Des. Manag.* 2019, 15, 233–248.

¹⁹² Roulac, S., Adair, A. & al. (2006), p. 4

¹⁹³ Graaskamp, J.A. (1981) p. 31

The design will typically be detailed after the project proposal has been approved by the developer, but at that moment, a lot of time and money can be spent already. It can be expected that opening the discussion with the urban planning officer or the Quality Chamber earlier on in the development process, or using PPP to come to an integrated design, will reduce the cost of design changes. A prerequisite to be able to do so is that the decisions that are taken in the design phase are validated and respected afterwards.

4.5 Conclusion

Real estate development is a high-risk, complex, multidisciplinary, and capital intensive undertaking. It involves the interaction and alignment of different stakeholders and an active management of all associated risks.

The real estate process can be subdivided in different phases. In Flanders, with the exception of ongoing ribbon developments along existing roads, the classical land banking and land packaging activities, which are considered highly speculative, are no longer performed by real estate developers. Furthermore, the activities of land developers are coming to an end by lack of sufficient opportunities of undeveloped land. What remains is site redevelopment, generally followed by building (re)development;

Within each phase, the real estate development process can be subdivided in more or less 10 stages. While progressing throughout the different phases, the real estate developer has to interact with various stakeholders and react to various events, each time considering the impact on the current and the following phase of development. This also means that the ability to have an impact on the outcome of the development process is bigger in the beginning of the process, when uncertainty is high, and that the project specific manoeuvrability, *i.e.* the scope for structuring architectural, technical, economic and legal aspects, declines throughout these phases as uncertainty resolves and is replaced by actual outcomes.

Managing multiple risks is core to the real estate development business. When risks have been properly identified, analysed and evaluated, the risks can be controlled by avoiding, eliminating, reducing, sharing, transferring and finally assuming the residual risk. While risk management is a complex activity, it is by no means always a rational approach. Experience comes into play as well and the representation of risk of developers are skewed towards the expectations of consultants, financial institutions and investors.

From an urban planning perspective the community risks are broader and the time of impact far longer than merely the development process. The ability of a real estate developer to share or even transfer the risks to another party largely depends on the professionalism and the negotiation power of that party. Although experiences with Public Private Partnerships remain mixed, they do offer potential to share the development risks. To do this in a responsible way, the competency to manage risks professionally needs to be built on the side of public authorities.

Different concepts of value exist. Exchange value refers to the worth of a good or service in trade, often expressed in money. In real estate, this involves two markets: the space market (for using land/buildings) and the asset market (for exchanging ownership rights). A property's exchange value is influenced by its potential to generate income and the market equilibrium price. Valuation methods, like market valuation and residual valuation, assess this value by comparing similar assets or estimating future cash

flows. However, these valuations can be unreliable if there's insufficient information about the property or its market. The focus on exchange value often prioritizes monetary gain under capitalism, potentially neglecting broader social and cultural values that play an important role in urban development.

Furthermore, the exchange value can encompass all utilitarian value concepts as well as an emotional premium, related to the personal emotional value displayed by a willing buyer. Personal emotional value may be generated by marketing efforts or by assemblage of product/building qualities that will trigger emotional value for particular buyers, but this is not necessarily so.

Personal Emotional Value ties in to the concept of 'Lived Space' by Lefebvre, but it is useful to make a distinction between the lived space that is determined and constructed by social and cultural relations in the broadest sense (*cognitively lived space*), and the lived space that is purely symbolic, emotional and individually experienced (*emotionally lived space*). Personal Emotional Value may come without expression or motivation. Therefore, the conception of space is influenced by the dominant visions of social and cultural value and by more objective *use* values. The regime in power, of which the urban planning officers are the representatives, controls the production of social space through conceived space and this objective can clash with the purely economic focus of exchange value, often adopted by real estate developers.

To evaluate urban quality, a nuanced and multifaceted approach is necessary. Urban quality cannot be reduced to architectural quality, although an overlap between architectural practice and political economic structure exists, situated in the object of the building. Quality in an urban context is a fuzzy concept: it may refer to architectural quality defined as attributes and properties that a substratum an identity, but it may also be broadly interpreted - as the so-called Quality Chambers tend to do - as the full scale of urban qualities. Overall, the role of urban planners and Quality Chambers in assessing urban quality and managing the permitting process is open for review.

Value in urban development can be created by architects and developers, but also by the community or the government. As such, the creation of value can be looked upon from the viewpoint of the architect (creation of architectural value), the real estate developer (creation of real estate value = exchange value + market premium + emotional premium) and the wider community (creation of community/urban value = objective use value, social and cultural use value, personal emotional value). The conception of value creation is evolving from the ambition to create a 'highest and best use', which implies a one-dimensional measure of the adequacy of a development concept, to a use that reflects the needs of society ('most fitting use') and the accommodation of political interests (most probable use').

Physical, political, economic and social factors all can influence the creation and destruction of value. Nevertheless, the passing of time and increase uncertainty seems to be one of the factors that has the biggest impact. This is also acknowledged in the interviews with selected representatives of real estate developers as well as urban planners.

5 POSSIBLE IMPACT OF URBAN PLANNING ON THE RISK AND REWARD DISTRIBUTION

5.1 Introduction

In this final chapter, I will describe in a nutshell the evolution of urban planning in Flanders, with some important milestones between 1962 and now, and a shift towards an entrepreneurial approach. Then I will reflect on the type of planning approach that could be adopted to get more grasp on the negative externalities that haven't arisen due to the absence of effective urban planning and to redistribute value and risks associated with real estate development. Subsequently, I share some thoughts on how to optimise the permitting process, evaluate urban quality, ensure mutual cooperation and foster a sense of collectiveness as a first step towards breaking the hegemonic idea, at least in Flanders, that property rights are absolute and eternal. Finally, I will propose some policy implications and recommendations for future research.

5.2 The shift towards entrepreneurial planning in Flanders

De Vos, Van Acker et al. (2012) situate the development of urban planning in Flanders in a context where, from the 19th century onwards, individual ownership of housing had been actively promoted (subsidized) and commuting had been facilitated by a dense railway network and cheap railway subscriptions.¹⁹⁴ The first urban planning legislation was introduced in 1962 to ringfence suburban and ribbon developments and Regional Plans were adopted from 1972 onwards to implement zoning restrictions. In the process of fixing the appropriate zoning, lobbying activities and overestimated demographic growth figures resulted in the conversion of agricultural land into industrial and residential areas.¹⁹⁵ In the meantime commuting by train had been replaced by car commuting, with a declining density of railroads and an increase of highway infrastructure.

According to Van den Broeck & Verachtert (2016), the predominance of the property rights reinforced by a permissive permitting system and limited enforcement of regulations led to a further liberalisation of the planning permit system in the 1980's. The creation of structural exceptions for expanding existing buildings and constructing new ones in areas not formally designated by the Regional Plans as development areas opened up even more speculative development opportunities and undermined the realisation of subregional plans.¹⁹⁶

¹⁹⁴ De Vos, J. & Van Acker, V. & Witlox, F.. (2012), p. 3

¹⁹⁵ Grietens, E. (2021)

¹⁹⁶ Van den Broeck, P. & Verachtert, K. (2016), p. 6

The adoption of the Structural Development Plan for Flanders in 1996 can be seen as a milestone, as the plan expressed a coherent spatial development vision, including the (re)development of cities, the bundling of activities and the preservation of open areas. The introduction of the plan was accompanied by a more strict planning permit and sanctioning system that again led to fierce opposition of land owners, right-wing Christian-democrat and liberal members of parliament, and representatives of local authorities.¹⁹⁷ As a consequence, the “laissez faire” approach surfaced again, with multiple exceptions to the existing Regional Plans and virtually no enforcement of urban planning violations.

The Structural Development Plan also defined the so-called *subsidiarity principle*, i.e. “*that government decisions [regarding urban planning] should be taken at the most appropriate level.*”¹⁹⁸ According to Defoort (2005) this principle also states a *hierarchy* in the different planning levels, but it remains a *flou artistique* and serves, from an ideological perspective, mainly a neoliberal approach towards urban planning. This principle is often quoted to assign the vast majority of decision power in urban planning to the local municipalities. Almost than 20 years later, the feedback from the interviews is that the local municipalities neither have the manpower nor the competencies to take cover these responsibilities, that there are numerous conflicts of interests and that there is a lack of objectivity and distance to voters to take important urban planning decisions. All of these undesirable effects have been mentioned by Defoort (2005).¹⁹⁹ The adoption of the subsidiarity principle illustrates the political strength of local municipalities and cities as opposed to the Flemish government as a player in the urban planning debate.

Van Loon (2017) describes, during the 1990’s, the shift of Flemish municipalities from a model of “laissez-faire” (sub)urban development towards entrepreneurial growth regimes in which public and private actors have gotten more resources to create larger more prestigious real estate projects and the increasing use of public funds to attract the (higher) middle class instead of supporting disadvantaged households and neighbourhoods.²⁰⁰ These (higher) middle class incomes groups are deemed important because of their contribution to local taxes and a further autonomous public local spending. This has resulted in an entrepreneurial approach towards urban governance – as a step-up towards a financialized urban governance – that consists of “*prioritizing entrepreneurial activities and reregulation to facilitate more market oriented ‘soft’ or ‘flexible planning’ and empowering local private actors and/or (semi) public agencies*”. Local private actors can either be private developers operating within the conditions set at the sale of a government property, operating withing the scope of a Public Private Partnership, or municipal development companies, such as AG VESPA or SO GENT. The latter are described as “*separate entities, giving them [the mayor and aldermen] more flexibility and less accountability to City Councils while the municipality is the sole shareholder*”²⁰¹. Regulation under this

¹⁹⁷ Van den Broeck, P. & Verachtert, K. (2016), p. 7

¹⁹⁸ Defoort, P.J (2005), p. 282

¹⁹⁹ Defoort, P.J. (2005), p. 295

²⁰⁰ Van Loon, J. (2017), p. 117

²⁰¹ Van Loon, J. (2017), p. 144

approach is indicated by Van Loon (2017) as “*after the fact, by interurban competition*”.²⁰² Van Loon concludes that “*crucial municipal instruments haven been (re)invented that move the decision making process around urban development to a mix of (semi-) public and private actors prioritizing entrepreneurial goals over public good provision*.”²⁰³

An interesting counterrevolution are the statements of the current minister in charge of spatial planning, in the context of the discussions for the installation of a new government, who pleas to take away the permitting authority for local governments that structurally fail to fulfil their responsibilities.²⁰⁴

5.3 A synergetic subregional planning approach for Flanders

While sustainability seems the overall goal of urban planning, urban planning itself comes in many ways and varieties to address a multitude of problems. The difference in urban planning approaches generally stem from differences in power relations (top-down versus bottom-up approaches, managerial approaches versus entrepreneurial approaches, hegemonic versus equity approaches, centrally led versus decentralized), different levels of public participation (technocratic knows best versus citizen empowerment), different orientations (goal oriented versus process oriented) and differences in values (rational uses versus subjective experiences) taken into account.

It is clear that, in light of the historically situated and repeatedly expressed impact of property owners on the planning permit system and the even increasing pressures of (emerging) financialization of property development, there is no longer any viable political and social support for a centrally led top-down planning system. As Defoort (2005) notes, the assignment of (more central) planning powers to the Flemish decision level could be considered undemocratic, risks to overlook the subregional aspects of planning and ignores the absence the required competencies at the Flemish level.²⁰⁵

In contrast, only following a bottom-up approach, overly relying on citizen input without the ability to distinguish between social and cultural use values and personal emotional values, or further embarking on a purely entrepreneurial approach, catering the needs of landowners and real estate developers that are building a product that is optimized for a selective target group, is not desirable either. This will result in a continuation of lengthy and highly insecure permitting processes, the absence of validated planning frameworks, fragmented developments, inadequate infrastructures, social segregation, inequalities and so on.

²⁰² Van Loon, J. (2017), p. 118, Table 6

²⁰³ Van Loon, H. (2017), p. 151

²⁰⁴ Verhaeghe, O. (2024)

²⁰⁵ Defoort (2005), p. 330

Instead, Gattupalli, A. (2023) advocates a hybrid, synergetic approach that offers the best of both worlds:

“Complex urban challenges call for multifaceted solutions. Top-down planning is highly essential to establish a city’s grand vision. Bottom-up strategies help guarantee that the grand vision aligns with citizens’ needs and desires. Blending these approaches can help nurture a more nuanced urban fabric - one that respects local character, enables equity, and fights issues like climate change and social integration. Creating feedback between scientific knowledge and local insights allow for transdisciplinary urban planning, resulting in a holistic vision for urban development and greater accountability in decision-making.”²⁰⁶

Within such a synergetic approach, the central Flemish Government needs to regain control over the visionary and programming aspects of urban planning. It needs to produce and analyse the data to make urban planning possible, searching for needs and trends, and taking a clear stance on what is believed to be part of the conception of new spaces and buildings, and what is not. Ambiguous or differing concepts about privacy, shading, daylight entrance, views, road capacities, semi-public spaces, identity, character, villageness, etc.. urgently need to be reviewed through the lens of their *collective* values and boundaries to provide workable concepts to be used in planning and permitting procedures. This social and cultural evaluation of these concepts within the field of urban planning should be aligned with the meanings they are given in civil law. In the conception of space, not all personal emotional values can and must be taken into account.

This can be illustrated by looking a little bit closer at the concept of Villageness’. Villageness is promoted by the Flemish Government Architect as counterpart of urbanity to strengthen the character and identity of the built environment in Flemish villages.²⁰⁷ The notion of an urban village is engaging and challenging because of its paradoxical character, linking modern city life with deep-seated patterns of supportive social relationships that are more readily identified with established rural arrangements.²⁰⁸ As such, the concept has often been used by government policy-makers, planners, designers and developers to match the desire to create vibrant communities to a more flexible urban renaissance.

But simply transferring the village building guidelines to an urban context as a prescriptive version of the urban village is elusive and contested. Biddulph, Franklin et al. (2002) argue that the concept of the urban village represents a loose, fuzzy and ambiguous set of ideas and associations, that encapsulates not only a vision of a particular outcome of the development process, but also a vision of a particular form of social activity (largely based around localism).²⁰⁹ Kourtit, Nijkamp et al. (2024) identify three constituents of urban liveability of quality of life: *body* (the physical or tangible components of the city), *soul* (the immaterial characteristics of a place that shapes its distinct identity) and *community* (the social

²⁰⁶ Gattupalli, A. (2023).

²⁰⁷ <https://www.vlaamsbouwmeester.be/nl/dorpelijkheid>

²⁰⁸ Crow G. (2020)

²⁰⁹ Biddulph, M.Franklin, B. et al. (2002), p.21

capital and network linkages among people in a place).²¹⁰ Their findings include that accessibility to a balanced and spatially differentiated set of amenities is essential and that high rise buildings may be appreciated, if the area concerned has a sufficient variety of green areas and low-density communities in its vicinity. So, a case can be made to densify the built environment in cities and development guidelines do not need to mirror those of village developments.

In addition, we are in need of a democratically supported structure at the subregional level that produces the necessary urban development frameworks at that level and assesses more complex development projects. Such an intermediate level – e.g. the provincial level - could determine the essential planning frameworks for the whole subregion, supported by a Flemish knowledge centre on spatial planning. In this way competencies can be pooled and any negative externalities can be approached from and levelled out at this subregional level. Furthermore, the issues of creating density and sufficient social and affordable housing should also be addressed at the subregional level by adopting a framework that offers both stability and flexibility in time. As Pankratieva (2013) indicates, a minimum density ratio could be defined by neighbourhood or sector, taking into account the existing typology and demographic composition, cultural heritage elements and elements that favour a higher density (good public transport coverage, the availability of quality public spaces) as well as elements that restrict an increase of density (lack of green space, pedestrian inaccessibility, sound discomfort, pollution, flood areas, presence of cultural heritage).²¹¹

Defoort (2005) argues that this intermediary decision level could well be the provincial level, simply to avoid the establishment of a new subregional level.²¹² Instead of re-evaluating whole permit applications in an appeal procedure, the existing expertise – that was never questioned in any of the interviews - at the provincial level could be engaged to ensure a more qualitative approach to urban planning and permitting.

The establishment of urban planning and development frameworks at this subregional level is the prerogative of the government, that needs to ensure a democratic process with room for input and participation. Tom Coppens (2024) describes the (lack of) responsibility of the Flemish government as follows:

“Through planning, the government determines which functions are desired and where. Where we can build and where we want nothing to be built is laid down in a zoning plan (regional plan, special construction plan, spatial implementation plan). The government safeguards the general interest and takes into account, among other things, the capacity of the environment, natural values, access or possible nuisance. [...] If these plans are outdated, the government can adjust them or replace them with new ones. That is a democratic process with room for input and participation.[...]”

²¹⁰ Kourtit, K., Nijkamp, P., et al. (2024), p4.

²¹¹ Pankratieva, I.(2013), p. 4

²¹² Defoort, P.J. (2005),p. 332

[...] In essence, it is about a lack of leadership: abstract collective interests are offset by direct individual interests.”²¹³

This weak role of the Flemish government was also acknowledged in the interviews.

Another issue that needs to be dealt with is the position of city architects in relation to Quality Chambers or the emergence of a subregional level in urban planning. It seems logical that, although city architects can provide a relevant coherent view of the development of a *city*, their scope of operation should be subordinated to the planning vision at the subregional level. The city of Ghent harbours for instance a university which is of importance for a broader set of subregions, and this institution may require needs in terms of accessibility that conflict with the needs of the citizens of Ghent. Likewise, the trajectory of a ring road may be important for subregional connectivity, but has an impact on the liveability of the city as well. These trade-offs have to be decided upon at the most appropriate level to take into account the overall impact of these decisions, and that level is the subregional level.

5.4 The (re) distribution of value and risks

As both the private developer and the public government seem to have a significant impact on the *perceived* exchange value and the *perceived* use value of a property, the question surfaces how these parties can work together to develop housing with a maximal (exchange value and use) value by shifting risk and rewards optimally in a context of (emerging) financialization of (residential) real estate.

5.4.1.1 Transparent development frameworks

As Fainstein and Novy (2022) illustrated in their comparison of several mega mixed use development schemes built under public private partnerships (PPP's), greater control of the state over land use and planning carries the potential for more equitable development.²¹⁴ If the government is more transparent about the development possibilities of a certain property (e.g. by establishing a planning framework), it takes away uncertainty about the development potential and ensures that the expectations of the real estate developer and the seller of the plot remain in line with what the government is willing to allow. However, the creation of value lies in a public private *cooperation* rather than the currently used partnership models that focus on the public partner directing the development (without assuming the risks) and the private partner just constructing it (and assuming all the risks).

²¹³ Coppens T., Renard, P. Vloebergh G. (2024)

²¹⁴ Fainstein & Novy (2022), p. 21

5.4.1.2 Building capacity to evaluate risks through PPP

The PPP schemes themselves may also provide valuable insights on how risk and rewards can be distributed more equitably between private and public partners involved in the provision of housing. Van Loon (2017) agrees that elements such as sophisticated risk management and basic information about valuation and market developments are largely absent within government administrations. He also observes that, as Flemish real estate prices have been continuously rising, since the early 1990's, and many municipal initiatives are loss generating, it is difficult to observe if excessive risks are taken.²¹⁵ This masking of risk by inflating prices is also problematic to determine the real exposure of private developers to risk, as erratic judgements resulting in additional costs are outweighed by favourable market evolutions that result in a net gain.

5.4.1.3 Extension of development charges

In addition to more control over urban planning and capacity building to evaluate the associated risks, an extension of the development charges could be considered. These charges, that can take the form of a monetary compensation, the execution of works, the onerous transfer of property or the realisation of a mix of (social) typologies, mainly aim to compensate the net gain of the real estate developer or the extra costs that the local authority needs to bear as a result of the development. While the contractual agreements that govern the relations between the public partner and the private partner in a PPP context can integrate formulas that distribute the overall return on the development across the public and the private partner, such a link is non existing when it comes to development charges. Establishing such a link could for instance relate the actual sales prices of a real estate development project (as paid in the end) to the development charges, providing a clawback to redistribute excess profits. Linking development charges and permit conditions may also prove to be a successful recipe to ensure that the built project complies with what has been presented at the time of the permit application.

5.4.1.4 Development agreements

Redistribution of value and risks may also be the subject of a development agreement. In some cities these agreements are already in use, although there is no legal basis for them. At best, they are currently a gentlemen's' agreement or a unilateral promise of the real estate developer since, under the current Flemish legislation, the government that issues the permit cannot make the sovereignty to take decision dependent on what has been agreed in a development agreement. If the legal constraint to do so would be lifted, it is not unthinkable that development rights are traded for public benefits, as long as the assessment of this trade-off happens in the interest of the general public. Examples here could include the cleanup of a polluted site in exchange for a higher building density than generally allowed in a

²¹⁵ Van Loon, J. (2017), p. 153

particular zoning plan. Adopting the legal approach would be more in accordance with the negotiated planning approach that is often adopted, and would provide a more solid legal basis to integrate the outcome of the guidance by a quality chamber into the permitting process;

5.4.1.5 Transferable Development Rights

Transferable Development Rights (TDR) “*enable a redistribution of more and less developable areas according to a supported spatial policy vision, by trading development opportunities and thus by exchanging the added values on the receiving site versus the negative value on the sending site via a mutually agreed price between the landowners and developers.*”²¹⁶ The application of a TDR scheme has been investigated to bring it into practice in Flanders, but was abandoned because it required a subregional scale, which does not exist in Flanders, and because of the presumed difficulties to implement it.

Nevertheless, such a system could be useful to pool development rights at locations supported by the government’s spatial policy vision, allowing real estate developers to operate on a more optimal scale and create projects that have a positive impact on the neighbourhood.

5.4.1.6 Limiting Property Rights

As real estate value is connected to the bundle of legal rights associated with it, a more fundamental rebalancing of social and cultural use value of space may require a further limitation of property rights in other ways than through spatial development plans. This can occur openly and directly by directly limiting the scope or the time of the property rights through adopting changes to the system of civil law, but this seems politically unthinkable in Flanders where property rights seem to be granted indefinitely, allowing capital cumulation by locking in a higher exchange value almost each time a new zoning is agreed upon or a permit is granted. Furthermore, as the adoption of the legislation governing the ‘building shift’ shows, the current political and social forces are likely to submit such direct limitations of property rights to a remuneration at market value.

Limitations on the practical use of property rights may also be imposed more covertly, e.g. by adopting new legislation that curtails the bundle of rights, for example by designating a plot of land as a flood plain or by imposing building restrictions that make a certain use *de facto* impossible, without the need to compensate for the loss of (exchange) value. These sort of limitations of property rights have been mentioned in various interviews by developers and the essence of the problem is that, because these limitations were not transparent at the time of the acquisition, they did not take these limitations into account and simply paid too much for the acquisition. Therefore, the right way to proceed would be to have a fundamental discussion on a more open and transparent way to limit property rights.

²¹⁶ Ruimte Vlaanderen (2016), p. 7

5.5 Smoothing the permitting process and ensuring quality

Increasing complexity, legal uncertainty and delays to obtain permits is seen by most developers and investors as the main source of value destruction through the development process. Value simply gets extracted out of the project by paying interests to banks and fees to lawyers. Finding ways to smoothen the permitting process without losing the ability to ensure qualitative developments would create value.

While the right to appeal is necessary to avoid that urban planners and developers are cahooting against individual basic rights, it is no longer defensible that the urban planning officer of the province can obliterate the whole informal development process between developers and urban planners and decide differently on general aspects of the building permit request. In some sense, this would mean that these urban planners are more competent than their colleagues at the municipality, in which case they should have been involved in assessing the building permit request in the first place, as indicated above. Instead, appeal should be limited to assessing the impact on the *specific* and *individual* elements that might harm the basic rights of those seeking appeal.

In the context of the assessment of the building permit application, an equilibrium has to be found between private ambitions and societal interests. That means that purely emotional values need to be taken out of the equation. The professional evaluation of architectural quality needs to occur in balance with the assessment of other important urban planning elements, by qualified persons taking into account an agreed upon urban planning framework if it exists, as a standing advice in a legally binding procedure.

The role of the so-called “Quality Chambers” is ambiguous at best and experiences are mixed. Different definitions of Quality Chambers exist, as well as different motivations for and scopes of their intervention. Other problems with these Quality Chambers are the loose basis for their existence, the free composition of these chambers, the different modes of operation and the absence of a formalised outcome (in an otherwise heavily formalised permit application process). The Quality Chambers may have conflicting visions with bodies and parties that do have a (legal) stake in the development and permit application process. Another drawback is that the members of the Quality Chamber are often unaware of the trajectory that a permit application already has travelled. If there is no city architect to bridge the gap between urban planning initiatives and these Quality Chambers, they may just as well formulate recommendations that are counterproductive in the light of the overall planning vision. Hence, the quality in their current composition and diversity have no role to play in the permit application process, as they are just adding another layer of complexity.

This does not mean that the Quality Chambers do not have any value. The idea to enhance quality by discussion, to search for solutions by design and to gather professional expertise to evaluate quality is fruitful. In the meantime, different members of Quality Chambers have gained the expertise to engage

professionally with real estate developers, provide guidance and mediate between conflicting interests, which are all valuable competencies in the context of negotiated urbanism. It is the organisation at the level of the municipality, the multitude of self-invented approaches, the superimposition of these quality chambers and the reduction of the role of the urban planning officers to administrators rather than managers of the urban development process that reduces the value of this approach.

Therefore, the competencies assimilated by the current members of the Quality Chambers should, along with other competencies, be pooled at the regional level. In some regions, this is already happening with the composition of regional Quality Chambers, but these should be anchored within the structure of the Flemish Government and not be outsourced. Furthermore, the competencies to manage the permit application process and to mediate between conflicting interests should be reassigned to urban planning professionals, possibly at the subregional / provincial level. It might also be valuable to have the professional evaluation of quality checked against the assessment of local community representatives, e.g. in the context of the Municipal Commission for Urban Planning.

5.6 Ensuring mutual cooperation and fostering collectiveness

Urban planners and real estate developers are convinced that new developments need to occur within the existing urban structure and they both experience the complexity of the current urban planning legislation. While both developers and urban planners value professional cooperation and acknowledge that this leads to more qualitative projects and faster approvals, a significant gap persists between the two professions. This gap is rooted in conflicting visions on property rights and societal responsibilities. These conflicting visions are the exponents of a historical focus on individualism, prioritising individual rights and self-achievement in a competitive context, as opposed to collectivism that prioritises the (social and cultural) group and emphasizes the adherence to group norms. To some extent this may also be a clash between generations or a clash between the countryside and the city.

The lack of trust in developers could be overcome by visiting realised projects and respecting the market insights that developers bring to the table, while the trust in the profession of urban planning could be rebuilt by focussing on solid future-proof urban planning tools (and less on commenting individual projects), by assigning more responsibility to the urban planning offices (thereby evading the need for Quality Chambers of all kinds and colours), and by ensuring that a team of capable urban planners is available to assist local municipalities in their assessment of more complex and bigger projects.

Developers could invest in better preparing the presentations of their projects, with more focus on the broader motives and the added value of the project for the neighbourhood and the general public. In addition, any building permit application would benefit from a more comprehensive motivation note, that clearly indicates that all regulatory requirements are met, as well as the value of the project for the local community and the general public.

Finally, there lies a huge task of fostering *collectiveness*. Collectiveness refers to “*the quality or state of being collective*”.²¹⁷ Collective needs to be understood in this context as the aggregation of similarities or interests between a group of individuals. Whereas collectivism may be associated with an authoritarian structure (such as communism) that drastically alters the foundations of the Flemish society governed, collectiveness puts more emphasis on shared experiences, community involvement and the creation of spaces that foster a sense of belonging within urban environments. These shared experiences may take the form of the realisation of innovative exemplary projects, niche developments and creating legal frameworks that would allow experimentation with sharing living experiences. We simply have to get people to the point where they individually see the benefits of creating social and cultural use value instead of allowing certain interest groups, such as real estate developers on the one hand and self-centred individuals on the other hand, to tip the balance into their own advantage.

5.7 Policy Implications and recommendations for further research

The overarching outcome of the interviews is a general failure of effective planning in Flanders. The central Flemish government is considered to be weak and absent, and smaller local authorities understaffed and unequipped to address complex permit applications. The ‘laissez-faire’ approach can be historically situated but has led to an unprecedented urban sprawl, fuelled by opportunities for landowners to grab value and secure it by obtaining permits. This behaviour is often attributed to real estate developers, but their scope of operations has changed to redeveloping existing sites and buildings. The government needs to regain control over the situation by a synergetic approach where decisions are taken and resources pooled more centrally, and where urban development frameworks are established on a subregional level. The engagement of the provinces as such an intermediate level, or any other subregional body, needs to be further investigated. In addition, a number of ambiguous urban planning concepts need to be reviewed through the lens of their *collective* values and boundaries to provide workable concepts to be used in planning and permitting procedures.

As an important factor of value destruction, the permitting procedure itself needs to be thoroughly reviewed, a.o. to limit the possibilities of frivolous appeals based on personal emotional values or a business incentive, and to lift the possibility to redo the whole assessment of the permit application without taking into account what has been said and agreed upon in the negotiation process. The role and scope of so-called Quality Chambers needs to be structured and integrated in the permitting process, possibly by extending the possibilities of development charges and development agreements. A fundamental question in all of this, to be further investigated, is the role of the urban planner in all of this? Where lies the added value of having such a profession, what competencies are required and do

²¹⁷ Merriam-Webster Dictionary <https://www.merriam-webster.com/dictionary/collectiveness>

the current Master's degree education meet these needs. And if voids in the planning and permitting process are not filled by urban planners, who will do the job and what competencies are required then?

To be able to evaluate the risk and reward distribution in real estate development and weigh these advantages and risks against societal benefits, costs and risks, public capacity needs to be built for the analysis of feasibility studies and the analysis of risks. Merely relying on external consultants will not be sufficient, especially in a more financialized context. Once this capacity has been developed, it needs to be investigated whether and to what extent we want (local) governments to take on certain risks themselves.

Finally, the analysis of the case study has demonstrated that Upgrade Estate has the capabilities to build relationships with its stakeholders and to develop a product that caters the needs of its' tenants and investors, based on market research. The need for the product, the marketing approach and to some extent, the architectural form of the Loop 5 buildings, create a sense of *collectiveness* that allows Upgrade Estate to finance its operation base on notoriety, which is the combination of a very strong relationship with its investors, a stable but relatively low financial return, social and societal responsibility, excellent corporate marketing and a proven track record. However it does so via an innovative financing system that seems to have escaped the attention of the Financial Services and Market Authority (FSMA). To limit the risks for the end investors, the FSLA should urgently review this type of structure, especially with respect to governance, fair valuation and transparency.

BIBLIOGRAPHY

Books and Papers

Aalbers, M.B. (2008) *The financialization of home and the mortgage market crisis*. Competition & Change 12(2) <https://hdl.handle.net/11245/1.293929> 148-166.

Aalbers, M.B. (2016) *The Financialization of Housing. A political Economy Approach*, New York, Routledge, 168 p.

Attuyer, K. , Guironnet, A., & Halbert, L. (2012a). "Turning Pumpkins into Carriages": Sustainable Urban Development and the Financialization of 'Green' Commercial Real Estate in France." *Articulo - Journal of Urban Research* 9 : 1–16. <http://articulo.revues.Org/2155> .

Attuyer, K. , Guironnet, A., & Halbert, L. (2012b). La ville à 7%. Stratégies d'investissement, politiques publiques et droit de cite. *Urbanisme* 384, 72–74

Bach, M.A. (2003) *Real Options in Practice*. Wiley Finance.
370p.<http://dl.fx1.com/files/books/english/Real%20Options%20In%20Practice.pdf>

Barclay, Coryn (2018) Semi-Structured Interviews. *Knowhow Learning Resources* . Know Fife Partnership Hub https://know.fife.scot/_data/assets/pdf_file/0028/177607/KnowHow-Semistructured-interviews.pdf

Banke-Thomas, A. O., Madaj, B., Charles, A., & van den Broek, N. (2015), Social return on investment (SROI) methodology to account for value for money of public health interventions: a systematic review. *BMC Public Health*, 15 (1), 582

Biddulph, M., Franklin, B., & Tait, M. (2002). The Urban Village: A Real or Imagined Contribution to Sustainable Development? Department of City and Regional Planning, Cardiff University. July 2002 <https://orca.cardiff.ac.uk/id/eprint/10523/1/final%20report.pdf>

Bloom D.E, Zucker L.M. (2023) Aging is the real population bomb. *IMF Analytical Series*. 2023

Bozeman, B. (2007). Public Values and Public Interest: Counterbalancing Economic Individualism. Georgetown University Press. P.224 <http://www.jstor.org/stable/j.ctt2tt37c>

Bräutigam, J., Esche, C., & Mehler-Bicher, A. (2003). Uncertainty as a key value driver of real options. 21p.
https://www.researchgate.net/publication/241469689_Uncertainty_as_a_key_value_driver_of_real_options

Büdenbender, M. & Aalbers, M.B. (2019) How subordinate financialization shapes urban development: The rise and fall of Warsaw's Służewiec business district. *International Journal of Urban and Regional Research*, in press.

Calabresi, G., & Melamed, A. D. (1972). Property Rules, Liability Rules, and Inalienability: One View of the Cathedral. *Harvard Law Review*, 85(6), 1089-1128.

Coase, R. H. (1960). The Problem of Social Cost. *Journal of Law and Economics*, 3(1), 1-44.

Crow G. (2020) Urban Village. In *International Encyclopedia of Human Geography (2nd Edition)* <https://www.sciencedirect.com/topics/social-sciences/urban-village>



- Defoort, P.J. (2005) Bevoegdheidsverdeling in de ruimtelijke planning. Subsidiariteit: feit of fictie? *T.R.O.S.* 40, pp.281 -335; <https://ldr.be/sites/default/files/200540.pdf>
- De Vos, J. & Van Acker, V. & Witlox, F.. (2012). Vlaanderen vs. Nederland. Invloed van de ruimtelijke planning op mobiliteit. *Ruimte & Maatschappij*. 3. 1-27.
- Dörny, S., and Handke M.. (2012) Disentangling the Geography of Finance and Real Estate: Competing Space-Times of Decision-Making and Uneven Spatial Development. *Articulo - Journal of Urban Research*, 9 : 1–9. <http://articulo.revues.org/2149>.
- Fainstein & Novy (2022), Property Speculation: Causes and consequences. In: *The Speculative City: Emergent Forms and Norms of the Built Environment*. University of Toronto Press, 282 p.
- Gabor, D. & Kohl, S. (2022). The financialization of housing in Europe - My Home is an asset class.
- Gaddy, W.E. and Hart, R.E. (2015) *Real Estate Fundamentals*. Ninth Edition, Dearborn Real Estate Education Company, USA. , p. 362
- Gandelsonas, M. (1998). The City as the Object of Architecture. *Assemblage*, 37, 129–144. <https://doi.org/10.2307/3171359>
- Grafe F.-J. & Mieg. H.A. (2019) Connecting financialization and urbanization: the changing financial ecology of urban infrastructure in the UK. *Regional Studies, Regional Science*, 6:1, 496-511, DOI: [10.1080/21681376.2019.1668291](https://doi.org/10.1080/21681376.2019.1668291)
- Geltner, D., Miller, N. G., Clayton, J., & Eichholtz, P. (2014). Commercial real estate analysis and investments (3rd ed.). p.864
- Glaeser E. L. (2010) Financialization and the Future of American Economy.
- Graaskamp, J.A. (1981) Fundamentals of Real Estate Development. *ULI Development Series*. Washington D.C. pp.. 31
- Guironnet, A., & Halbert, L. (2014). The Financialisation of Urban Development Projects: Concepts, Processes and Implications. Working Paper N° 14-04; 44. <https://hal-enpc.archives-ouvertes.fr/hal01097192>
- Guy, S., & Henneberry, J. (2000). Understanding urban development processes: Integrating the economic and the social in property research. *Urban Studies*, 37(13), 2399-2416.
- Guy, S., & Henneberry, J. (Eds.). (2002). *Development and developers: Perspectives on property*. Blackwell Science. [https://library.navoij-uni.uz/files/guy%20s.%20-%20development%20and%20developers%20\(2002\)\(308s\).pdf](https://library.navoij-uni.uz/files/guy%20s.%20-%20development%20and%20developers%20(2002)(308s).pdf)
- Fisher, J.D. and Martin, R.S. (1995) *Investment Analysis For Appraisers*, Dearborn Financial Publishing Inc, USA., p. 142
- Goler, L. Gale, J., Harrington B. & Grant, A. (2018) The 3 Things Employees Really Want: Career, Community, Cause. In: *Harvard Business Review*. February 20, 2018. <https://hbr.org/2018/02/people-want-3-things-from-work-but-most-companies-are-built-around-only-one>
- Halbert, C. B. (2011). The financialization of urban development projects: Concepts, processes, and implications. *International Journal of Urban Sustainable Development*, 3(2), 111-131.

Halbert, L. (2013a). Les acteurs des marchés financiers font-ils la ville? Vers un agenda de recherche. *Espace Temps.net*. <http://www.espacetemps.net/articles/les-acteurs-desmarches-financiers-font-ils-la-ville-vers-un-agenda-de-recherche/>

Halbert, L. (2013b). Les deux options métropolitaines des politiques de développement territorial. *Annales de Géographie*, 689, 108-121.

Harvey, D. (1978). The urban process under capitalism: A framework for analysis. *International Journal of Urban and Regional Research*, 2(1-4), 101-131.

Harvey, D. (1989). From managerialism to entrepreneurialism: The transformation in urban governance in late capitalism. *Geografiska Annaler: Series B, Human Geography*, 71(1), 3-17.

Healey, P., & Barrett, S. M. (1990). Structure and agency in land and property development processes: Some ideas for research. *Urban Studies*, 27(1), 89-103.

Holbrook, M. B., & Hirschman, E. C. (1982). The experiential aspects of consumption: Consumer fantasies, feelings, and fun. *Journal of Consumer Research*, 9(2), 132-140. <https://doi.org/10.1086/208906>

Johnson C., Dietrich P. (2003). Assessing real estate development and property management risk. *Professional Liability Underwriting Journal*, vol.16 (11)

Kamari, A. (2023) From Decision Theory to Informed Decision-Making in the Design of Sustainable High-Performance Buildings. *Sustainability* 2023, 15, 15784. <https://doi.org/10.3390/su152215784>

Khumpaisal, S. (2011). A classification of risks in real estate development business. *Journal of Architectural and Planning Research*.

Kourtit, K., Nijkamp, P., et al. (2024). Villages in the city – Urban planning for neighbourhood love. *Tijdschrift voor Economische en Sociale Geografie*. <https://doi.org/10.1111/tesg.12618>

Kuletskaya, D. (2023a). On the value of land and housing: urban development in Minsk and Warsaw after 1989. Doctoral Thesis. Rheinisch-Westfälische Technische Hochschule Aachen.

Kuletskaya, D. (2023b). Concepts of use-value and exchange-value in housing research. *Housing, Theory and Society*, 40(5), 589-606. <https://doi.org/10.1080/14036096.2023.2238740>

Lefas, P. (2000). On the fundamental terms of Vitruvius's architectural theory *Bulletin of the Institute of Classical Studies*, 44, 179–197. <http://www.jstor.org/stable/43646630>

Lefebvre, H. (1974,1984) *The social construction of Space*. Translated by Donald Nicholson-Smith (1991). Blackwell Publishing, Oxford. 461 p.

Lincoln Institute of Land Policy. (2017). Strategies for mitigating the negative impacts of financialized real estate.

Ling, D. C., & Archer, W. R. (2020). *Real estate principles: A value approach* (5th ed.). McGraw-Hill Education.

Macagnano, M. (2021) Real Estate-as-a-Service: From 'product and space' to 'system and service. *Deloitte*, <https://www.deloitte.com/lu/en/Industries/real-estate/research/smart-building-real-estate-predictions.html>

Marco, E., Williams, K. & Oliveira, S. (2020). Too Much 'Stuff' and the Wrong Space: A Conceptual Framework of Material Possessions. 3. 219-242. <https://doi.org/10.7454/in.v3i2.78> .

- Mazzucato, M. (2018). *The value of everything: Making and taking in the global economy*. Public Affairs.
- Mazzucato, M. (2023) *The Entrepreneurial state*. (4th Ed). Penguin, p. 260
- Miles, M. E., Berens, G., & Weiss, M. A. (2015). *Real estate development: Principles and process* (4th ed.). Urban Land Institute.400p.
- Moore, A. (2016). Decentralised decision making and urban planning: A case study of density for benefits agreements in Toronto and Vancouver. *Canadian Public Administration*, 59(3), 425-447. <https://onlinelibrary.wiley.com/doi/abs/10.1111/capa.12179>
- Osterloh, M. (2016). The impact of financialization on housing and urban development.
- Pankratieva, I. (2013). The Brussels-Capital Region: Increasing the density of urban spaces and preserving the quality of life. *Project Baikal*. https://perspective.brussels/sites/default/files/documents/20220922_projecting_densite_cahier_nl.pdf
- Peiser, R. B., & Frey, A. B. (2004). *Professional real estate development: The ULI guide to the business* (2nd ed.). Urban Land Institute.
- Piketty, T. (2014). *Capital in the twenty-first century*. Belknap Press.
- Pourcelot, A. Duah, S. (2022) Economics of the Built-To-Rent Sector in Europe. *BNP Paribasfortis*. Available: <https://www.realestate.bnpparibas.com/economics-build-rent-sector-europe-april-2022>
- Rahman, K. (2001). Appraising the potential for joint risk management. Department of Civil Engineering, The University of Hong Kong. Available: [https://www.researchgate.net/publication/310673346 Apprising the potential for joint risk management](https://www.researchgate.net/publication/310673346_Apprising_the_potential_for_joint_risk_management)
- Raworth, K. (2017). *Doughnut economics: Seven ways to think like a 21st-century economist*. Chelsea Green Publishing.
- Romainville, A. (2017). The financialization of housing production in Brussels. *International Journal of Urban and Regional Research*, 41(4), 623-641. <https://doi.org/10.1111/1468-2427.12517>
- Roulac, S., Adair, A. & al. (2006) Real Estate Value: Creation and Destruction. Paper presented at the Twenty-Second Annual Meeting of the American Real Estate Society, Key West. University of Ulster, Northern Ireland, 20p. [10.1108/14635780610708293](https://doi.org/10.1108/14635780610708293)
- Rutland, T. (2010). The financialization of urban redevelopment. *Geography Compass*, 4(8), 1167-1178.
- Sagalyn, L. B. (2012). Public/private engagement: Promise and practice. In B. Sanyal, L. J. Vale, & C. D. Rosan (Eds.), *Planning ideas that matter: Liveability, territoriality, governance, and reflective practice* (pp. 233-257). MIT Press.
- Sassen, J., & Vandenbergh, J. (2023). Het meten van financialisering op de woningmarkt. Een literatuuronderzoek naar de situatie in Vlaanderen. *Steunpunt Wonen*.
- Sassen, S. (2008) Re-assembling the urban. *Urban Geography* 29(2). Bellweather Publishing. pp.113-126 <https://www.saskiasassen.com/PDFs/publications/Re-Assembling-the-Urban.pdf>.
- Swyngedouw, E., & Ward, K. (2023). Land as an asset. In *The political economy of land*.
- Tapp, S., & Weber, R. (2023). Building as financial assets. In *The political economy of land*.

Topalov, C. (1974). *Les promoteurs immobiliers: Contribution à l'analyse de la production capitaliste du logement en France*. Éditions de l'École des hautes études en sciences sociales.

Urban Displacement Project.(2015) 'The Role of Financialization in Urban Displacement'

Valentin, I. (2013). La ville sur-mesure. Interview by Isabelle Baraud-Serfaty. *Études Foncières*, 165.

Van Crieelingen, M. (2010) Du vieux vin dans de nouvelles bouteilles ? Une comparaison des opérations de réaménagement des quartiers Nord et Midi à Bruxelles. *Belgeo. Revue belge de géographie*, (1-2) : 49–64.

Van den Broeck, P. & Verachtert, K.. (2016). Whose Permits? The Tenacity of Permissive Development Control in Flanders. *European Planning Studies*. 24. 387-406.
<https://www.tandfonline.com/doi/full/10.1080/09654313.2015.1045838>

Van Loon, J. (2017) The (non-) financialization of urban development in the low countries. Dissertation presented in partial fulfilment of the requirements for the degree of Doctor of Science (PhD): Geography KU Leuven, 165 p.

Vervloesem, E. (2024) Bouwen aan het Stadsbouwmeesterschap; Enkele bedenkingen, bobservaties, ervaringen en suggesties vanaf de zijlijn. In: *Samen Gebouwd – Bouwmeesterrapport 2017 -2023*. Stad Gent, p. 86
https://stad.gent/sites/default/files/media/documents/SBMG_STADSNOTA%20evaluatie%20Samen%20Stad%20gebouwd%20binnenwerk%20FIN_LR.pdf

Verweire, K. (2020) Upgrade Estate: winning with sustainability. *Vlerick Business School*, pp. 18.
<http://hdl.handle.net/20.500.12127/6469>

Vos, A. (2005) De essentie van conceptontwikkeling: het uitvinden van wat van waarde en waardevol zal zijn. *Real Estate Magazine*, 43, 15-19. <https://frw.studenttheses.ub.rug.nl/2213/1/05164.pdf>

Ward, Peter M. (2008) The Social Construction of Economic Value Narratives in Housing. In : *Housing Studies*, Volume 23, Issue 2, March 2008, pages 221-237.

Weber, R. (2002) Extracting Value from the City: Neoliberalism and Urban Redevelopment. *Antipode* 34 (3) : 519–540. doi: <https://doi.org/10.1111/1467-8330.00253>

Weber, R.. (2010) Selling City Futures: The Financialization of Urban Redevelopment Policy. *Economic Geography* 86 (3) : 251–274.

Wiegmann, T. (2012) Risk Management in the Real Estate Development Industry. Doctoral Thesis, *Bond University Australia*, p. 26. Available:
https://research.bond.edu.au/files/18265475/Risk_Management_in_the_Real_Estate_Development_Industry.pdf

Wijburg G. (2021). The de-financialization of housing: towards a research agenda". *Housing Studies*, 36:8, 1276-1293, DOI: <https://doi.org/10.1080/02673037.2020.1762847>

Wijburg G, Aalbers, M. B., Heeg, S. (2018) The Financialisation of Rental Housing 2.0: Releasing Housing into the Privatised Mainstream of Capital Accumulation. *Antipode*. <https://doi.org/10.1111/anti.12382>

Wilson, D. (1991) Urban Change, Circuits of Capital, and Uneven Development. *The Professional Geographer* 43 (4) : 403–415

Newspaper / Website Articles

(all articles have been consulted between May 1 and August 20, 2024)

Andries, S. (2023) Lokale ambtenaren gefrustreerd over vriendjespolitiek in bouw dossiers. In : *De Standaard*, August, 4, 2023. https://www.standaard.be/cnt/dmf20230803_94110826

Andries, S. & Van Maele, P. (2023) Het gevecht van De Haan tegen de bouwpromotoren: 'Ze loeren continu, je moet ogen op je gat hebben. In: *De Standaard*, July 21, 2023. https://www.standaard.be/cnt/dmf20230731_91060143

Brinckman, B. (2022) Ruimtelijke Verrommeling door een gebrek aan leiderschap. In: *De Standaard*, 87 september 2022. https://www.standaard.be/cnt/dmf20220907_97649381

Bordon, S. (2021) The residential real-estate market for institutional investors. *ION*. <https://www.ion.be/en/articles/residential-real-estate-market-institutional-investors>

Coppens T., Renard, P. Vloebergh G. (2024) Welkom in de nieuwe decretale speeltuin voor speculanten. In: *De Standaard*, May, 24, 2024. https://www.standaard.be/cnt/dmf20240520_96151219

De Rijkste Belgen. Nieuw Dividend van 45 miljoen voor Nele Vandamme en Koenraad Belsack. <https://derijkstebelgen.be/nieuws/nieuw-dividend-van-45-miljoen-voor-nele-vandamme-en-koenraad-belsack>

Eurocities (2024) Latest survey of European mayors: city leaders need support to tackle housing and social crises. <https://eurocities.eu/latest/survey-of-european-mayors-city-leaders-need-support-to-tackle-housing-and-social-crises/>

Gattupalli, A. (2023). 'Top-Down and Bottom-Up Urban Planning: A Synergetic Approach' *ArchDaily*. <https://www.archdaily.com/1005567/top-down-and-bottom-up-urban-planning-a-synergetic-approach>
Accessed 20 Aug 2024.

Grietens, E. (2021) Vijftig jaar ruimtelijk beleid: waar staan we vandaag? 23 dec 2021. <https://www.bondbeterleefmilieu.be/artikel/vijftig-jaar-ruimtelijk-beleid-waar-staan-we-vandaag>

Lelong, J. (2024) Na de waarschuwing van Nederlandse experts: moet ook België de bevolkingsgroei een halt toeroepen? In: *De Morgen*, February 3, 2024. <https://www.demorgen.be/nieuws/na-de-waarschuwing-van-nederlandse-experts-moet-ook-belgie-de-bevolkingsgroei-een-halt-toeroepen~bf7f0151b/>

Notelteirs, O. (2024) Wij zijn een dorp, geen stad: steeds meer verzet tegen appartementisering. In: *De Morgen*, February 29, 2024. <https://www.demorgen.be/nieuws/wij-zijn-een-dorp-geen-stad-steeds-meer-verzet-tegen-appartementisering~babf9681/>

Sels, G.(2024) "Architecturaal rampgebied": hoe het zover kon komen met de Belgische kustlijn. In: *De Standaard*, August 12, 2024. https://www.standaard.be/cnt/dmf20240811_95724816

Vanacker, L. (2022) Grote investeerders storten zich op Belgische huurflats. In: *De Tijd*, May, 22, 2022. <https://www.tijd.be/ondernemen/vastgoed/grote-investeerders-storten-zich-op-belgische-huurflats/10392690.html>

Van Maele, P. (2023) Waarom de Vlaming geen hoogbouw lust: "Gaaf het over wonen, dan zijn we conservatief." In: *De Standaard*, 26 oktober 2023. https://www.standaard.be/cnt/dmf20231025_97231353

Vandewiele, D. , Van Assche, J et al. (2008) Huren in Gent Resultaten van het onderzoek naar de kwaliteit en betaalbaarheid van de private huurwoningen in Gent 2007. Centrum voor Duurzame Ontwikkeling (CDO) en Centrum voor Lokale Politiek (CLP), Universiteit Gent

Van Tornhout, L. Mallants, B. et al. (2024) "Open Brief: Paradigmashift nodig om nakende wooncrisis Tegen te houden." *Bouwen en Wonen*. <https://www.bouwenwonen.net/artikel/Open-Brief-Paradigmashift-nodig-om-nakende-wooncrisis-tegen-te-houden/51546>

Verhaeghe, O. (2024) "Vlaanderen voert strijd op tegen bouwen in overstromingsgebied." In: *De Tijd*, July 13, 2024. <https://www.tijd.be/politiek-economie/belgie/vlaanderen/vlaanderen-voert-strijd-op-tegen-bouwen-in-overstromingsgebied>

Winckelmans, W. (2023). "Gemeenten vragen advies aan Vlaamse overheid, maar krijgen het vaak niet." In. *De Standaard*, 28 november 2023. https://www.standaard.be/cnt/dmf20231127_96175137

Websites

(all websites have been consulted between May 1 and August 20, 2024)

Architectura www.architectura.be

BNP Paribas <https://www.realestate.bnpparibas.com/economics-build-rent-sector-europe-april-2022>

Eenzaamheid Informatiecentrum <https://eenzaamheid.info/belgie-of-nederland/>

Eurostat <https://ec.europa.eu/eurostat>

Federal Planning Bureau, www.plan.be.

FMSA <https://www.fsma.be/nl/faq/1-welke-gevallen-moet-er-een-prospectus-woorden-gepubliceerd-en-welke-gevallen-een>

Huurschatter <https://www.huurschatter.be/>

Stad Gent www.vastgoedinformatie.stad.gent

Stad Gent https://stad.gent/sites/default/files/media/documents/2021-THE-LOOP-EINDRAPPORT_Deel1.pdf

Omgeving Vlaanderen <https://omgeving.vlaanderen.be/nl/ruimtelijk-beleid-en-planning/ruimtelijk-beleid/ruimtelijk-structuurplan-vlaanderen>

ORG Permanent Mobility <https://orgpermod.com/urbanism/projects/the-loop-gent>

Ruling Commission. Preliminary Decision no. 2021.0953 dated 14.12.2021, SPF Finances, Available: www.ruling.be.

Upgrade Estate Case Study Loop 5

BLOOVI (2021) Upgrade Estate, marktleider met een sociale missie: “De relevantie van onze studentenkamers is nooit duidelijker geweest dan tijdens de coronacrisis”.

<https://www.bloovi.be/branded/insights/2021/marktleider-in-studentenhuisvesting-met-een-sociale-missie-de-relevantie-van-onze-studentenkamers-is-nooit-duidelijker-geweest-dan-tijdens-de-coronacrisis>

Accessed: August 5, 2024

Building Permit 2004/20259, Archives Ghent, Accessed on 17/06/2024

Upgrade Estate (2024) Loop 5 Investment Brochure

Upgrade Estate (2024) Bijlage partnerships op loop 5. Samen maken we sterke merken.

Upgrade Estate (2024), E-mail 30/05/2008 & July 11, 2024

Upgrade Estate Future Fit Progress Report 2023-2024, https://hubs.ly/Q02CgW_10

Upgrade Estate (2022), Internal Regulations Loop 5, March 17, 2022

Published Annual Accounts Upoffiz Loop 5, December 31, 2021-2022-2023 (www.balanscentrale.be)

Van Damme, S. (2021) Upgrade Estate bouwt de hipste kantoorwijk van Gent aan de Loop: “Glijbaan, trampolines en theaterzaal naast kantoren en flats”. In: *Het Laatste Nieuws*, September 19, 2021.

<https://www.hln.be/gent/upgrade-estate-bouwt-de-hipste-kantoorwijk-van-gent-aan-the-loop-glijbaan-trampolines-en-theaterzaal-naast-kantoren-en-flats~ac2795e5> Accessed: August 5, 2024

Van Damme, N. (2021) 4 Redenen waarop Upgrade Estate niet naar de beurs gaat. *Linkedin*, March 14, 2021.

<https://www.linkedin.com/pulse/4-redenen-waarom-upgrade-estate-niet-naar-de-beurs-gaat-van-damme/> Accessed: August 5, 2024

www.upgrade-estate.be

www.upoffiz.be

<https://futurefitbusiness.org>

<https://www.bontinck.biz/en/projects/loop-5/>

<https://www.ugent.be/student/nl/meer-dan-studeren/huisvesting/residenceloop>

https://youreka-virtualtours.be/tours/upliving_loop5/?startConfiguration=upliving&configurationId=1&startNode=node20&hideIntro=1&lang=EN, Accessed: June 19, 2024

Other sources

Council of the State, Judgement nr. 255.193 van 6 december 2022

Hayes, A. (2022). "Real Estate Limited Partnership (RELP): Definition and Roles" Investopedia. <https://www.investopedia.com/terms/r/realestatelimitedpartnership.asp>. Accessed July 29, 2024

International Valuation Standards (2016) *IVS 410 Development Property*. <https://www.ivsc.org>

ISO Guide 73:2009(en) , Risk management — Vocabulary, 1.1, note 4. International Standards Organisation. Available: <https://www.iso.org/obp/ui/#iso:std:iso:guide:73:en>

Stadim *Kotkompas 2023* Accessible: <https://www.stadim.be/nl/publicaties/kotkompas-2023>

Stadim (2020) *Kotkompas 2020*. Accessible: <https://diggitstudentlife.eu/sites/default/files/2021-11/Kotkompas%202020.pdf>,

RICS (2015), Management of Risk – Guidance Note. Published by: *The Royal Institute of Chartered Surveyors*. Available: https://www.rics.org/content/dam/ricsglobal/documents/standards/management_of_risk_1st_edition_rics.pdf , pp 22

Ruimte Vlaanderen (2016) *Adviesnota Verhandelbare Ontwikkelingsrechten*. https://archieff.algemeen.omgeving.vlaanderen.be/xmlui/bitstream/handle/acd/229959/Adviesnota_verhandelbare_ontwikkelingsrechten_2016.pdf

UN-Habitat. (2020) United Nations Human Settlements Programme 'Practices for Promoting Equitable and Sustainable Urban Development'

UPSI-BVS (2023) Memorandum Flanders 2024 <https://www.upsibvs.be/media/pages/dossier/2023/memorandum-vlaams-gewest/1656474565-1698586353/memorandum-vl-2024.pdf>

Vlaamse Bouwmeester (Flemish Government Architect) <https://www.vlaamsbouwmeester.be/nl/dorpelijkheid>

Vlaams Kenniscentrum Publiek Private Samenwerking (Flemish Knowledge Centre for Public Private Partnerships) (2018), Praktische Handleiding Gebiedsontwikkeling. Departement Kanselarij en Bestuur – PPS Kenniscentrum. 143 p. <https://publicaties.vlaanderen.be/view-file/28270>

Vlaanderen – Departement Omgeving (Flanders - Department of Environment) <https://omgeving.vlaanderen.be/nl/ruimtelijk-beleid-en-planning/handreikingen/handreiking-vooroverleg>
Accessed: June 17, 2024

ANNEXES

Annex 1: Interview questions and interviews

1.1 Case Study Interview

- Koenraad Belsack, CEO, Upgrade Estate

To the developer of Loop 5 – Upoffiz - Upliving:

1. What are the key considerations you take into account when developing a new property ? E.g. Loop 5 – Upoffiz – Upliving?
2. What role does affordability play in your development decisions?
3. Why did you choose the market segment of student housing? Why did Upgrade evolve to include co-living for young urban professionals? What are the similarities and differences between these two concepts (Upliving and Upkot)?
4. Upgrade Estate uses a particular way of financing development, i.e. through the use of an SPV, with contributions in equity of private shareholders. What are the advantages/disadvantages of this system?
5. Would you describe the financing structure of Loop 5 as a cooperative financing structure? Why (not)?
6. Has the financialization of housing / available liquidity in the market impacted your company's approach to real estate development & financing ability?
7. Do you see a similar evolution of a more financialized approach to housing in other real estate market segments in Belgium? Are there similarities to the segment of student housing / co-living for young urban professionals?
8. In what way does Loop 5 – Upoffiz – Upliving engage with the architectural form and urban functions of the neighbourhood?
9. Can you describe the development process of the project? What was the interaction with other stakeholders: city representatives, future users, neighbourhood representatives?
10. What steps do you take to ensure that your projects contribute positively to the urban form and functions of the city?

11. How do you balance the need for financial returns with the impact your projects have on the surrounding community and/or neighbourhood? Were there any desires articulated by the local government? How did you come to a common ground to develop the project?
12. In the cooperation with the government on Loop 5, which party assumed which type of risk and why? Would you have been able to maximise value by taking on less/more risk?
13. How do you collaborate with local government and community stakeholders to ensure that your developments are aligned with the city's vision and needs?
14. What could be done by the urban planning office to foster a better cooperation with developers?
15. What advice would you give to other property developers on how to bridge the gap with the urban planning office?

Questions for users of Loop 5 – Upoffiz - Upliving:

1. What are your preferences / limitations with respect to renting or owning a home or a place to live?
2. What were your expectations for the design and quality of the building, the private and the common spaces and the community building initiatives of the project? Were these expectations met?
3. Do you believe that property developers and investors are adequately considering the needs of residents when making development decisions?
4. Do you have any concerns about the impact of the development on the character and liveability of your neighbourhood?
5. Did you just rent a home/studio, or did you also participate in the investment itself? Why?

Questions for investors of Loop 5 – Upoffiz - Upliving:

1. Why did you invest in the project?
2. What financial return are you expecting? How do you situate this return versus other (real estate and other) investments?
3. Is the overall communication of Upgrade Este on the risks and returns of the project transparent? What information is available? What is missing?

4. How do you balance the need for a return versus adding certain features to the building to upgrade its architecture, urban function or community acceptance?
5. Do you think that this type of financialized housing leads to gentrification, displacement of certain income groups or has other negative effects? Why?

Questions for the City Architect who assessed the building permit request as part of the Quality Chamber:

1. How does the proposed development (Loop 5 – Upoffiz – Upliving) fit into the city's overall planning framework and land use policies?
2. What are the potential impacts of the development on the surrounding neighbourhood, including mobility, public infrastructure investment and gentification?
3. How does the development address the city's need for affordable housing?
4. How does the *design* of the development contribute to the overall liveability and vibrancy of the new southern station neighbourhood? How will the development in general contribute to the city's economic vitality and diversity?
5. What steps were taken to engage with the community and incorporate their feedback into the development plans?
6. What are the long-term implications of approving this development for the future of the city?
7. How did the development approach evolve? Can you describe the interests of the developer and the interest of the city? How did you find a common ground to come to a project of which the permit could be approved?
8. How can we ensure that new developments are more aligned with the city's vision for an equitable, sustainable, and resilient future?
9. What could be done by the urban planning office to foster a better cooperation with developers?
10. What advice would you give to property developers on how to bridge the gap with the urban planning office?

Interview Koenraad Belsack – CEO – Upgrade Estate

- The Upoffiz concept was a natural evolution from the Upkot and Upliving activities, spurred by the fact that the company itself had been growing organically and needed to relocate from 3 offices to one common working space. At that point, we questioned ourselves: how should such a working space be defined for our own employees. What are their expectations.
- This concept is in line with what CEO's are worrying about: how can they attract highly skilled people and what are their expectations. To understand this better and convert 'the big idea' into a concept, we did a number of market research studies into the needs and requirements of young urban professionals, of CEO's, of employees and we even used virtual reality to investigate the impact of interior design on the productivity and stress level of future employees. This evidenced that a direct relationship between a working environment and a view on a garden non necessarily resulted in a higher profitability, but significantly reduced stress levels of employees.
- The subsequent development of the concept of Loop 5 was the fruition of an efficient interaction between the founders of Upgrade Estate and the (landscape) architects. The design brief included a number of ambitions such as the necessity to provide a direct visual relationship with the landscaped garden and high sustainability standards. Different conceptual compositions were tested, a.o. to have a parking building instead of underground parking.
- Eventually a honeycomb structure was applied to position and shape the buildings. The hexagonal structure means that some m² are lost compared to traditional office buildings, but it is these type of new and even sustainable buildings that remain nowadays unlet at the Loop. Density is not the only criterium to generate value, it is also about creating qualitative spaces that yield a feeling of wellbeing that is difficult to express in monetary values. Loop 5 is nowadays a beehive in terms of deployed activities and forged relationships.
- Overall the Loop 5 project was permitted, built and rented in a period of 7 years. The speediness of building in a prefabricated way had to compensate the setbacks in the permitting process. The slow speed to deliver permits can be quite frustrating, as well as the number of government representatives that need to be convinced of the project. Each public servant defends his or her particular expertise and it is difficult to convert these different views, even for representatives of the planning office. In addition to existing and known regulations, some services have additional internal rules, which can be outdated or not in line with the urban planning guidelines.
- The financing of the projects has evolved over time. In the early years of Upgrade Estate, we converted existing buildings into different units, which were sold piece by piece. Changes in local vision and legislation forced us to be creative and to change the business model. We switched to a cooperative model, which has advantages as long as the management of the cooperative structure is held in one hand and we ensured that this remains the case.

- Most of the investors do not have a pre-set time horizon: they like to believe that they are acquiring real estate and they generally only sell their stake in the SPV when they need the money for other purposes, or when their children have received the participation and they want to do something else. After a holding period of 3 years, we are ready to reacquire the participation of investors and we also have the financial means to do so: we have a very solid equity of over 500 MEUR and the total amount of outstanding debt is limited to not much more than 40 MEUR. As a matter of fact we are eating our own bread too, which cannot be said about most real estate developers.
- With respect to the investment yield, we strive to give potential investors an idea of a realistic return based on previous projects, which is not guaranteed. Dividend yield is determined by the general meeting upon a proposal of the board, taking into account the provisions of the statutory deeds and the agreements. In the case of Loop 5, they foresee an entrance fee of 2% and an exit fee of 3%, as well as a carried interest provision, which is not uncommon for these type of general partner/limited partner structuring of real estate projects. The documents are all available upon request, but the information is not contained in the investment brochures.
- In the board of the SPV, three independent directors are seated as well as three representatives of the Upgrade Estate Group. It is true that, in case of a disagreement, Upgrade Estate has a controlling vote via the chairman, but this has never been used. The proposal on the height of the dividend is based on a DCF analysis, which takes into account a stable flow of rental returns and some more variable elements, such as the rent paid by the Amelia bar. The DCF model is thoroughly audited. The dividend distribution proposals generally aim to provide as stable return, which is valued by our investors. At the annual general meeting we take the time to explain the basic elements of the financial results, and we have prepared backup information to answer to any question. All investors are also invited every 5 year to visit the building that is the indirect object of their investment.
- We do look solely at the optimisation of the financial returns for Upgrade Estate Group. The family character of our business and a good relationship with our investors and tenants is key for us. If an exit of the equity participations of Upgrade Estate is on the table, we will be more inclined to go for a cooperative structure than a clean exit via a regulated real estate company.
- The fact that we are looking at financial, social and societal goals is also clearly stated in our mission. We are employing the future fit tool to benchmark progress on key sustainability metrics, as described in the Future Fit Progress Report 2023-2024.
- In the definition of our concepts, products, projects and processes we are drawing on our own insights and creativity. We consider benchmarking against other competitors less useful and we are sceptical towards market analysis that propagate that another 90.000 units of student housing will be necessary by 2030. Instead we try to learn from peers in the sector and we conduct our own market research.

- A weaker point of our approach is currently the way that we are obtaining our permits. We do hold information meetings, but we do not have an adequate participative approach.
- Developers should be better at defining their product and motivating their choices. Some developers have a strong knowledge of the products that they develop and they have a reputational responsibility towards their brands. Other developers still work more incidental and have far less knowledge about the market.
- For urban planning and other government representatives, losing some organisational weight would be beneficial. This means that less people get to decide on a broader scope of elements related to a project. Hence the necessary competencies need to be built up.
- A major concern is also the quality of data that is used by urban planning officials to assess the feasibility of the promoter. Consulting firms provide outdated data, which gives rise to the idea that the developer is still making a huge margin, when this is not the case. Subsequently the government wants to capture part of that perceived value and the project becomes unfeasible. Looking back on a number of projects, it is fair to say that the margin was eaten by the wish list of additional burdens laid on the development. At some point we even provided insights in our financial model to show the impact of certain requirements on the feasibility of one of our projects, but we cannot repeat this each time.
- Overall, due to the number of rules and persons involved from the government side, the overall objective to build affordable accommodations is often lost, which leads to a stop in development.

Interview Peter Vanden Abeele – City Architect – City of Ghent

- The scope of the quality chamber of Ghent has been determined at the start of its' operation and integrated into statutes, house rules and a script. The scope encompasses all projects that have as significant impact on the urban form of a city:
 - Projects of a certain scale, e.g. min. 15 housing units
 - Projects with a specific (landmark) location
 - Projects with a specific legal / urban planning context
 - Projects with a specific programme (new housing typologies, combination of housing with working, etc..)
 - Projects that introduce new urban infrastructure into the urban tissue: new mobility axis, new parks, etc...
- The role of the quality chamber may differ across the multiple local legal contexts that these operate in; a quality chamber of a bigger city, such as Antwerp and Ghent, operate differently than the regional quality chambers like VakWeRK (Werken naan Ruimtelijke KWaliteit) (Veneco, Interwaas);

- The main contribution of a quality chamber is to come to a fruitful discussion about the project, quality is made by discussion, not by rules; the contribution of the quality chamber is higher if all parties want to cooperate and are open to discuss about the project;
- Quality Chambers have 3 main objectives:
 - Negotiate between conflicting objectives
 - Bring in design expertise that can be used to overcome problems by design
 - Improve the overall quality of the project
- The formal output of the quality chamber is a non-binding advice;
- The different quality chambers regularly meet to discuss their mode of operation within the framework of the 'States General of Quality Chambers', which was held in 2019, 2021 and 2023
- In Ghent, the city architect is the president of the quality chamber, the other members are nominated for 6 years, but there is an overlap of 3 years, which ensures that there is a continuation of the work done and the way of operating; the composition of the quality chamber is also fixed and attention is paid to have experts with design expertise as well as providing guidance on how to improve the quality; other specific expertise includes landscaping and urban spaces, heritage buildings, small scale developments, etc...
- The quality chamber is complementary to the city administration that operates independently and often without concertation, where each subdivision provides advice within their own field of expertise. Within larger city administrations, such as Ghent, it is difficult for an urban planning officers to evaluate the different advices, put them in perspective and decide upon which ones prevail and which ones do not. In such cases, the evaluation of permit application becomes a piling up of different advices rather than an integrated evaluation. In smaller municipalities, the municipal planning officers takes a more prominent role, but then the problem arises that the competencies needed to do this job are scarce.
- An interesting observation is that, in a Dutch context, it are the smaller cities that have a city architect, who takes up this coordinating role, while in bigger cities have to establish a 'design committee' to evaluate the architectural quality of certain projects;
- In Ghent, the role of the Municipal Commission for Urban Planning is more geared towards urban planning issues, while the quality chamber is more oriented towards the evaluation of projects, In between these, the city architect operates at both ends of the spectrum;
- The development of the Loop 5 project occurred in difficult circumstances, the spatial context of the development is in transition and the city has been investigating the evolution of the whole quarter towards a station neighbourhood for 5 years, with different urban development studies ongoing;

- The developer, Upgrade Estate, was not willing to wait for these planning processes but wanted to develop the acquired site in a short term and within the existing urban planning framework. Furthermore, it proved difficult to establish a common vision for the project, and the inability to do so created a lot of frustration at the private and at the public side of the negotiation table;
- The fact that the developer already had chosen an architect – possibly as a quid pro quo for his intervention in the acquisition process – and the experience that this architect was not willing to engage in the development of a common vision and work towards a common output, did not make things easier;
- Overall, a lot of energy was invested in discussion on the integration of mobility and sufficient parking spaces and it must be admitted that the city administration did not always clearly express or substantiate their requirements either.
- For future developments, the cooperation between the public and private stakeholders present at the Loop, is likely to go smoother due to a better mutual understanding.

1.2 Other Interviews

Developers:

- Adel Yahia, *Senior Managing Director Belgium and Luxembourg*, Immobel
- Benoit Chauvin, *Manager Business Portfolio Invest*, Matexi
- Guy Degryse, *Country Director Real Estate*, Baltisse
- Laurens Brantegem, *CEO, Zabra Real Estate*
- Lorenzo Van Tornhout, *Director*
- Nicolas Bearelle, *Founder and Chairman*, Revive

Investors, financial institutions and professional associations:

- Emilie Rousseaux, *CEO*, Belgian Land
- Katrien Kempe, *Director* – UPSI-BVS
- Rob Ragoen, *COO*, Triginta
- Sam Bordon, *Head of Investment ION*, Ion Residential Development Fund

Government bodies:

- Eveline Hanssens, *Head of Building Projects*, Thuispunt Gent
- Myriam Heuvelman, *Chairwoman of the Executive Committee*, AG VESPA

Urban Planners

- An Rekkers, *CEO, Vereniging voor Ruimte en Planning*
- Erik Wieërs, *Flemish Government Architect*
- Marianne Mys, *Managing Director*, CROOMM BV
- Marjolijn Claeys, *Managing Director* – Voorland
- Marianne Mys, *Managing Director* – Croom BV

Questions?

1. What are the investment criteria that are applied to assess whether an asset is suitable for investment, in terms of location, programme, common functions, integration in the neighbourhood, energetic performance, ...?
2. To what extent can you cope with demands from permitting authorities in terms of social mix, energetic performance, finishing, surface of private (interior or exterior) and common spaces, etc?
3. In your experience, what are the biggest challenges in aligning development projects with existing urban planning strategies?
4. How do you balance the need for financial returns with the impact your projects have on the surrounding community and/or neighbourhood? Were there any desires articulated by the local government? How did you come to a common ground to finally develop the project?
5. What role does affordability play in real estate development?
6. What steps do you take to ensure that your projects contribute positively to the urban form and functions of the city?

7. How do you collaborate with local government and community stakeholders to ensure that your developments are aligned with the city's vision and needs?
8. How do you assess and manage the risks associated with integrating public planning goals into your projects?
9. From your perspective, what are the main obstacles hindering effective collaboration between public authorities and private developers in urban development projects?
10. Are there instances where you've seen successful collaboration between public authorities and developers that resulted in shared value creation? If so, what factors contributed to this success?
11. Are there instances where you've seen successful collaboration between public authorities and developers that resulted in shared value destruction? If so, what factors contributed to this loss?
12. How would a risk-sharing mechanism, where some risks shift between public and private actors, incentivize developers to contribute to achieving planning objectives?
13. What kind of financial or regulatory incentives would encourage developers to embrace projects with longer-term public benefits even if initial financial returns are lower?
14. How do you perceive the concept of shifting risk and reward in the context of urban development? Are there specific types of projects where you see a greater potential for such a shift?
15. What kind of guarantees or assurances would you require from public authorities if you were to take on a larger share of the risk in a development project?
16. How do you envision risk-sharing mechanisms working in urban development projects? What are the potential benefits and drawbacks of such approaches for the developer and for the public authorities?
17. Can you share an example of a specific project where the gap between planning and development was successfully bridged? What key factors contributed to this success?
18. How can public authorities create a more predictable and transparent regulatory environment that encourages developers to invest in projects with longer-term public benefits? What types of incentives or tools could they use to achieve this?
19. How can developers bridge the gap with the urban planning office?
20. How can public authorities ensure that a shift in risk and reward does not lead to a loss of public control over development projects?

Interview Adel Yahia – Senior Managing Director Belgium and Luxembourg – Immobel

- Immobel is one of the largest listed property developers in Belgium, with over 160 years of experience in real estate development. The focus is on developing mixed use projects in large European cities.
- The permitting process is too long: complex and contradictory legislation, ample possibilities to submit an opposition against a project or to introduce an appeal against a decision, combined with a low cost do so and a high success rate is just too much. A number of open doors need to be closed. In the surrounding countries, it is more difficult to demonstrate a sufficient interest as a basis to introduce an appeal.
- Project development has gone through an evolution from the mere land development and exercising one's right to subdivide parcels and to build as high and as dense as made possible within the planning documents, to a more negotiated and sustainable approach that does take into account the broader context of the development. However, the situation has drifted too far into legal insecurity.
- Prior to the acquisition of a potential site, Immobel assesses the potential by analysing market data and by listening to internal and external stakeholders. Important elements are the local market data such as market segmentation, take-up, demographic evolutions, etc.. but also local support (citizens and politicians) for the project. If an otherwise feasible project is not supported by the local authorities, Immobel tends to abandon the project.
- If this is possible, Immobel checks the envisioned volume of the development with the local planning office representatives. If any objections are made, Immobel tries to adapt the project to avoid opposition. The use of a Quality Chamber can be beneficial, but the experience varies depending on the city, the process and the person's that are part of this body. The quality of the urban planning representatives and their power to decide is also an important factor. More professionalism means that you can have a sound discussion to increase the quality of the project. More power means that the urban planning representative can more easily align advices by other government representatives. The former is usually the case in cities, the latter in smaller municipalities.
- Generally, it takes between 3 and 10 planning meetings before the final design is agreed upon and the preparations can be made to introduce the permit application. The total permitting process takes between 3 and 4 years, followed in some cases by appeal procedures. For smaller projects in smaller municipalities, the total lead time to obtain a permit can be 1,5 to 2 years. For any project feasibility, a sensitivity analysis is made to see the impact of a longer permitting process.

- Urban developments are more and more mixed use developments, which is an understandable requirement to integrate the project in its surroundings. There is also an evolution to include more common spaces such as a shared rooftop terrace, and towards co-living solutions.
- Immobel generally does not participate in public private partnership projects, as the impact on the masterplan and the product definition, two essential elements of value creation, is very limited, which makes these type of projects more suitable for construction companies than for real estate developers.
- Affordability has become a problem, because of market factors such as rising construction costs and increasing interest rates, but also because of ever increasing demands on architectural quality, social housing, parking ratios, etc... In the current market conditions, real estate developers do not earn enough to cover the risk that is taken. It is difficult to convey this message across the negotiation table, as real estate development used to be a very profitable business and these profitability assumptions are taken for granted. In addition, any attempt to demonstrate the limited return on investment is hindered by a lack of economic and financial knowledge of the urban planners.

Interview Benoît Chauvin - Manager Business Portfolio Invest - Matexi

- The Business Portfolio Invest covers three domains within Matexi:
 - Managing transactions above 10 million EUR, usually assisting the Business Manager with finding the buyer, due diligence, setting up the data room, reviewing investment proposals, etc...;
 - Managing the participation of Matexi in Happy Nest, the Rent To Own company that Matexi set up together with BNP Paribas Fortis, with the aim to upscale the operations;
 - External Equity Solutions: set-up of fund structures to finance the development of certain projects.
- A first important risk for the investor and the developer is the *permit risk*. Today, none of the investor's acquiring real estate from developers are willing to take on this risk. Deals are closed conditionally, i.e. when the permit is valid and no longer subject to appeal.
- To limit permit risk, a first important step is a good communication between the developer and the urban planning office. A good document is the *Preliminary Consultation Guide* developed by the Flanders Department of Environment.²¹⁸ The guide includes tools and tips to ensure that the informal dialogue that precedes an environmental permit procedure runs optimally. Properly completed preliminary consultations should lead to a smoother permit procedure, greater support and more high-quality projects.

²¹⁸ <https://omgeving.vlaanderen.be/nl/ruimtelijk-beleid-en-planning/handreikingen/handreiking-vooroverleg> Accessed: June 17, 2024

- Matexi participated in a workshop with representatives from the urban planning offices to evaluate a number of statements:
 - *The more concrete the design, the smoother the consultation.*
 - *Preliminary consultations are better organised without political representation.*
 - *Positive preliminary consultation leads to a favourable permit process.*
 - *A developer always strives for financial profit and therefore maximum density.*
 - *Consensus about the programme is the purpose of a preliminary consultation.*
 - *A project developer already needs a land position to have preliminary consultations.*
 - *An applicant may rightly continue to work on a permit application proposal based on the agreements from the preliminary consultation.*
 - *The knowledge that a neighbourhood is not in favour of an adjacent construction project may play a role in the preliminary consultation.*

- This workshop delivered a number of interesting discussions.
 - About half of the representatives were in favour of relatively precise designs presented at a preliminary consultation, as a 'stick in the ground' for further discussions. The other half of the representatives stated that presenting such a proposal immediately triggers an aversion to approve it, as no insights of the planning office seem to be taken into account.
 - When asked whether political representatives should be present at the preliminary consultation, again about 50% of the representatives felt that this 'clipped their wings' as urban planners to objectively evaluate the proposals. The other half of the representatives deemed such presence useful, because of the fact that the decision to grant a permit is ultimately taken by political representatives and that information loss is minimized.
 - A positive preliminary consultation has the benefit that public servants have a positive stance towards the project, but the drawback is that these preliminary consultations do not always take into account the reactions of the neighbourhood representatives.
 - The vast majority (about 90%) of the representatives of the urban planning offices believe that the main driver of developers is making financial profit and therefore maximum density. The feedback from the developers was that other factors such as parking ratios, minimum liveable surface areas and predetermined typologies may have an even greater financial impact, which came somewhat as a surprise.
 - Nearly all representatives agreed that one of the purposes of a preliminary consultation should be an agreement on the programme to be built.
 - With respect to the time to organise a preliminary consultation, opinions differed again: about half of the representatives found that this should only occur after the developer had secured control over the land (via acquisition or a secured option to acquire). For the developers, this meant that they had to acquire control over land positions based on their own assumptions and without the ability to consult their proposal. This means assuming a higher risk, as it is difficult to reverse an agreement on land acquisition.
 - Most of the representatives agreed that developers should be able to work further on their permit application, basing themselves on the (written) conclusion of the preliminary

consultations. However, this also limits the manoeuvring space for the political representatives that have to take the permitting decision.

- When a development vision is well documented, individual or neighbourhood objection can be more easily overcome. Of course, constructive input from the neighbourhood can be taken into account by the developer to smoothen the permitting process.
- High risk locations to develop are those with a residential zoning without further building regulations or prescriptions. It is difficult to understand why the project of one developer gets refused repeatedly while the proposal of another developer gets approved smoothly in the same residential zoning.
- High parking ratios are difficult to absorb financially, as most parking has to be organized underground, which is very expensive. New projects are often (ab)used to counter an existing parking problem in the neighbourhood, where the developer is asked to foresee a number of public parking spaces. Concepts such as 'gap parking', where the available parking spaces are integrated into a digital management system and different users can use them in different time slots are difficult to sell. It is difficult to explain to a retailer that operates on a 'no parking no business' model that some 20 of the adjacent parking spaces are unavailable on Monday morning because they were allocated to some neighbours that had a party on Sunday evening and forgot to pick up their car the next morning.
- Minimum liveable surface areas can hinder development too. They increase the acquisition price which may make them unaffordable for singles. Minimum liveable surfaces do not always take into account the fact that buildings are organised differently, e.g; with common amenities such as a shared kitchen or laundry area.
- Matexi has experienced the problem that local politicians differ in opinion with the public servants of the planning office and refuse a permit after having held after 7 'Quality Chambers' and 15 preliminary consultations over a period of 18 months. Politicians often infuse other policy objectives into the permit request, that have little to do with urban planning. An example here is the request to keep the ownership of the building in one hand to avoid exploitation by slum landlords without demonstrating what the link is between sole ownership of an entire building and renting out individual units below the housing standards;
- Affordability is often a theme in the assessment of inner city development contests. Matexi's proposal's include rent to own proposals. A major problem can be the valuation models used by the government. Sometimes they are just based on existing rents for all types of residential property and do not take into account the fact that the project is newly built. In other cases the underlying assumptions provided by government consultants are no longer valid, as the market dynamics can shift rapidly (e.g. a rise of 30% in construction costs or a sudden increase of interest rates). Government schemes for affordable housing may appear interesting at first sight, but they offer no guarantees that financing will be available upon completion of the building.

- Developers are convinced that their returns are in line with the risks that they assume. The internal rate of return is a key metric in real estate development. Unfortunately, most representatives from the urban planning offices and the general public do not relate the return to the capital employed nor to the lead time to obtain a permit. Developers are also taciturn on the projects where they incurred a major loss, and these do exist.
- Pooling of expertise and the availability of competent assessors for larger of development projects may be necessary to smoothen the permitting process. Some municipalities have little or no experience with projects of 100 units or more and permit applications have become increasingly complex with different disciplines to be concerted. This could be organised on the level of the intermunicipal offices.

Interview Guy Degryse– Country Director - BALTISSE

- Baltisse is a so-called *family office*²¹⁹, i.e. an investment company focused on value creation for its shareholders. The company invests in financial assets in various sectors, and in real estate. Decision making is driven by ambition and by facts, data and calculated risk-taking.
- For the assessment of investments, the internal rate of return (IRR) is a key metric. Capital is mobile and investments are volatile, real estate development used to be perceived as less risky, as the value of land almost never decreased; nowadays, macroeconomic parameter such as increasing interest rates, stiffly rising construction costs and inflation limit the ability to generate profits without pushing down the residual land value.
- Developing a vision on the development potential of a site is a basic skill for any developer. It requires some insights into urban planning. It is not always beneficial to take into account advice from the urban planning office or local politicians when assessing the feasibility of a site. Their knowledge of the sites context and the applicable urban planning law may be limited, resulting in a suboptimal proposed use of the plot and a residual land value that will be lower than that of the competitors bidding for the same plot.
- Especially burdensome is the uncertainty of the time it takes to obtain a permit. In Brussels, a basic assumption is that it will take about five years. Basically, the building regulations are sufficiently detailed to be able to assess the potential of a site. Factors that make obtaining a permit difficult are :
 - A different vision of the local government on what is allowable on a site,

²¹⁹ A family office provides a wide range of services tailored to meet the needs of High Net Worth Individuals (HNWIs). From investment management to charitable giving advice, family offices may offer a dedicated team of specialists to service these clients. Often, a family office provides high-level financial planning through an integrative approach. Combining asset management, cash management, risk management, financial planning, lifestyle management, and other services, family offices help clients navigate the complex world of wealth management. Source www.investopedia.com , Accessed June 17,2024

- Individual or grouped citizen action,
 - Lack of resources in the planning offices
 - Deferring acceptance of building permit applications for fallacies (e.g. asking 2 documents more, coordinate documents better, etc...)
- In Wallonia, the experience can be different. In some cases, local governments ensure that advices on different aspects of the project are internally coordinated by the public office, the intervention of a 'delegated official' brings expertise to the table and supersedes the municipal approach, drawing on experience from similar projects within the same province.
 - The time to obtain a permit is also influenced by the complexity of the project and the choice of the developer to pursue a vision that deviates from approved planning documents in view of a higher return, thus resulting in public enquiries and a more lengthy and risky permitting process.
 - It is too easy for citizens to introduce an appeal: the cost is very limited and the delay to obtain a judgement is quickly two years, resulting in a huge cost for the developer and no charges for the citizens that go for an appeal without valid motive (NIMBY: Not In My Backyard)

Interview Laurens Brantegem – CEO – Zabra

- Zabra is aware that projects have an enormous impact on the neighbourhood and the environment. A lot of development time is invested in stakeholder management, in all important phases of the project, up to the permit application. Citizens are approached one by one and adjustments are made as much as possible (e.g. installing a gate, providing accessibility, adjusting building heights and volumes) to avoid lengthy opposition and appeal procedures. Overall, Zabra has 2 projects with appeal procedures on a dozen number of projects, so the investment in stakeholder management seems to pay off.
- Preparation of permit applications are standard screened by lawyers for gaps and arguments that can be (ab)used to oppose to the project. The permit granting authorities also use more and more external legal advice to motivate decisions. Overall, the permitting process draws heavily on intervention of legal appreciations and often procedural arguments are used instead of relevant arguments.
- Every project is started with the best intentions and great enthusiasm, but we encounter more and more unfounded demands or legally unsubstantiated wishes, especially in Ghent. Especially troublesome can be conflicting spatial development visions between the city's master architect and the representatives of the planning office of that same city. Sometimes the demands are also integrated in building regulations, such as the obligation to foresee 2 parking spaces per apartment of more than 80 m² in the building regulation of Sint-Pieters-Leeuw. We integrated this demand in the project, but the quality of the project is therefore less.

- The building programme and the typologies are defined by analysing the local market in terms of take-up and purchasing power. Zabra positions its' projects as mid-market. Some things, such as common sheds, integrating a park, etc...; have become standard requirements. Zabra tries to accommodate as much as possible and as far as these requirements fall within legal limits.
- The ability to obtain permit and the time it takes has become highly dependent on the individual government representatives or urban planning service that you are dealing with. There lies an absurd amount of power on the local urban planning official that creates additional policy himself (e.g. own interpretation of privacy, pushing through his own will without regulations, allowing absurd lower densities to attract the "right" kind of people). The policies and regulations that exist are not in check with the real demand, e.g. minimum apartment surfaces that are not adjusted to the fact that there are more single people looking for a home, or larger apartments that cannot be used for co-living solutions. In Wallonia this is much less the case: civil servants listen to local politicians and are much less dominant. in Wallonia the urban planning rules are much clearer and you know them in advance.
- The absence of clear planning frameworks combined with the power of individual urban planning officers sometimes leads to an unequal playing field for developers: in Ghent Zabra acquired a plot of land with more or less the same prescriptions as an adjacent plot (Hof van Gent), but there Upgrade Estate could realise a student home of 20 floors (Bro Upkot). This has led to the decision of Zabra not to focus any more on Ghent to acquire projects.
- To counter this, planning frameworks should be established and imposed by the highest government, where the same rules apply for all. Nowadays, local governments abandon last minute what they have agreed upon previously in a brownfield covenant, or a higher government body introduces an appeals against a lower government decision. There is little legal certainty left to work with and a lot of the existing planning instruments are not capable of coping in a legally binding way with the outcome of negotiations with the local governments. Therefore, the outcome of these negotiations is unsecure as well.
- There is also too much emotion involved in the planning and development debate. It has become too easy to submit an appeal, the submission of an appeal should be assessed against other criteria. In the Netherlands, a general appeal can only be introduced by a foundation that represents a number of people.
- One of the biggest challenges in the coming years will be how to meet the sustainability requirements. Zabra is a "future fit changer" but it is difficult to implement our objectives in our projects. To comply with the EU taxonomy, there will be a huge cost increase which will result in additional tension between what it costs and what the consumer can pay. Now the purchasing power is too weak to absorb increases in construction costs, hence the rise of rental models that can absorb these costs over time, especially if the rent can be gradually increased.

- Zabra has not encountered situations where the argument of a (too high) profitability is explicitly put on the table. EBITDA's of developers are not that terribly high either. The argument that developers are earning too much money is absurd. They take gigantic risks due to legal uncertainty, but perhaps they could be more transparent on the risks and rewards they have.
- The quality of urban planning officials is not equally good everywhere: you would expect from a government that the quality is stable and sufficient everywhere. If people with the right skills cannot be found, training people on the job becomes more important. But the urban planning context has also become more complex and difficult. To do the job right, both generalist and specialists are necessary and now an urban planning officer has to do both at the same time. Most developers make a distinction between the more generalist project developer function and the more specialised permitting officers.
- Project developers should discuss the envisioned project with local planning authorities before closing on a land position. Value can be created by conducting a rational debate about the development potential of a site, both for the private developer as well as for the local community. This goes relatively well in cities such as Antwerp, Liège, Kortrijk and Roeselare. In Ghent and Aalst there is no real debate, which results in urban cancers not being developed at all.
- In the sub-municipality of Kloosterzande (Hulst, The Netherlands), Zabra works closely together with planning officers of the municipality of Hulst. The project is locally supported because it is the reconversion of an abandoned ferry docking site. The cooperation is built on mutual respect between the developer, municipal services and politics, which has resulted in a fantastic master plan. But these types of PPP are not always good, e.g. Tragel in Aalst, even after the creation of a clear development framework, local policy officials changed their opinion which leads again to political uncertainty.

Interview Lorenzo Van Tornhaut – CEO - VOLUS

- Volus is a project developer active in Flanders with a focus on residential projects, which can be realised in a Public Private Partnership or according to the design & build formula.
- One of the problems of value destruction is the absence of urban planning regulations (other than a residential zoning) or urban planning regulations that are so detailed and rigid that all creativity to give a site its highest and best use, is lost. The rigidity of the urban planning regulations or the absence thereof stems from the necessity and difficulty to find a common ground from a political point of view, which makes it hard to approve zoning prescriptions and change those that have been agreed upon. This rigidity never catches up with the market dynamics that are the operational context for the developer.

- Furthermore, historically speaking, the real power of governance in Belgium has always been at the local level of the municipalities, with less power to the central planning office. This makes municipalities local baronies and opens the door for conflicts of interests of all kinds.
- There is also a wide gap between the perceptions of urban planning professionals '(developers playing monopoly)' and the real context where developers operate today. Where it might have been true that the pure landbanking model, where a developer buys a plot of agricultural land and speculates on a zoning change, yielded returns in excess of the associated risk profile, this is no longer the case today. Today, a developer generally expects 15% margin, but the real driver is the return on capital employed. To achieve this, the developer has to find a new equilibrium of highest and best use, taking into account both market dynamics and space use dynamics. If a tipping point can be reached where the new use generates a higher value, the site will be developed.
- An unfortunate evolution is also the hidden ambition of urban planning professionals to charge against the capital system and to try to change the cornerstones of society, such as the property rights and the available development options that are associated with it. The objective of urban planning should be to look for the highest and best use of a plot of land, from the viewpoint of urban planning. The objective should not be wealth redistribution, the implementation of soft law as an alternative to expropriation, nor the allocation of all kinds of burdens on the development. Additional demands and objectives for the development can be up to the point that the value generated by redeveloping a site is less than its actual value in its current use. The direct consequence is often that development plans remain 'living dead' and the plot is never redeveloped at all.
- In some areas in Flanders, the strict building regulations and the repetitive refusal of building permits conceals the local vision to avoid an influx of new citizens of all kinds. A classic example is the limitation of building heights in the zoning plan of Halle-Vilvoorde.
- When assessing the potential of a site, it is important to look at the right scale and to assess what a project brings to the neighbourhood. In some cases the urban planning office only looks at the density on the acquired plot ('too much apartment typologies'), when this might in fact be a good idea, given that the neighbourhood already has an abundance of single family homes in the vicinity. The development of a particular site also generates a chain of relocations on a local scale, and this is often overlooked or wrongly labelled as gentrification.
- General rules of thumb, such as the number of allowable dwellings per ha are also obsolete. On a urban mobility node, a much higher density may be appropriate, whereas the rule of thumb density might be too much in other cases.
- We have witnessed the sale of a number of plots by governments, where the sole criterium is the price and without prior consultation of the local planning office. After the sales prices has been

agreed upon, the local planning office produces a vision, which burdens the profitability of the project. In the past, to keep profitability in line with expectations, these extra burdens on the project often resulted in price increases of the dwellings sold and the absence of affordable housing for a large part of the population.

- Urban planning should take into account the city dynamics and try to find a new equilibrium for a better use of space, taking into account different contexts and complexities; one of these contexts is the economic reality and the fact that we operate in a system that values use of land in Euros.
- All too often the mistakes of the past are addressed by general building regulations that are relatively cheap and quick to make but are blunt solutions for complex site developments. Zoning specific building regulations may also be relatively abstract, not taking into account, often by lack of time or budget, the context or the possible (out of the box) uses that a site might be used for.
- Municipalities often lack the capacity to assess more complex masterplans or permit applications; this could be countered by installing a planning office at the level of the intermunicipal offices.
- Developers have a responsibility too: they have a licence to operate and most of the professional developers are looking beyond their spreadsheets and try to develop their projects in a responsible way. Unfortunately there are a lot of free riders that want to make a quick win too.

Interview Nicolas Bearelle – Chairman and Founder – Revive

- Revive focusses on sustainable development in an urban context, which often involves transforming former industrial sites into green vibrant neighbourhoods.
- The permitting procedures and the associated risks depend on the region in which a project is developed. The experience is that the permitting process is better organized in Brussels than in Flanders. Representatives of the city urban planning office and Master Architect's office are more accessible, especially for urban development projects with a societal impact, and it is possible to organise a project meeting.
- Prior to the acquisition of a site, Revive evaluates a potential project taking into account different impact dimensions such as the size of the project, the possibility to adapt the public domain, the demand for new dwellings, the connections to existing mobility options, etc.. The overall aim is to create a demand driven product and data analysis (market needs, demographic evolutions, market size, market trends) is an important element in this evaluation.
- The programme requirements are stated by the project developer and a professional team of urban planners and architects makes a draft masterplan, taking into account the urban planning context.

Revive also listens to the existing neighbours: what are the neighbourhood issues, what are the local needs, what are possible objections that might lead to appeal procedures.

- If this is possible, Revive contacts the urban planning office before the acquisition of a building right. Unfortunately, due to the lack of available time and resources, less and less cities (e.g. Ghent) want to engage with the developer before an acquisition. There would be a certain value if the insecurity about the building programme could be countered by a professional urban planning evaluation process that results in a document (e.g. urban planning certificate) that creates the guidelines for future development. As a developer, Revive would be prepared to pay for this process and certificate, as long as it eliminates uncertainty about timing or conflicting opinions of government institutions.
- Such an approach is similar to the process of a brownfield covenant, although the latter is not legally binding when it comes to urban planning decision. Another example is the “anterior agreement”, which is used in the Netherlands. In the anterior agreement, agreements about land development can be made after negotiation, where all involved parties can agree about financial contributions to spatial developments such as green areas, recreational areas, water storage and infrastructure. The use of an anterior agreement requires a certain scale to level out the different interests of the involved parties, and there needs to be a structural vision structural development vision.
- This vision to determine what is possible is totally different from the approach that is adopted now in Flanders, where every rule and document seems to be drafted with the sole purpose of limiting development.
- Developers are no longer rewarded for the risks they take. Risks have risen and margins have gone down. The consequence may be that developers leave the business or go bankrupt, which strains the capacity to develop good projects in areas where the need for dwellings is high.
- Having a clearer development context without too much detail would be beneficial for value creation. Within these frameworks, sufficient flexibility should be possible to allow for creative solutions and architectural design.
- The application and use of Quality Chambers and master architects without binding conclusions or even conflicting visions with the city's urban planning office, is not considered to be of added value.
- Urban planners and local politicians should base their decision more on data than gut feeling, if 90% of people searching for a home in a particular neighbourhood is looking for a smaller apartment, it is not justifiable to ask the developer to build 3 bedroom apartments or to uphold a minimum surface. If the available data shows that 50% of the 2 bedroom apartments on offer in

Brussels is rented by 2 individuals that want to share the apartment, the question should be what typology best suits their needs, instead of countering this as an undesirable evolution. The image of the model Flemish family with 2 adults and 1 or 2 kids sometimes is not based on more than a gut feeling or a hidden desire to exclude certain population groups.

- Urban planners should pay more attention to sociological evolutions and data and think more about new living concepts and shared spaces. Upholding minimum surfaces of houses and apartments is not the best solution of a bigger occupied surface also means that the carbon footprint, both embedded and operational, is also higher. Living quality does not depend solely on surface.
- It should not be the objective of the urban planners to assess the financial acceptability of the margin that the developer is making on a particular project. Developers use different models of calculation, presumed minimum margins and returns can quickly shift and urban planners often do not have the educational background to fully understand the cashflow models that they are dealing with. Furthermore, the financial return is just one element to be considered, the focus of urban planners should be the spatial and societal impact of a planned development.
- Local governments, urban planners and their associations on the one hand, and developers, financing institutions and investors on the other hand seem to live in a parallel universe, each with their own discourse fed by separate seminars, speeches and contributions and with little or no respect of the other party's rationale. Urban planners argue that developers do not build the dwellings that are needed, while the developers state that urban planners do not base their demands on data. Developers feel that they have to take on a part of the responsibility of the government to organize elaborate citizen participation and to create a locally acceptable development frameworks, while urban planners often argue that developers forget to look at the broader picture.
- Overall, there would be less value destruction of the complexity of urban development legislation could be reduced, on the one hand by taking a more clearer stance on certain topics at the level of the region (such as minimum surfaces), on the other hand by creating development frameworks that allow developers to creatively created market driven products.
- The reality is that many local municipalities do not have the resources to engage in planning processes and comply with the demands of project developers. Many municipalities do not find urban planners, which leads to situations where the position is filled by private (!) consultants, or by an urban planner of an intermunicipal association, mostly as a cost sharing solution. Furthermore, there is no room for any specialisation, while urban planning is increasingly complex. It is clear that the urban planning documentation made by representatives of the Flemish Government is generally of a higher quality than the abundance and variety of local planning instruments.

- At the level of the cities, the situation is somewhat better due to a bigger resource pool and a broader staffing of the urban planning department. Nevertheless, the time it takes to create an appropriate planning context is just too long. The masterplan of OMA for the development of the Old Docks in Ghent dates from 2004 and 20 years just over half of the project is realised. The creation of value lies in a public private cooperation rather than the partnership models that focuses on the public partner directing the development (without assuming the associated risks) and the private partner just constructing it (but still assuming the risks if it goes wrong). The real added value of a developer lies in his ability to create an integrated masterplan, adapt it to trends and market evolutions and deliver it. The fact that a public partner can take the acquisition cost of the plot on its budget until a development framework is established may seem beneficial, but in fact is not addressing the real problem: development frameworks should have been established prior to acquisition and permitting procedures should go faster. The budget that is blocked in these projects is also a budget not spent on other government objectives. This is also demonstrated in the fact that, after a few of these operations, the autonomous municipal companies run out of budget to pursue new projects.
- Overall the government should aim should be to create frameworks and facilitate cooperations that allow developers to do their job with an acceptable risk and reward balance. If this is not the case, the offer of new dwellings will be very limited and citizens might not accept the absence of suitable housing solutions.

Interview Emilie Rousseaux – CEO – Belgian Land

- Belgian Land is a real estate developer with a focus on investing in affordable residential development projects targeting a population with average purchasing power in the large cities. Projects are often developed in partnerships.
- The complexity of real estate development has increased, resulting in the acceptance of lower densities than initially assumed, and far longer permitting procedures. Nowadays, Belgian Land assumes that a building permit application will take 3 years, followed by another 2 years to fight the different appeals.
- To defend the acquisition of a future project, an investment proposal has to be made and a positive decision has to be obtained by an investment committee. And to obtain financing, a similar proposal has to get a positive approval by the financing bank. The financial institutions are often requiring a higher margin than what is approved internally. They often work with consultants and/or valuers that can be quite conservative in their assessment of the viability of the project, sometimes because they only have an indirect experience of the market dynamics.
- Value / development potential is sometimes lost due to lower FSI²²⁰ than building regulations allow, due to potential opposition of citizens. The opposition of citizens is made easy because various reasons are valid to introduce an appeal. What we need are more objective rules that determine what an urban density can be. In that view, Perspective Brussels has made an interesting contribution to the debate by linking liveability to a higher density, by proposing a broader set of density parameters and by recognizing the need to establish value redistribution mechanisms .²²¹
- A lot of value destruction occurs through the lengthy permitting process. The only winners here are financing institutions that can charge interests and lawyers that can charge fees. Instead, as a developer, we would prefer to spend these budgets to a more qualitative project.
- The permitting process is also overregulated and over documented, which can be a fallacy in itself. The level of detail required absorbs a lot of energy from architects and urban planners, which sometimes lose the view on the bigger issues at hand. Permitting procedures sometimes require impact reports that just have to be there to tick the box, but that does not mean that the content is valid and to the point.

²²⁰ The FAR or FSI is the ratio of the total floor area of buildings on a certain location to the size of the land of that location, or the limit imposed on such a ratio. An FSI of 2.0 would indicate that the total floor area of a building is two times the gross area of the plot on which it is constructed, as would be found in an apartment building.

²²¹ https://perspective.brussels/sites/default/files/documents/20220922_projecting_densite_cahier_nl.pdf

- The obligation to switch ground level use from residential to a commercial use, brings on extra risk for a developer such as Belgian Land. As the objective is mainly to realise affordable housing, there is no real demand risk: if it gets built, it will be sold and rented out at a certain price. When the ground level has a commercial use, it is not so sure that it will in fact be rented out, and the possibility that the spaces remain vacant result in a risk premium.
- Common functions such as a shared kitchen or laundry room add to the liveability of projects, but the main problem is that occupants are reluctant to pay for these additional services; In most cases, the shared spaces are closed or converted to another use, due to a lack of interest of the occupants of the building.
- The complexity of real estate development has increased, resulting in the acceptance of lower densities than initially assumed, and far longer permitting procedures. Nowadays, Belgian Land assumes that a building permit application will take 3 years, followed by another 2 years to fight the different appeals.
- Problematic in itself is that developers keep on making the same mistakes: acquiring at a high price, deciding too quickly on the composition of the development team, not reading planning documents or conditions in permits, not assigning the task of coordinating plans and documents, etc...

Interview Sam Bordon – Head of Investment – ION Residential Platform

- ION Residential Platform acquires residential environment-friendly developments in Belgium and Luxembourg, in cities that have a strong local rental market, such as Antwerp and Brussels. There is a strong focus on sustainability. This means that the use of fossil fuels is out of the question and that energy consumption has to be as low as possible. The platform has about 100 units that are rented and another 400/500 that are being developed.
- The investment decision is taken on the basis of a DCF analysis. Unit mix is important, as well as the compactness of the rental units. In Belgium the average surface of apartments are rather high and calculations show that the rent does not increase in line with an increase of apartment surfaces.
- The Residential Platform acquires real estate at the completion via a block sales of 50-150 apartments, often via forward funding or forward commitment. The fund does not take any permitting or development risks. This means that the developer that has to sell the block, needs to take into account the requirements of an optimised rental building, which is often not the case. These requirements do not include the provision of shared spaces, as the demand for regular apartments without such spaces is strong. The platform has a preference for single use buildings (residential), but in about half of the cases, the local government prefers to have another function at the ground level, which is understandable.

- Acquired properties are managed by an external property manager. The presence of common amenities would result in a higher intensity of the required management and a higher management cost. The letting process is not digitalised yet, but with an increasing number of units to be managed, there will be a scale advantage to do so. Maintenance costs are foreseen in the cashflow model, but deemed to be limited in the initial years due to the fact that the fund only acquires new built projects.
- The relationship between the neighbourhood and the investment property is important in the sense that the neighbourhood characteristics have an impact on the rental value. Some neighbourhoods in Brussels (e.g. Uccle) are out of reach in terms of affordability, while others are undesirable from an investors' point of view (e.g. Molenbeek).
- The risk/return balance in developments is tricky in the current market. margins can be quickly reduced to zero in a context of growing interest rates, rising construction costs and delayed permits.
- Local governments are sometimes imposing unrealistic demands on projects, especially when the project is to be rented : the population that rents is often single, which means that they cannot afford to rent a bigger apartment, as often requested by local governments. A lot of tenants do not have a car either, and yet we still have to foresee expensive underground parking spaces. Sometimes, local governments and/or neighbourhood committees are not in favour of developments of a rental product, due to the negative connotation of tenants, the ambition to attract higher income inhabitants or the presumed negative effects on the market value of properties in the neighbourhood.

Interview Rob Ragoen – COO – Triginta

- Triginta focusses on the redevelopment and investment in heritage buildings and niche healthcare institutions. Important elements of the investment strategy are a long term focus and maintaining the legacy of the institutions that were once housed in these buildings.
- Before the acquisition, Triginta openly discusses the project with local governments and urban planning officials. Often the feasibility study is projected and is used as a basis for the discussion. The same openness is adopted towards the instructions and congregations that are the partner of Triginta. The experience is that openness is valued more than a negotiation game, for which a developer presents an over the top scenario, and the urban planning officials systematically knock off a few floors.
- The success of such an open and project oriented approach is heavily depending on the competencies of the people around the table. An important element is the ability of the local urban

planning official to quickly check, verify, discuss and alter some viewpoints with local political officials and other city services. Problems arise when there is no clear development vision for the city, or when there is a big discrepancy between what the politicians think is necessary of the city and what the developers thing the market wants.

- The demographic growth in the cities (3% in Ghent, 3,5% in Antwerp) cannot be denied; an appropriate set of spatial planning documents is necessary to channel this growth.
- The legislative environment has become too complex (“lasagna of regulations”) and there is a lot of interpretation possible. Most of the time, the interpretations of the urban planning officials are very restrictive, because they fear to open the door for precedents. The general atmosphere is one where civil servants are applying a lot of red tape just to hedge their responsibilities and generally distrust the developers. The starting point should be more how a valuable programme can be realised in a certain context.
- Participation trajectories differ from project to project. Triginta makes a legacy analysis, that includes the relevance of the site to existing and new stakeholder groups, in addition to a structural analysis of the building and the potential uses that it can house.
- In the Dutch planning context, a more top-down approach is adopted. The government takes on the responsibility to determine zoning, densities etc... and once the overall plan is approved and the mutual responsibilities agreed upon, real estate developers fill in the details. In a Flemish context, a similar approach should be adopted by the Flemish Government as some spatial choices have to be made on a level above the municipalities. Some hard choices will have to be made, based on analysed and correct data. Instead, the Flemish Government seems to be focussing on ideological choices such as promoting the manufacturing industry. The intermunicipal associations can provide resources for municipalities, but this is not a solution for the absence of decision taking on a higher level of aggregation.
- Another important role for the government is thinking about new ways to invest and to live together and to facilitate these new developments instead of allowing lower government officials blocking this concepts too easily.
- If a more top-down planning approach would be adopted, the framework will be more tight in some areas, and the degree of freedom for developers will be less, but it can also be expected that the risks will be more limited and more in line with the current returns for developers.

Interview Katrien Kempe – Director – UPSI-BVS

- UPSI-BVS is a professional association that connects and represents real estate developers and real estate investors, by analysing the context in which they operate, by taking position on policy initiatives, by studying certain topics and by lobbying on behalf of its members.
- With respect to the permitting procedures, one of the positions taken by BVS is that the efficiency of court procedures relative to building permits needs to be increased, by offering the possibility to settle disputes in a legally binding way, by better delimiting the persons that might have an interest in the project, and by increasing the capacity of the court to handle appeals. Furthermore the Flemish Government needs to determine a coherent legislation on minimum surfaces of dwellings.²²²
- The members of UPSI-BVS indicate that they have difficulties to get in touch with local administrations and discuss a project in the early phases of development. And if these meetings do take place, there is a lack of decision power or a lack of support for the projects they want to develop. It is also very difficult to align the different positions taken by different government services or their representatives.
- During the permitting procedures, the experiences are that:
 - The public administration sufficiently guard the preset delays in the permitting procedure, but deviant advices from government services can be showstoppers when they arrive late and there is no more time to react.
 - During the public investigation period, opposers can introduce an objection anonymously, which makes it difficult to go and see them and to try to come to a mutual agreement.
 - Public hearings (as organised in Brussels) are not so useful: there is a lot of emotion involved, the discussion is not on a professional level and the same project sometimes needs to pass several of these public hearings.
- During appeal procedures, the experiences are that:
 - Appeals are introduced as a way to earn money, with lawyers actively seeking persons with a valid interest to do so;
 - The cost to introduce an appeal is not in line with the negative consequences for the promotor due to the delay it takes to get to a judgment;
 - A lot of arguments that are used are in fact legal formal issues that have nothing to do with the content of the project itself;
 - There is virtually no possibility to reclaim the damage after vexatious and reckless proceeding to court.

²²² UPSI-BVS (2023) Memorandum Flanders 2024, propositions 18 and 21

- To get their project realised, UPSI-BVS members find it important to seek support from local stakeholders and to integrate the project in the existing urban tissue. They go a long way to integrate elements that contribute to get that local support, but for the developers, a return in line with the risk taken is also a paramount consideration.
- Developers fulfil an important function to redevelop larger city blocks: they have the funds, the capacity and the professionalism to develop brownfield and city cancer sites. Several successful projects demonstrate that these also create a momentum for the revitalisation of the surrounding neighbourhood. To do so, developers need to cooperate closely with municipal development companies.
- So called “Quality Chambers” are considered to be the ‘mother-in-law’ that is rechecking the project. For most members, this is just an additional actor that does not contribute to an increased urban or architectural quality.
- Developers themselves could do more to smoothen the permitting process, by checking building permit applications before they are submitted, for instance in about 30% of the cases, the property title attestation is missing.
- The (increased) cost of capital forces developers to keep the permitting procedures as short as possible. The financing institutions are also imposing minimum returns for developers, which puts on even more pressure to speed up the process.
- Governments often take decisions based on outdated data. The Walloon government imposed urban development costs, based on a few interviews by an external consultant. By the time that the report got published, the market had already slowed down;
- The members of UPSI-BVS want to take on their responsibility to create affordable housing, as long as these demands are clearly stated prior to the acquisition, and as long as the rules governing these type of developments remain fixed for a certain period. As the market slows down, providing an offer of affordable housing units can be in the interest of the developer too. In any case, providing such a product is in line with the ESG objectives that most of the developers have underwritten in the meantime in preparation of the EU Taxonomy.

Interview Eveline Hanssens – Head of Building Projects – Thuispunt Gent

- The ambition of Thuispunt Gent is twofold: improve and maintain the current stock of social dwellings and increase the number of social dwellings in Ghent, from 12% of the housing stock to 20% of the housing stock.

- Building permit applications used to be more new build and rebuild projects, nowadays the main part is renovation of existing buildings. The size of the buildings concerned varies enormously, from just a few houses to 250 houses (e.g. Bernadette neighbourhood)/
- The process goes slowly, even though Thuispunt Ghent has built a network of contact persons within the city administration and holds monthly information meetings. Before a permit application is introduced, the request is presented to the public planning officer. Thuispunt Ghent checks the building permit application before it gets introduced, but the legislation is very complex. Sometimes, the application is stalled by requests for additional information that take time to respond to, and that result of a loss of housing capacity and rent. In other cases, building permit allocations take more time because of changing or differing insights on behalf of the public planning officers evaluating the permit request.
- Depending on the situation, a site masterplan is coordinated by the City (e.g. Bernadette neighbourhood) or by Thuispunt Ghent (e.g. Vogelhoek neighbourhood). Especially when the situation is complex, with a lot of aspects other than social housing involved, the city is likely to coordinate the masterplan process. Each masterplan is presented to neighbourhood representatives and if possible, their remarks are taken into account.
- If it is possible to avoid a spatial execution plan, the decision is often taken to do without. Another possibility is to introduce an application for an allotment permit, which opens the discussion earlier in the process, and which avoids another public investigation when the building permit application is introduced compliant with the allotment regulations. The drawback here is that the neighbourhood doesn't always realize what is happening.
- Opposition depends on a number of factors: the neighbourhood, the position of the building, the height of the building etc... If the application concerns a building within a social neighbourhood, the opposition is generally low, which is not the case if the scenery changes for private apartments.
- Thuispunt Ghent cooperates with developers on a number of projects; Sometimes a design & build approach is used, but sometimes the building is also acquired after delivery. Both approaches will be necessary to attain the level of 20% social housing. The permitting risk lies with the developers, but they have a bigger certainty about their return upon exit. To explain these systems and to convince developers to participate, Thuispunt Ghent has organised a network meeting. Thuispunt Ghent also cooperates with developers on larger mixed urban developments, such as the Arsenal site in Ghent.
- The 'single point of contact' system within the Ghent public administration is valuable, the city administration often resembles a hydra, that does not make up his minds and issues different advices that are not coordinated.

- Thuispunt Ghent has the ambition to develop social housing of a certain architectural quality, taking in to account the available budget. To do so a pool of architects has been designated and all projects are presented to the Quality Chamber. The advantage of the Quality Chamber is that it looks at the broader picture and consists of people with a different background. On the other hand, these competencies are also present in the person of the urban planner or the architect and that can also result in conflicting vision. Another drawback is that the members of the Quality Chamber often are unaware of the trajectory that a permit application already has travelled. The Quality Chamber can be convenient to correct an architect that has less experience or holds on too much to a certain concept.
- A specific difficulty that Thuispunt Ghent encounters is that, for some projects, the greenery has been conceded to the city and has become public domain. It then follows out of current practice that sustainable heating techniques cannot be placed in public domain, and if we are talking about apartment buildings, they cannot be placed on the roof either, because of a lack of roof space. Thuispunt Ghent is working with a group of city representatives to find a solution. A possibility would be to split ownership rights in the underground, but it is difficult to keep track of this when executing transformation and maintenance works on such a split public domain.
- Another difficulty are the listed heritage buildings. Even if social housing was once part of their legacy, it is difficult to make a match between modern social housing needs and the structural capacity of the building. And if this would be the case, the higher renovation costs and the available budget simply does not allow to realise social housing in these type of buildings.
- Thuispunt Ghent also works closely together with the city to realise certain city objectives, like transferring a plot to an adjacent school or realising children's daycare centre. Thuispunt Ghent is also consulted when the city wants to change the city building regulations, to see if any exceptions for social housing projects are necessary. Building regulations would, for example, force a mix of apartment types for each project, whereas the building typology of a certain neighbourhood might already have a lot of this typologies, or It can be demonstrated, e.g. by analysing the demand for social housing in a particular area, that there is no need for this typology.
- The city development company (SOGent) also fulfils a role of guardian of the overall quality of developments. They do so by developing masterplans for city development projects, by inserting certain conditions in the sale of these sites, and by pursuing the quality as part of the steering committees that often govern these public private partnerships. In these cases, the added value of the Quality Chamber is less clear. Social housing companies also have a very specific audience to build for and this diversity will only increase. Knowledge of urban planning officers about the housing needs for persons need of a stimulus free environment is very limited.

Interview Myriam Heuvelman – Chairwoman of the Executive Committee – AG VESPA

- AG Vespa participates in urban development at master plan level: optimising land positions, feedback on the development of a master plan, substantive preparation of own land positions or the city itself. The procedure to draft a masterplan is conducted by the city of Antwerp itself. A good example is the development of the slaughterhouse site: here AG VESPA participates in the making of the masterplan, subsequently the masterplan is translated into a spatial execution plan decided upon by the city and then the developer introduces the necessary permit applications. AG VESPA has the position of a land owner, but the developer takes on the commercial risk of the development.
- The added value of AG VESPA is that it can give building rights as soon as the permits are in place, keeping the cost of the land on his budget until this is the case. In this way, the private developer can avoid a costly prefinancing of the land. This system of cooperation works well when the spatial execution plans are not too detailed (which is for example not the case in the spatial execution plan Waagnatie) and at some point the landbank of AG VESPA will be used up.
- In all developments the residual land value is calculated by an external appraiser, and a clawback mechanism is foreseen if the land value rises above a certain threshold.
- The access of citizens to appeal procedures has become too easy. Even permits for public buildings, which serve the local community, are blocked because of the individual right of one person. This right to resist to everything has become a fundamental problem and this is not only for developers the case.
- Therefore, it is important to create the necessary development frameworks via spatial execution plans, with a long term spatial development vision as the starting point. In that way citizens can be involved in the process, but once the plan is put into place, it is a solid instrument to work with. Sometimes spatial execution plans (“post stamp execution plans”) are made for an individual project, but this is a costly operation. And even if a spatial execution plan is in place, citizens abuse their ownership rights to avoid that anything gets built in the vicinity of their property. For the Waagnatie project, citizens declared that they could no longer see the bent of the river Scheldt and used procedural choices as a ground to introduce an appeal against the project.
- Another problem is the complexity of the legislation, the frequent changes and the patchwork of ad hoc solutions. This creates also uncertainty on the side of the urban planning officers of the city, who tend to take extra precautions just to make sure that they are on the safe side of the interpretation of regulations. From the developers' side, the impatience to obtain a permit can result in the perception of arrogance. It would be a step forward if both parties would acknowledge that there is a difference in DNA and try to understand the context in which the other party is working.

Interview Erik Wieers – *Flemish Government Architect* – Flemish Government

- Development of real estate has become increasingly complex and legalised because of all the rules and regulations, especially at the local level : building codes, zoning regulations, government, desired development rules etc..
- For professional developers that aim to realize a sustainable higher use on a particular site, the return on projects is generally in line with the risks associated with the development process, but there are exceptions with developers that just want to maximise their return building the highest density at the lowest cost without taking into account the impact on the neighbourhood.
- When a project is presented, there is always a risk of quality erosion throughout the development process: practical objections, certain standards that are not met, things that don't work in practice.
- A good starting point of the development process is to state the ambitions of both the developer and the government for a particular site; a clear discussion on the underlying assumptions can create a common ground for progress; in fact it is better to build trust and to have a strategy towards a result, than to actually come to the table with the result of an internal development process. In the latter case more often than not, the designing architect has built his or her case on a concept they have envisioned and they are not open to suggestions or do not have the flexibility to define quality otherwise. A good example here was the development of the 'Green Quarter' in Antwerp, where the guidelines were clear: maximum 500 residential units including residential, budget and social housing, maximum 1.500 m² other functions, a park of 2 ha and improving connectivity of the site to the surrounding neighbourhood. With these elements, the private developer, the city development agency and the representatives of the city made the project work.
- Lead times can be excessively long; in fact none of the projects that were presented in the first 5 years of holding the position of Flemish Government Architect, has been realized.
- It would be good if the (local) government would make a (binding) statement on the development potential of a site, prior to the acquisition.
- There exists a gap between the developer and the urban planning office, but there is also a gap between the planning offices and the (local) government. The planning offices often want too much details in planning documents (so they can be verified), while (local) politicians often have vision that they want to see realized. Planning documents should state clear ambitions and good basic regulations, which both an administration and government can support
- With respect to urban planning, the focus has always been on the municipalities, which have and are given more and more power to decide on urban planning affairs. The problem is that municipalities lack manpower to handle complex planning procedures and permit requests. The

result is a patchy set of regulations of all kinds and colours with valid and less valid urban planning ambitions.

- At least some of the regulations could be determined on the level of the Flemish government: e.g. prohibiting development possibilities of wetlands, determining parking standards, fixing the minimum surfaces of different building typologies.
- Urban planning cannot be organised with regulations alone. In fact, the current situation in Flanders proves that this approach has failed. Under the guise of density and more building in centres, buildings are being built far too high. To overcome this, the discussion must be about the quality of those homes and you cannot push that into regulations. A better approach is to determine directions instead of rules, to set up coalitions to achieve ambitions.
- Access to appeal remains a basic right to avoid that local communities are not involved in the development process due to a faulty planning approach of local government (e.g. building a high rise building next to a garden city. Developers should actively seek support for their projects as every property right implicitly entails a responsibility towards the local community. Unfortunately this responsibility is not present in our current civil law book.
- People very quickly fall back on measurable and manageable data (roof slope degrees, building heights, etc.), which is sometimes an illusion of harmony and unity. Regulations can have been eroded by subsequent modifications. Metrics can be outdated too.
- In the absence of clear planning documents, developers wrongly assume that alle plots in a residential zoning can and subsequently must be developed. A common example would be a family that inherits the family mansion on a big plot of land in a residential zone, which is taxed at EUR 800.000. They bring it to the market and a developer pays EUR 2.700.000 for the plot and the mansion, assuming that he/she will be able to build an apartment building with 60 units. And because they have paid so much, they assume that the building permit will be granted. Having more clear guidelines on what is possible in different residential zones would be beneficial for all.
- If a development process has occurred, within a pre-set framework of ambition and guidelines, where a professional developer and a number of urban planning representatives as well as public servants of different departments of the city have been actively involved, possibly reinforced by a participation process to capture local insights, it should not be possible for the delegated public servant of the province to negate all of this work in the appeal procedure and review everything once again. Instead, the focus should be on assessing the impact on the particular objection that is made.
- The Flemish government could take a more active role in predetermining some building rules (e.g. it is generally acceptable to build 3 m higher than the adjacent building), encouraging diversity in

typologies, stimulate affordable and social housing, facilitate subdivision of larger building plots, etc...

- In the future, sharing space and amenities will be more and more important, but that does not mean that an individual ownership is no longer acceptable. Cooperative structures or private owners should both be aware that shared amenities need to be managed and maintained.

Interview An Rekkers – General Director – VRP

- The Flemish Association for Spatial Planning and Planning (VRP) is working on broad support for quality and sustainability in urban development and spatial planning. The VRP organizes training courses, master classes, lectures, colloquia, think tanks and training series to disseminate its expertise and exchange experiences. They take a critical look at policymaking and formulate constructive advices. The association was a.o. involved in creating the guidelines for project consultations established on behalf of the Flemish Government.
- The VRP acknowledges that permitting procedures in Flanders are long, which is difficult to support financially by developers. On the other hand, as the potential impact of a project in the built environment can be significant and has a long time horizon, it is important to tread carefully and to consider all aspects of the project.
- Developers should invest (more) in the analysis of the context of a project: what is the spatial context, what are the local requirements, what is the added value for the neighbourhood, what is the impact of climate change, etc...
- The goal of urban planning is to carefully evaluate spatial choices, to determine what activities can take place in which part of the available space, to ensure that these activities can keep on going in the long run. To do that, decisions need to be taken and planning frameworks are necessary.
- Ideally, the planning frameworks should be established before the development question arises, starting with a clear vision of the local government on the development potential of a site; experience from municipalities that have established these frameworks (e.g. Nijlen) demonstrate that these provide a stable basis for negotiations with developers and result in better projects. Furthermore, the availability of these frameworks also avoid situations in which the developer has paid too much for an acquisition without consulting the local planning office representatives. The most difficult situations arise when local politicians have already consented to a certain volume without consulting their own urban planning office.
- Often, these planning frameworks have not been established, due to time, resource and budget restraints, a lack of political courage to do so (fearing the vote of the local citizens), a lack of local support and a lot of pressure from developers to avoid these planning frameworks.

- Some urban planning decisions are difficult to take at the level of the municipality, either because planning issues are often situated at a larger scale than the municipality (e.g. water management at the scale of a river basin), or because they value the consent of the local citizens too much and fear an adverse vote at the elections. This has led to a situation where spatial planning has been neglected for decades and almost anything could be built anywhere. In addition, the Flemish government does not assume its responsibility to take urgent spatial planning decisions (such as defining a Policy Space plan for Flanders, defining floodable and ecological zones which are no longer buildable, abolishing ribbon building rights in time, etc..). Instead, the Flemish government takes decisions on full market level compensations for plot owners which often have speculated on value increases of their land, while the execution of the associated urban planning documents and costs are passed on to the local government. The absence of urban planning frameworks is not attributable to developers.
- In other countries, such as France, more and more spatial development decisions are taken on a higher administrative level than the local municipality. This is in line with the broader impact that spatial development decisions usually have. The impact of a decision on the capacity of a river does not stop at the border of the municipality but is likely to have an impact on the total river basin. Recentring urban planning competencies at the Flemish level would also allow in certain urban planning specialisations, but also allow for broader competencies – such as evaluating real estate development feasibility studies – to be pooled.
- Too much responsibilities on spatial issues have been pushed towards the local level, without any financial means or added capacities. Larger cities with an elaborated staff are perfectly capable of coping with all planning issues, but for smaller local governments spatial planning decisions should be considered at a larger scale (e.g. which urban village should be further developed and which not). Development of urban villages is related to the viability of the functions that are present and the linkages to amenities and services at a more regional level. If more than 1.000 village “cores” have been identified in Flanders, amenities and services will be spread across all of them, resulting in much more (car) traffic and/or too low usage which will eventually cause them to cease to exist. These decisions on long term development potential should be taken more selectively on provincial or the Flemish level. A good example is the Spatial Policy Plan for the province of East-Flanders, which has implications for all municipalities in the province, including the city of Ghent.
- Urban planning legislation has become too complex and requires lawyers at all levels, which in itself does not lead to a better built environment. In fact, many representatives of the urban planning offices fear personal legal repercussions and another excess are the persons that are actively seeking to engage in appeal procedures as a new line of business. The presence of legal representatives at development meetings is often not so beneficial to establish a sense of mutual trust and evaluate the development opportunities together.

- Any development project should actively seek support from the local community and opportunities to generate positive linkages with other spatial developments and challenges. The owner has a right to have legal certainty about the development potential of his plot, but that does not mean that he has a right to build on his plot. Often, developers just buy a site at a high price and then expect to use this as an argument to force the local government to allow a developable volume that is in line with their feasibility study.
- The development set-up has changed significantly from mere land development to more integrated urban development projects. Some developers have developed the skills to be successful in these type of development projects. They tend to deliver qualitative projects that maintain a certain equilibrium between the private ambitions and the societal impact.
- The problem of the provision of sufficient affordable housing will not be solved by developers. They tend to develop products for higher income classes and secondary residences. But the space that these products take, is space that cannot be used to realise affordable housing such as social housing. The task of the government is to preserve the available space for its best usage, taking into account all societal stakes. This may well result in plots that are no longer available for (commercial) development.
- The new environmental decision procedure is symptomatic of all the *ad hoc* solutions that have been crafted to cater the needs of faster and easier development. The objective is to speed up project driven developments, but due to a lack of consideration of the broader societal impact and a number of unconstitutional elements, this procedure is unlikely to result in more legal certainty for the developers either.

Interview Marjolijn Claeys – Managing Director – Voorland

- Voorland is a spatial planning agency for innovative, future-oriented planning. The agency has worked on projects such as the implementation of the spatial execution plan of the municipality of Oostrozebeke, the building code of Sint-Niklaas and is participating in the Quality Chamber of Torhout.
- For real estate developers, it is often difficult to know what the framework is within which a development can take place. They have to combine different regulations and plans themselves while some plans are contradictory and other elements are subject to interpretation. Generally, they do not have problem with the imposition of certain prescriptions and rules, but they have to be clear, communicated clearly and be stable over time.
- The communication of the urban planning representatives could be improved: sometimes they refuse any oral communication, unclear e-mails are sent and interpreted wrongly, when a project developer addresses an issue, they come up with another issue, etc... The best way to move

forward on a project is to have a clear vision and framework and to organise project meetings to discuss the problems around the table. These meetings are best coordinated proactively by directors appointed by the government, like this used to be the case for a while for a number of public private partnership projects.

- The role of the Quality Chambers should be oriented towards the integration of the project in the urban tissue, the spatial qualities and the impact of the project on the environment. This is the way that the Quality Chamber in Torhout operates and it leads to an added value for the project and the local community, so it is a benefit for the developer and the city. Unfortunately, Quality Chambers can get distracted by overly focussing on architectural elements, which is the responsibility of the architect in the first place. When remarks are made with respect to how more light and air can be brought into a building, the Quality Chamber is correcting the work of the architect. These kinds of errors should be corrected by adapting the training as an architect.
- The role of the Quality Chambers could therefore be to engage in the negotiated urbanism. In such a spatial quality oriented Quality Chamber, it is of added value to have people around the table that understand the reasoning and the language of real estate developers. The problem here is twofold: there is no real legally valid outcome that can be used in the permitting process and the Quality Chamber may not really have mandate to negotiate on behalf of the urban planning office or the local politicians. In that way, real estate developers may be confronted with three levels of negotiation at the same time and an increased difficulty to align all of these different opinions.
- Also, it should be clear which projects are subject to an advice of the Quality Chamber and which ones are not. For the latter, the local development vision and legally binding urban development framework should be sufficiently clear to evaluate permit applications.
- A good example of such a unified instrument is the spatial execution plan and regulation that Voorland made together with Maatontwerpers for the municipality of Oostrozebeke. The need to develop a vision emerged when the municipality saw itself confronted with an increasing number of apartment projects of a lower quality than desired and in places where they didn't want to have this typology. As a first step, a masterplan was made, which was converted to a spatial execution plan and regulation afterwards. The spatial execution plan abolished all existing plans within the boundary of the municipal core, as a sort of cleanup of the messy amalgam of spatial planning documents. The spatial execution plan contains prescriptions on zoning and densities. Design oriented regulations have found a place in the separate building regulations, which are easier to adapt to new trends.
- Although the government has the important responsibility to implement a good spatial policy, urban planning has been managed poorly in Flanders. The Flemish government is not taking its responsibility to establish a strategic vision (the spatial policy plan for Flanders is still missing), to provide a set of clear and transparent regulations and to take some decisions that are required to be taken on the scale of the regions. Instead, most of the urban planning issues have been pushed

down to the local level, without appropriate financial means and competencies, and the actions of the Flemish administrations have been focussing on general soft issues such as making publications on ribbon development. The ad hoc policies that have been launched (such as the environmental decision procedure) result in a lot of urban planners being tied up in evaluating permitting requests (instead of planning), work overload at the municipal administrations and legal insecurities everywhere. In fact a lot of, the planning that is going on is still governed by the Regional Plans that were drafted in the seventies.

- Government should also take its responsibility, through a participative planning process, to engage with neighbourhoods, educate people and prepare them for the changes that are necessary. Now, there is ambiguity about the future, people are afraid of change and they react by opposing to projects and introducing appeals.
- The balance has also tipped towards an overly importance attached to the legal form and checks applied to urban planning. The lawyers will check whether or not an environmental impact assessment has taken place, but they almost never argue about the content. The environmental impact assessments are a good way of checking the impact of a government decision on the environment, but this should be evaluated while the rules and regulations are made. An urban planner should be able to assess what the impact will be of an urban planning regulation on the environment. Now the regulations are made by urban planners and subsequently a team of specialists evaluates the regulations afterwards, which results in a thick document that adds up the reflections of each specialism, but which has very little added value for the environment, as the regulations that have to be evaluated are intended to improve the impact for the environment in the first place. Also, as the number of specialists that can evaluate the environmental impact is limited due to the fact that they have to follow a traineeship, the waiting times are long and the prices are high.
- Overall the gap between the urban planners and developers has become too wide. Instead of engaging with one another and trying to find a common solutions for the problems they encounter, there is a continuation of archotyping the other parties. Urban planners should make more use of data to motivate their viewpoints and the importance they attach to the future use of the built space, developers should communicate more early about their development plans and refrain from lobbying with politicians to enforce a decision, thereby overstepping the professional opinion of the urban planning officials.

Interview Marianne Mys– *Managing Director* – Croom

- Croom is an advisory practice in urban planning, drawing on 10 years experience as an urban planning officer in Boechout..
- Boechout experienced the redevelopment of an industrial site of about 5ha located in the centre of the municipality into a mixed project. When the request of the project developer was made to discuss the development options, there was no existing vision or spatial execution plan. Instead, the urban planning officer had to take up the project as an open discussion about the potential and limits of the site. Unfortunately there was no experience in negotiating with project developers either, nor with following up on a development of that scale. And it was clear that there was pressure from the developer to make progress. A lot of smaller municipalities struggle with the same problem.
- A lot of time was invested in building mutual trust and trying to achieve a *win win* situation for the municipality and the private developer. It felt like a once in lifetime opportunity and everybody around the table seemed to really want the project to be realised. One of the focus points was a good integration of the project in the existing urban tissue and ensuring a financial balance between the profit of the developer and the imposition of urban development cost.
- With a good team around the table an acceptable proposition was eventually reached and a urban development cost (public infrastructure, a park, a community house, the sale of part of the plot to the adjacent school, etc...) was charged in line with the volume agreed upon. All of this was integrated into a mutual cooperation agreement. However, after the public investigation, due to protest of neighbours, the number of floors of some of the buildings was reduced from 7 to 5. Hence, a new equilibrium had to be sought to make the project viable for the project developer.
- The problem with such an urban development project often is that the local villagers find the new urban densities unacceptable. There is a gap of 10 to 15 years between what urban planners think is acceptable and what the general public finds acceptable, even if these type of developments are in their best interest, because they foresee dwellings in the centre of the municipality, close to amenities and services. But they do not see it that way and in the end it is the general public that votes for the local politicians that have to approve these densities. The Flemish Government could do more to educate them and to change the mental image of local villagers about the more dense form their village could take.
- There is a lot of suspicion of the common man towards new development, the developer is often presented as a villain, there is always the argument that there is a lack of transparency and citizens want to know everything but they do not understand the complexity of urban planning and the urban planning instruments. But there should be some room for negotiation between the public representatives (that have been designated in a democratic process by the villagers) and the developers.

- The municipal urban planning officer does no longer need to have a masters' degree in urban planning, so the basic knowledge about urban planning gets lost. In smaller municipalities there is also a lack of expert knowledge, as opposed to larger cities that have an abundance of experts that an urban planning officer can consult. The advantage of smaller municipalities is that they can have a closer connection to the responsible alderman. Smaller cities such as Geel, Lier and Herentals seem to have the best of both worlds solution.
- In a smaller municipality, there is often a lack of budget to make urban planning documents. The budget needs to be approved by the mayor and aldermen, who feel that they have to spend money to make plans that it will annoy their voters.
- A learning point for the urban planning officers is to develop and show some empathy for architects and developers that do have deadlines and bear the consequences of a slow permitting process.
- Overall, we have driven ourselves into a trap: the focus is on issuing permits, in a highly legalised and detailed administrative way but we have lost the overall picture of where urban planning should be heading and we do no longer have the right people at the right place to do so.

Annex 2: Investment Return Calculations (Loop 5)