

Competition between social and private rental housing



Christian Lennartz

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1 Introduction

This book integrates two basic ideas that, at first glance, might seem incompatible: the concept of economic competition and the relation between social and private rental housing¹. The concept of economic competition basically holds that two or more parties strive for something that not all can obtain. This can either be two or more suppliers that strive for the provision of a product to a customer, or two or more customers that strive for the consumption of a good. One might argue that the purposes of social and private rental housing are very diverse. In other words, social housing and private rental suppliers do not strive for the provision of rental housing to the same customers, while social and private renters do not compete for the consumption of the same rental service.

However, this division between the two rental tenures appears to be less sharp if two recent developments in contemporary rental housing are taken into consideration. On the one hand, many countries have seen the privatization of public housing companies through stock transfers to private non-profit housing associations, tenant cooperatives, or profit-oriented landlords. Furthermore, policy makers have required social housing suppliers to operate in a more market orientated way and increasingly use private finance for developing and managing social housing dwellings. Here, public policy interventions have allegedly promoted competition between social housing organizations and introduced commercial management tenets in order to increase the efficiency of the sector. In political practice this has been accompanied by a shift from object subsidies to means-tested demand-side subsidies in social housing finance. On the other hand, public authorities in some countries have tried to strengthen the role of private landlords in the provision of rental housing for vulnerable households, including low-income renters in general and homeless people in particular. This development has been facilitated by a relative increase of means-tested demand subsidies for private renters.

Against this background, this thesis puts forward the argument that the once clear demarcation between the activities of social and private landlords appears to be shifting, which has possibly led to more mixed rental markets², in which social and private landlords competitively coexist. With this in

1 As will be shown in Section 1.1, social rental housing here is understood as rental housing that is allocated based on social criteria, while private rental housing is defined as rental housing that is allocated based on market principles. Commercial and market rental housing have been used as alternative terms in the housing literature to describe this form of rental housing. This thesis regards them as synonyms, yet it follows the more Anglo-Saxon perspective and thus tries to consistently use the term private rental housing or private renting.

2 Originally, the term 'mixed markets' has been used by studies on nonprofit organizations (e.g. Brown & Slivinski, 2006) to describe the relation between nonprofit and profit-oriented firms in market settings. Although, social landlords and nonprofits, as well as for-profits and private landlords are not necessarily congruent in housing market realities, I consider the terminology 'mixed rental markets' as an apt and concise way of characterizing the research subject of this study, i.e. the idea of competition between social and private landlords. Conversely,

mind, it can be said that a study of competition in mixed rental markets is relevant in the sense that it helps to better grasp the functioning of rental markets in which social and private renting become increasingly intertwined. Even though this thesis should certainly not be read as a blueprint for designing such competitive mixed rental systems, it might thus inform the policy debate on how to introduce efficiency-oriented rental housing policy innovations.

This is not to say, however, that increasing competitive pressures have become a universal trend across national rental housing markets, and that such debates take place in all countries. After all, there are still large differences between countries with regard to whom social and private rental services are provided for and which government policies and expectations are attached to them. Here, it has been pointed out that social housing from a consumers' viewpoint has become more residualized in some countries, whereas it continuously serves a wider socio-economic stratum of the population in other countries. Similarly, private renting has been characterized by its diversity with regard to its tenants, potentially serving all kinds of socio-economic and demographic client groups. Nonetheless, which private rental segment – and with it, which type of private landlord – prevails, is again a question of which country we are looking at. Accordingly, a first observation is that the potential of inter-tenure competition in rental housing markets differs strongly between countries. Secondly and related to this is that social and private rental services are not traded along the same principles. The fact that, in contrast to private rental housing, the very reason for the existence of social rental housing is the prioritisation of people in housing need, means that if competition between the two tenures exists at all, it arguably takes place under different premises and has a different meaning than economic theory has taught us. That being said, it is possible to formulate two thematically interwoven research aims that guide this PhD study.

- 1. The first research aim is to develop a new theoretical framework that can unfold the complex and shifting relationship between social and private rental housing from a competition perspective.*
- 2. The second research aim is to better understand social and private landlords' competitive interactions, under which conditions they are likely to develop, and what the effects of these interactions are by applying the new framework in an internationally comparative context.*

To be able to fulfil these aims, the study is designed as a comparative research project, using the mixed rental housing market in the cities of Coven-

try in England and Breda in the Netherlands as empirical examples. The data collection was conducted between 2008 and 2011, which means that the research findings mostly apply to this period of rental housing in the two countries and case studies. The two cases are arguably two very different local rental markets and also national housing systems with regard to the roles of social and private renting, who provides rental housing services and how governments intervene into the production and delivery of these.

The remainder of this introductory chapter basically sets out the conceptual framework for analysing competition in mixed rental markets. To do so, there is a first discussion of what is understood as private and social renting³ in the context of this study. Hereafter, the introduction will elaborate on the arguments on the possibility of competition between rental tenures that were mentioned in the beginning of this short overview. Based on a review of the concepts of competition in the economics literature, the theoretical model will be introduced, and consequently, the key research questions and research approach will be presented. The final section of this chapter briefly describes the content of this thesis.

1.1 The definitions of social and private renting

Researchers have constantly pointed out that a cross-national comparison of housing tenures is difficult, because the meanings that are attached to the terms social housing, owner-occupation, private renting, cooperative housing, etc. are different in most countries (Barlow & Duncan, 1988; Ruonavaara, 1993; Hulse, 2008). Of course, this does not mean that one cannot compare housing tenures and their relationships in two or more countries; however, due to the fact that tenure forms are most often culturally and historically contingent (Doling, 1997), it is essential to provide precise definitions of what one means when using these tenure labels. This thesis is not an exception here.

Haffner *et al.* (2009a) note that most studies and official statistical sources typically base the definition of private renting on ownership status. Accordingly, private renting is often equated with the provision of rental housing by private individuals or companies. However, this definition can be problematic. On the one hand, it may include private renting that is linked to employment or family relationships, and is thus not traded on an open market but is constrained to accommodate specific tenants who fulfil a certain eligibility criterion (being a family member or an employee of the firm). On the other hand, an ownership-based definition might include landlords providing housing services, which are linked to social allocation criteria when the landlord

³ In this study, the terms renting and rental housing are used interchangeably.

receives a subsidy or a tax concession for the provision of a dwelling.

Similarly, social housing is often defined in terms of who owns the property and the way the rent is set. It follows that social housing is often equated with the provision of housing by public companies and nonprofit housing associations (see Rhodes & Mullins, 2009). What this definition of social housing misses is that such organizations do not necessarily only provide dwellings at a submarket rent to specified tenant groups but might trade parts of their housing stock on the open market.

It follows that ownership status is not a sufficient criterion to define the two sectors and clarify the distinction between them. In line with Haffner *et al.* (2009a) and Ruonavaara (1993), this study argues that the key distinction between the two rental sectors is how private and social rental services are allocated in the rental market. In theory, private rental housing is allocated by supply and demand. The rent has the function of signalling shortages or oversupplies of rental services. Theoretically, rents can be adjusted so that the private rental sector (PRS) is brought into a near-equilibrium state (Oxley, 2000). The vast majority of private landlords operate along a profit-maximizing premise. Consumer demand is governed by the willingness and ability to pay for a certain housing service. Tenants who are not willing or able to pay can be excluded from the consumption of a private rental service (O'Sullivan & Gibb, 2003).

Social housing, on the other hand, is primarily not allocated by financial considerations of market actors (Oxley, 2000). Supply is not primarily based on profit-making decisions as in private rental markets; rather, it can be assumed that non-pecuniary goals prevail and that social housing providers are to a large extent driven by their public tasks (MacLennan & More, 1997; Scanlon & Whitehead, 2007). Concurrently, demand for social housing services is not steered by tenants' ability or willingness to pay the rent, but by a politically and socially defined and interpreted form of need (Oxley, 2000). Rents in social housing are mainly determined by administrative decisions. They tend to be kept at below market levels and clearly have a different purpose than the signalling function of market rents. This implies that adjustment in social housing to new market circumstances remains publicly controlled and thus reflects political objectives rather than decisions of independent providers and consumers of housing services (Whitehead, 2003).

Table 1.1 provides an overview of what kind of rental housing this study considers as private renting and what as social housing. In brief, social housing is understood as rental housing that is allocated along social and administrative criteria, while private renting subsumes rental housing that is distributed through market forces. Accordingly, tenancies that are linked to employment or are provided by family and friends are not understood as private renting (and neither as social housing) and are therefore not considered in this study. It

Table 1.1 Definitions of rental housing sectors

Category	Ownership	Allocation	In this study
1	Private ownership by individuals and companies	Market forces/market rents	Private renting
2	Private ownership by individuals and companies	Not by market forces/linked to family and employment	Not considered
3	Private ownership by individuals and companies	Social allocation criteria, needs based allocation, administrative rent setting	Social rental housing
4	Nonprofit organizations and public bodies	Social allocation criteria, needs based allocation, administrative rent setting	Social rental housing
5	Nonprofit organizations and public bodies	Market forces/market rent	Private renting

Source: Oxley *et al.* (2010a), modified for this study

follows that private renting and market renting are used interchangeably.⁴

The market/non-market definition approach is certainly not without problems. Firstly, how should we comprehend demand-side support in the PRS? Is this a form of social housing? The argument here is that although housing allowances have a strong impact on housing affordability, they do not change the market allocation process directly. Furthermore, since parts of this study rely on official data sources, it is not always possible to retain the ideal definitions of private and social renting, since these sources tend to use ownership as the defining criterion, most likely due to a simpler data compilation process. Thirdly, the conceptions of a researcher do not always match those of the actors in a market – in this case, landlords, letting agents, and tenants. It will become obvious throughout the text that these people use terms (e.g. commercial renting) that might not necessarily reflect the dichotomy presented here.

A final point that needs to be made is the use of the term nonprofit throughout the study. When describing the relation between different rental tenures, Kemeny (1995) in his famous study on dual and unitary rental markets speaks of competition between nonprofit and for-profit landlords, rather than of competition between social and private landlords. As will become apparent in the next sections, this study also relies on the distinction between nonprofit landlords, which are simply said organizations with a social mission which are not allowed to distribute profits to shareholders (Hansmann, 1987), and for-profit landlords and uses this terminology to describe the business models of social and private landlords. Nonetheless, this classification is not always accurate, since profit-oriented landlords can and do provide social rental services in some housing markets, while nonprofit landlords often do not only provide social rental services, but also market-based rental accommodation.

Arguably, this incongruity makes the research more complex and requires a clear and visible distinction of the terms social renting and social landlords, as well as private renting and private landlords. Yet, as will become obvious throughout this research, an unambiguous use of the corresponding terminology is not always easy. To name but two problems, official sources do not

⁴ Both terms have been used in the housing literature (e.g. MacLennan & More, 1997); however, it seems that in recent years 'private renting' and 'private rental housing' have become accepted as the standard expressions. In line with this dominant paradigm, the latter term is used throughout the study.

necessarily follow the distinction between landlords themselves and the different allocation mechanism they apply, and neither is it evident in what way the market-based activities of social landlords follow their primary social mission. Accordingly, the conclusions of this thesis will reflect on the complexities of staying true to the given definitions.

1.2 Competition and rental housing markets in the housing literature

Before answering the question of whether competition between the two rental tenures is possible at all, it seems worthwhile to take a broader look at the notion of competition on rental housing markets. First, one might ask: Competition for what? This question relates to the specific characteristic of the good housing in that it has both investment and consumption attributes. The rental dwelling can be considered as an investment good, which produces income for landlords; yet, it can also be seen as a housing service for tenants, which takes into account the physical quality of the dwelling, any locational condition and the legal quality of the rental housing consumption (Barr, 2004). Breaking up the product rented housing into these two categories means that before the actual provision of a housing service takes place, landlords might compete for rental housing assets, building sites, government contracts or even resources for the construction of new housing.

The second question then is: Competition between whom? In principle, competition between the providers in rental housing markets could take place within the social housing industry, within the private rental sector, and/or between social and private landlords. Indeed, the introduction of more market orientated policies in Western countries primarily aimed to introduce competitive elements into the social housing industry (Walker, 2000; Scanlon & Whitehead, 2008).

The focus of this thesis is on competition between social and private landlords in the provisions of housing services for tenants. Nevertheless, it will not be neglected that competitive forces within social and private renting, as well as competition between different types of landlords at earlier production stages can have an impact on how the two landlords groups might compete for the provision of rental housing services.

The theoretical impossibility of rental tenure competition

It is useful to keep in mind that rental housing is exposed to various market imperfections (see O'Sullivan & Gibb, 2003). Quigley (2003) notes that landlords tend to have a better knowledge about the quality of their dwelling than tenants. This leads to substantial information asymmetries, under which it is difficult for tenants to estimate the asked rental price of a dwelling cor-

responds with its actual market value. A second particularity of the product housing is its long durability (Priemus, 1998), which means that new dwellings play an inferior role in the total housing supply and prices are mainly determined by the existing stock. This leads to strong price rigidity in the rental (and also owner-occupied) market. Adding to this that rental housing services are highly heterogeneous – location and dwelling features are almost unique for every dwelling –, preferences of tenants are idiosyncratic, and transaction costs when moving to a new dwelling are extremely high, economists note that landlords are often able to set rents above market levels (MacLennan, 1982). In other words, due to imperfect information, the durability of dwellings, and the and intrinsic market power of landlords, the nature of the good private renting can be seen as an inherent limitation of competitive forces.

Even more importantly, the definitions of social and private renting given above showed that the two sectors operate along different allocation and price adjustment mechanisms, which are grounded in the different purposes of the two rental sectors. MacLennan and More (1997) argue that the competitive market outcome produces only an insufficient amount of decent rental housing. In other words, the market will not provide for a socially defined form of need, if that requires higher quality or lower rents than given by the market outcome. Nonetheless, society might want all households to live under acceptable housing conditions. “There is, then, a gap [...] between socially desired and effectively demanded housing output. This gap is often labelled housing requirements or housing needs” (p. 535). Hence, if social housing provides shelter only for those in housing need, and therefore to groups that lack the financial ability to pay for accommodation in the private sector, it could be argued that inter-landlords competition is impossible. Here, the different price adjustment mechanisms could be mentioned as well. In private markets one way of being successful in attracting new customers is to lower prices (Ricketts, 2002). Price setting in the social housing sector follows administrative decisions instead. Consequently, social housing suppliers cannot react to price changes in the PRS, as it would be the case in fully commercial markets. In other words, direct price competition between the two rental sectors is impossible.

Housing market realities

Indeed, in most countries it holds true that the objectives of the two rental tenures and how the two sectors function are different. Nonetheless, the definitions of social and private rental housing are theoretical in nature and only provide narrow descriptions of how the two industries⁵ operate and thus are

⁵ The term industry is used in the industrial economics literature to describe the entirety of suppliers of a certain product. In this study a distinction is being made between social housing industry and private rental industry.

related in real housing markets.

The various market imperfections of housing services (see Section 1.1) have led to different government responses in many countries. Certain regulations and operating rules with regard to rents, quality, and property rights of tenants are in place in most Continental European countries (Arnott, 1995). For instance, in Germany rent increases are regulated by the system of local reference rents, which are based on comparable quality characteristics for buildings and dwellings and the neighbourhoods they are located in (Haffner *et al.*, 2009a). Almost every country, including those where rent and quality regulations are almost absent and property rights for private tenants are generally weak (e.g. the United States, Australia the UK), some form of housing allowance for tenants exists and new rental housing provision tends to be structured through planning regulations (Pawson, 2006; Retsinas & Belsky, 2008). It follows that private rental housing is not affiliated with a powerful position of landlords *per se*, but under certain conditions it can resemble social housing in the way the relative power positions of tenants and landlords are controlled by public authorities. Similarly, such housing policies mean that the PRS is not fully market-based, but that there are restrictive regulatory measures, particularly at the lower end of the market.

Additionally, it is not helpful to consider the PRS as one coherent sector. On the contrary, it can have quite a fractured structure of provision, since in reality it tends to consist of different groups of landlords – divided by, *i.a.*, organization structures and financial goals – and different groups of customers. In this context, Rugg and Rhodes (2008, p. 15) rightly note that private renting is characterized by the existence of distinctive submarkets, in which “tenants tend to carry certain expectations, and landlords will frame their management practices and purchase property types to fit the needs of their target tenant group. These submarkets may be spatially concentrated or widely dispersed, depending on the demand group and on the supply of particular property types in a given area”. From this it follows that private renting does have different purposes within and between various countries. For instance, private renting in the UK seems to carry the label as a temporary first step towards owner-occupation on the housing ladder, whereas in Germany’s housing system it conveys a tenure-for-life idea (Kemp & Kofner, 2010). Nonetheless, even these two extremes share the paradigm that private rental accommodation is inhabited by all kinds of household.

This directly relates to a more recent phenomenon. Governments in many countries, such as Ireland, the UK, Belgium, and Germany, have sought to increasingly involve private landlords in the provision of housing for low-income households (Scanlon & Kochan, 2011). Gray and Mcanulty (2008) for Northern Ireland and Kemp (2011) for England provide some evidence that the share of ‘residual users’ has grown significantly in the PRS in the last two decades; a development which has been facilitated by generous demand subsidies,

enabling private landlords to gain substantial returns in a normally low-revenue market segment. Moreover, in many European countries but also in the US, governments have come to experiment with projects on the provision of private rental accommodation for homeless people (see O'Sullivan & De Decker, 2006; Retsinas & Belsky, 2008). Arguably, this is not a form of free market renting, since access to those dwellings is defined by social criteria. Nonetheless, these developments in various Western housing markets show that many tenants who would have traditionally found accommodation in the social housing sector, now form a new and growing group of potential private renters.

Furthermore, the theoretical statements about social housing do not necessarily cope with how it actually works in political, social and business practice. Housing policies may assign a broader role to social housing than just satisfying housing need. For instance, Sweden, Denmark and the Netherlands are well known for their social housing sectors which offer housing services to those households that given their income would be able to pay for housing services at market levels (Whitehead, 2003; Scanlon & Whitehead, 2008). Here, social housing is expected to perform as a socially integrating force, preventing the stigmatisation of low-income households (Haffner *et al.*, 2009a). This links to planning practice in for instance the UK, the Netherlands and Ireland (Scanlon & Whitehead, 2008; Redmond & Norris, 2007), where public housing companies or nonprofit housing associations are required to cooperate with private developers and (non-housing) social institutions on building socially mixed neighbourhoods.

There are also good grounds to relax the assumption that pecuniary considerations do not play a role in social housing. With the introduction of more market orientated social housing policies the objective functions of social landlords have become much more diverse. As a first step in this development, governments have sought to transfer the ownership and provision to other suppliers than public authorities. In the UK this has involved stock transfers from council suppliers to privately managed Large-Scale Voluntary Transfer associations (Malpass, 2001). In the Netherlands municipal stock has been primarily transferred to existing housing associations, while in Sweden significant parts of the municipal stock have been transferred to tenant cooperatives. In business practice the transfer of public stock to private organisations was accompanied by the introduction of private financing schemes and a concurrent reduction of public subsidies in most Western European countries. As a result, social housing organisations are increasingly expected to work along commercial and social guidelines.

Based on these rental market 'realities' one could argue that from the consumers' viewpoint, social housing and at least parts of the market rental sector are thus not necessarily 'worlds apart', since the two rental services might have similar prices, qualities, and locations; or the other way round, providers of private renting and social housing might have similar customer bases.

The contention of this study thus is that the relation between social and private renting has become more blurred in some countries – certainly not in all countries –, potentially leading to increasing competitive pressures on both landlord groups.

A testimony of this blurring relationship is that it has come to the attention of the European Union's competition authorities which has started an inquiry into the question of whether the relation between social and private renting in the Netherlands is in accordance with the EU's competition rules; in other words, whether there is a level playing field for all suppliers of rental housing (Priemus & Gruis, 2011; Gruis & Priemus, 2008; Elsinga *et al.*, 2008). The two main outcomes of this inquiry is that housing associations must allocate 90 per cent of their new lets to the target group of social housing – i.e. households with a taxable income of less than approx. €33,600 – and they must split their organisation into a commercial and social entity (Priemus & Gruis, 2011). Similarly, in Sweden there were also concerns about how social housing tenancy laws and rent regulation practices create an unlevel playing field between municipal and private landlords. However, negotiations between the Swedish government and the EU Commission were not required, since the dispute between social landlords and private rental organizations could be solved beforehand (Elsinga & Lind, 2012). Consequently it can be said that competition between the two rental tenures is not only possible in business practice, but has become a direct subject of political decision-making within countries as well as on a supranational level.

To conclude, the assumption still holds that competition cannot be based on simple price cuts, since administrative allocation mechanisms prevail in the social housing industry. Yet, non-price competition between social and private landlords for tenants or a mix of tenants on the basis of, for instance, rent/quality relations, property rights, location, or a combination of those might very well be possible.

Existing conceptual frameworks

The described development towards a potentially more competitive relationship between the two rental tenures in many countries has been acknowledged by an increasing number of housing researchers (e.g. Kemp, 2011; Scanlon & Kochan, 2011; Hulse *et al.*, 2010; Rhodes & Mullins 2009; Murie, 2009; Kemp & Keoghan, 2001; Walker, 1998; Giffinger, 1998) However, there have only been a few attempts to devise conceptual frameworks that can unfold the basic principles of what competition between the two landlord groups means and what the processes of competition are. Arguably, the most influential exception has been Kemeny's (1995) seminal work on unitary and dualist rental markets (see also Kemeny *et al.*, 2005). In brief, dualist rental systems are characterized by two polarized rental tenures. Public authorities closely con-

trol nonprofit⁶ social landlords through their integration in the command economy public rental sector. Furthermore, access to nonprofit renting is based on strict means testing, leading to a strong residualization of the sector. Profit renting in the PRS is largely unregulated and is effectively shielded from any competitive pressures of the nonprofit sector. In unitary rental markets, a social market approach to rental housing provision encourages nonprofit landlords to compete with the profit-oriented private sector. Since regulatory barriers to competition do not exist, lower rents (or higher quality/security of tenure) in the nonprofit sector lead to high competitive pressures on profit landlords, forcing them to lower their rents (increase quality/security of tenure) as well. Kemeny further contends that in order for competition to take place, certain requirements need to be fulfilled: Nonprofit housing needs to be of a sufficient overall size and must provide a wide range of services with regard to dwelling age, size, type, and standards.

One of Kemeny's basic assumptions on the effect of competition between social nonprofit and private profit rental landlords is tested by Atterhög and Lind (Atterhög & Lind, 2004; Atterhög, 2005) in the context of the Swedish unitary rental market. The authors analyse whether competition between municipal housing companies and private landlords leads "to lower prices, reduced costs, more innovation and generally a stronger position for the consumer" (ibid, 2004, p. 108). In research practice this means that they test the relation between supply concentration and rental prices in all local authorities in Sweden, where they use the market shares of municipal providers as a proxy for supply concentration in both rental sectors.⁷ Being clearly preoccupied with the effects of competition between the two rental tenures, the authors' research presents an interesting and useful way of quantifying this relationship.

Most recently, Haffner *et al.* (Haffner *et al.*, 2009a; 2009b; Oxley *et al.*, 2010b; Elsinga *et al.*, 2009) have presented the competitive gap between social and private renting as a new way of thinking about the relationship between the two rental tenures. On the one hand, the competitiveness gap is based on the degree of substitutability between rental housing services, which includes a comparison of absolute rent and quality levels, as well as the regulatory

⁶ As stated above, rather than using the terms social and private rental housing, Kemeny uses the terms profit and nonprofit renting. There are however no indications that he understands them differently.

⁷ Interestingly enough, the results of their regression analysis show that there is indeed a relationship between the market share of the municipal housing company and the rent level; yet the findings are in the opposite direction of what they had assumed: The lower the market share of the municipal provider, the higher the rent level (where the effect is small and has a low level of significance). Furthermore, Atterhög and Lind show that in their model, competition from the owner-occupied sector – which they call a good substitute for renting – is much more important for rental prices than competition within the rental sector.

frameworks on who can provide and consume which rental service. On the other hand, the gap is defined by the degree of rivalry between the suppliers of rental housing, which in their work equals the concentration of supply, as measured by the market share of individual landlords.

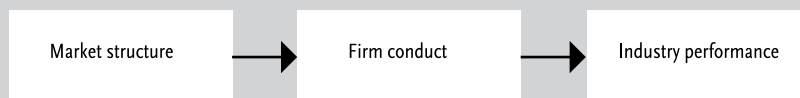
In short, these three conceptual frameworks provide some useful starting points. Kemeny's argument that political decisions are central in circumscribing the likelihood of competitive pressures in mixed rental markets, and the consideration of product-related aspects (substitutability) and market structural aspects (the degree of rivalry) as proposed by Haffner *et al.* are guiding thoughts in this thesis. However, the contention here is that since these frameworks merely focus on structural and political aspects of competition (and in Atterhög's case the effects of competition), give less attention to functionalities of private renting than to those of social renting (see Hulse *et al.*, 2010), and lack empirical testing, particularly in the case of Kemeny (for an exception see Hoekstra, 2009), they are not able to fully unfold the behavioural interactions in mixed rental markets and how these relate to structural and political aspects, and what the outcomes of such interactions are. Hence, in order to devise a more holistic conceptual framework for analysing inter-tenurial competition on rental housing markets, the next sections will take a step back and discuss existing concepts of competition in broader economics terms.⁸

1.3 The traditional structure-conduct-performance paradigm

The traditional neoclassical framework for the analysis of competition between providers in fully commercial markets is the structure-conduct-performance (SCP) paradigm. It has been claimed that the SCP can shed light on the competitive conditions of a market in which firms operate, how those conditions affect their behaviour, and what the economic effects of both individual and collective behaviour are (see Motta, 2004; Shy, 1995).

Market structure consists of three aspects (see Clarkson & LeRoy Miller, 1983): Supply concentration measures the number and market shares of suppliers in a market. Product differentiation measures the homogeneity of the products that are being traded. Barriers to entry and exit assess how likely new suppliers enter and exit a market and thus how stable the supply structure in a market is. Firm conduct is defined as the individual firm's policies towards its product markets and towards the moves made by rival firms. The main questions are how firms set prices – collusively, tacitly or independently

⁸ Here, the study also relies on related work on the different meanings of competition in the economics literature (see Lennartz *et al.*, 2009).

Figure 1.1 The traditional structure-conduct-performance paradigm

–, and which strategies they pursue to discourage entrants (Jacquemin, 2000). Performance evaluates whether the firms’ interactions lead to socially and economically desired outcomes. Here, the economics literature distinguishes between allocative efficiency (are resources allocated in the best way possible), dynamic efficiency (do firms invest a proper amount of their resources in R&D), and productive efficiency (is the output of production maximized given the prescribed input), as well as equitable and consumer-satisfying outcomes in the market (Motta, 2004).

The underlying hypothesis of the SCP paradigm is that a stable causal relationship between the three elements exists (see Figure 1.1). The structure of a market is exogenous, while conduct and performance are structurally determined variables. Under the assumption that all actors have complete information and products are perfectly divisible, a perfectly competitive market is defined as a market in which the number of sellers is high, products are homogeneous and entry and exit barriers do not exist. In such a market environment, all firms are price takers, which means that they have to set prices independently to the marginal costs of production, which according to economic theory leads to an efficient market; that is the performance of the market is welfare optimal (Tirole, 1988). In all other market forms, from monopolistic competition, where suppliers compete on differentiated products, to a monopoly, where only one provider exists, suppliers can exert market power and set prices above marginal costs without losing customers and becoming less profitable. From a behavioural viewpoint profit-maximising strategies exist in all market forms. However, the main difference between perfectly and imperfectly competitive markets is that firms in the latter can improve their position (gain higher profits) through optimal pricing and output strategies, where profitable pricing is facilitated by the possibility to engage in price fixings when the number of firms is low (Caves, 1986). As a result of such inefficient aggregate behaviour welfare losses occur (Martin, 2010).

Shortcomings of the SCP framework and the neoclassical idea of competition

The problems with this basic assumption are manifold: Firstly, the static, unidirectional relationship between structure and performance, and with it the neoclassical assumption that a large number of sellers necessarily lead to a more efficient market outcome, was challenged by mainly non-mainstream studies (Jacquemin, 2000). In contrast to the SCP, the ‘efficient structure hypothesis’ (ESH) assumes that market structure is not an exogenously given factor, but depends on the strategic decisions and efficiency of individual firms (Schmalensee, 1989). More decisively, the ESH argues that in a state of perfect competition there would be no competition at all, because there is no incentive to behave slightly different and thereby outperform a rivaling firm, which is however what competition originally is about – the strive for some-

thing that not every competitor can obtain. Accordingly, Clarkson and LeRoy Miller (1983) note that the lack of conscious rivalry contradicts the neoclassical model, since in order for the market to come into equilibrium state, a dynamic process must take place that “works through rivalry among economic transactors” (p. 110).

Secondly, for the described relation between the elements of the SCP to be possible, the traditional SCP – and with it the entirety of the mainstream economics literature – presumes that all firms are rational profit-maximizers. In a perfectly competitive market, suppliers who do not act rationally and deviate from the profit-maximizing equilibrium face increased risks to be driven out of the market. However, a large corpus of the economic literature on the nature of the nonprofit firm shows that the profit maximization is but one strategy that a supplier in a market can use. More precisely, Hansmann (1987) states that nonprofit activities are a response to goods that are underprovided, most often because the provision does not guarantee a satisfying return, but serve a public purpose. By fulfilling this public need, nonprofit firms might best be described as rational optimizers pursuing their non-monetary objectives (see Ritchie & Weinberg, 2000). Pursuing social rather than only monetary objectives has some important implications for the pricing behaviour of nonprofit firms, since they might use other devices than fees, for instance waiting lists or price discrimination (Malani & David, 2004), which in turn means that pricing decisions are not necessarily at the core of how firms interact with each other in a competitive market setting, be it in a highly concentrated or a highly deconcentrated market.

Finally, the traditional SCP neglects that there are institutional constraints on what individuals and organizations are able to do in a market (North, 1990). Literally every market has an institutional framework that can be described as the rules of the game, limiting the choices that firms can make and structuring the interactions between them. However each organization and manager within each organization might decipher these rules differently, which in turn might lead to different perceptions of how competitive the market environment is and who their competitors are. Accordingly, in such highly regulated markets one can often observe firm behaviour, which can deviate significantly from the market specific equilibrium (Simon, 1986).

The framework's limitations do, however, not mean that the mainstream SCP paradigm is of no use as a competition analysis tool. Nonetheless, a simple application of the traditional SCP framework to rental housing markets is not a meaningful exercise. Accordingly, based on the described weaknesses of the original framework and guided by the special conditions of how rental housing markets function, it seems to be possible to modify the SCP in a way that it becomes a more eclectic paradigm for competition analysis in mixed rental markets.

Table 1.2 Comparison of the traditional structure-conduct-performance and the structure-conduct-performance of rental housing markets

	Traditional SCP	SCP of rental housing markets
General conception	<ol style="list-style-type: none"> 1. Unidirectional causal relationship from market structure to performance presumed 2. Analysis of static competition 3. Supply-side competition framework for antitrust and competition policy 	<ol style="list-style-type: none"> 1. Utilised as an ordering framework – links between elements analysed in the research process 2. Behavioural aspects of competition are distinguished 3. Different market adjustment mechanisms are considered – social and private renting industries coexist in one market 4. Significant consumer-related aspects are made explicit 5. Product homogeneity is endogenous to the framework
Market structure	<ol style="list-style-type: none"> 1. Supply concentration – number of sellers and individual market share 2. Barriers to entry and exit – barriers to new competition; stability of the number of sellers 3. Product differentiation – degree of product homogeneity 	<ol style="list-style-type: none"> 1. Supply concentration – number and market share of landlords in each sector + position of social landlords in the whole market 2. Spatial concentration – existence of local monopolies and similarity of locations 3. Barriers to entry – rules and conditions of entering each sector 4. Barriers to access – rules and conditions of consuming either service 5. Product differentiation – homogeneity of social and private rental services with regard to rent levels, rent regulation, housing allowance payments, security of tenure, quality of dwellings, quality of location, and quality of services
Landlord conduct	<ol style="list-style-type: none"> 1. Strategies in the product market and reactions to rivaling firms 2. The way prices are determined – independent, tacit, collusive behaviour 3. Decisions on how to gain a competitive advantage (e.g. through advertising) 	<ol style="list-style-type: none"> 1. Existing business models in the two rental sectors – the goals of providing the rental service 2. Perceptions of providers in the other sector 3. Strategic behaviour and rivalrous interactions – price and quality setting, investment strategies, other strategies to gain a competitive edge
Market performance	<ol style="list-style-type: none"> 1. Efficiency – allocative, productive, dynamic 2. Equitable outcome 3. Degree of consumer satisfaction 	<ol style="list-style-type: none"> 1. Landlords level-effects – productive efficiency; impact of competition on socially desired behaviour of social landlords; profit levels 2. Societal effects – impact of competition on price/quality bundles in mixed rental markets; possibility of marginalisation of certain tenant groups
Consumer behaviour	Not considered in the traditional SCP	<ol style="list-style-type: none"> 1. Attitudes towards and perceptions of tenants on social and private rental services 2. Tenants' moving intentions within mixed rental markets

1.4 The structure-conduct-performance of rental housing

Generally, rental housing is not utilized to test the logic of the SCP or to make some inter-industry comparisons; instead, the opposite is true. The SCP is applied to rental housing in order to create a framework that can be used to provide valuable insights on the competitive relation between social and private rental housing. For this purpose some considerable modifications to the original framework are proposed (for an overview see Table 1.2).

Firstly, since the traditional SCP inadequately addresses explanations of firm behaviour, it follows that when applying the SCP to rental housing it should be utilized as an organizing framework, including a more explicit formalization of strategic firm conduct. In other words, adapting the SCP to rent-

al housing markets is based on a clear separation of the three elements structure, conduct, and performance. This means that the SCP model is used as an ordering framework that acknowledges both the structural and the behavioural concept of competition and assesses the links between them empirically. Secondly, the SCP of rental housing will give considerable weight to the rules and regulations on rental markets. As said, (neo-)institutional economists have clearly pointed out the importance of regulatory frameworks for firm behaviour. Hence, this framework is in line with approaches that demonstrate how new rules and regulations can facilitate the analysis of changing social housing systems (e.g. Gibb & Trebeck, 2009); however, by considering the regulation of the PRS as well, this idea will be expanded to the whole rental market. Thirdly, instead of analysing competition between firms which all operate along the same principles and pursue the same goals in the market, the diverging objective functions and business models in social and private renting are made explicit in the whole thesis, particularly when investigating rent setting and investment strategies of different landlords. The non-profit/for-profit cleavage will thus be used as one guiding topic in this thesis.

Finally, it has been pointed out before that housing policy approaches and social rental structures differ between countries. As a result and in contrast to the original SCP, where measuring substitutability is exogenous and primarily relies on the calculation of the cross-price elasticity of demand (Motta, 2004), substitutability of private and social housing services needs to be made explicit in this framework. Modifying the traditional SCP refers to the fact that it is a strictly supply side analytical tool of measuring competition in a market. However, it seems reasonable to assume that the consumption decisions of tenants in national rental markets should not be seen as given, since the ability and willingness to substitute the two rental services differs between countries and customer groups. Therefore, the contention here is that the ability to substitute needs to be made explicit within the SCP of rental housing framework – i.e. the question of whether a specific tenant does have access to both social and private rental services –, while the willingness to substitute the two rental services is not directly included in the theoretical model, but should be analysed on a meta-level.

Market structure

The previous section suggests that market structure in the SCP of rental housing should comprise five rather than only three items that define the competitiveness of the mixed rental housing markets.

In line with the traditional framework, the first key aspect is the concentration of supply in a rental market. Arguably, there are two levels of supply concentration: on the one hand, the market shares of landlords within each rental sector, and on the other hand, the position of individual landlords in the whole rental market, particularly the one of social landlords who tend to

be relatively large organizations. Nevertheless, supply concentration does not only deal with the number of landlords and their respective market shares but also with where they offer their services in local housing markets. The rationale to include spatial concentration aspects into the model is grounded in the condition that (rental) housing is spatially fixed. Dwellings are where they are, and even if the supply in both social and private rental housing was highly deconcentrated, the two industries might operate in very different areas, thus having a smaller market overlap. In other words, the SCP of rental housing controls for spatial monopolies of private renting and particularly social housing suppliers to see if supply concentration on a city-level actually conforms with where the two rental services are provided, which influences the question of whom they are provided for.

The concept of barriers to entry supply in this study is a different one than in the traditional SCP paradigm. It can be argued that conventional entry and exit barriers, such as absolute cost advantages of incumbents and brand loyalty, are relatively low in rental housing markets. Many people who want to provide rental housing do have or can acquire the resources to do so (Arnott, 1995). However, entry and exit barriers can be high when they are understood as the bureaucratic burdens for landlords to operate in both rental segments. This refers to the possibilities for private individuals and companies to enter the social housing industry and, conversely, the possibilities for social landlords to operate in the private rental sector. Under the assumption that social and private rental services might be provided to a completely different set of customers, the fourth market structural item is the existence of barriers to access social and private rental housing. The question here is, who might actually consume private and social housing services: Is there free choice for tenants between the two rental services, or do regulatory and landlord-induced impediments to consume either service exist?

Product differentiation refers to the degree of homogeneity of social and private rental services. In contrast to the traditional SCP, which measures product differentiation in terms of cross price elasticity of demand (Shy, 1995), this study follows the definition of substitutability that has been proposed by Haffner *et al.* (2009a). They argue that the substitutability, or the degree of product similarity, relates to two subjects. On the one hand, the similarity of rent levels and rent regulation policies should be taken into account. This should be complemented by an analysis of actual rent expenditures, which should investigate whether housing allowance are available to both social and private renters and how generous they are. On the other hand, product differentiation is about the similarity of service quality. This comprises both the quality of the dwelling and the quality of location. Additionally, the existence of quality regulations in the two sectors is an important point, which includes observations on how the security of tenure is regulated in each sector. Ideally, one would consider the rent/quality relation

of social and private rental services conjointly. After all, prospective tenants might, for instance, consider a low rent/low quality private rental service housing and a middle rent/middle quality social housing service as good substitutes. Here, it can be assumed that the ability and willingness to substitute generally is a question of the purposes of social and private renting. Where the purpose of social housing is to accommodate a broader clientele than just those in need, the two sectors are more likely to cover similar market segments and should thus be considered as better substitutes by the consumers (see also Oxley *et al.*, 2010b).

Landlord conduct

It was shown in the previous section that the traditional SCP paradigm and neoclassical economics in general see the behaviour of the firm as a property of market structure, in which each market form (perfect competition, monopolistic competition, oligopoly) has its own equilibrium to which firms will adapt in the long run if they seek to maximise profits. Under the assumption that a more diverse set of objective functions exist in mixed rental markets and that managerial intentions can be diverse and are not necessarily rational, conduct in the SCP of rental housing is generally understood as a process of conscious rivalry. In other words, the basic condition for a competitive relationship between firms is that they perceive each other as rivals for the patronage of customers and take certain risks to outperform their competitors (Shepherd, 1984; Baumol, 1982). In line with our framework, competitive behaviour would thus mean that social landlords see private landlords as rivals and vie for their customer base, and vice versa. This in turn implies that the existence of a rival social (private) industry might have an impact on strategic behaviour in the private (social) industry. If such competitive perceptions exist, consequent strategic behaviour could be recognized in the following aspects: the investment strategies of landlords with regard to the quality of their housing stock; their pricing strategies as a way to make their offers more attractive to customers; their investment strategies with regard to the quantity of supply, where landlords might seek to increase their market share through the construction or acquisition of new dwellings; the risk diversifying strategies that landlords pursue. One might imagine that private landlords increasingly engage in submarkets that are very different from social housing in order to avoid its competitive pressures. Social landlord behaviour, on the other hand, could comprise a risk diversification strategy in which the provision of housing services is spread across different local markets; and finally, the way decisions are made in business practice. Do private and particularly social landlords make their decisions as individual landlords, or are decisions made as one coherent sector, or are they stipulated by administrative specifications?

To guarantee a detailed understanding of conduct there should be a dis-

inction between the strategic decisions of for-profit and nonprofit providers. It holds true that in mixed rental markets the diversity of business models implies that social landlords are more inclined to behave cooperatively than for-profit private landlords. Actually, they are often encouraged to do so by legislated, socially sanctioned incentives. The literature on the economics of the nonprofit firm has highlighted that where such divergences in business paradigms exist the notion of inter-firm rivalry is altered, since there is limited scope for competitive behaviour to take place (Young *et al.*, 2010; Ritchie and Weinberg, 2004; Hansmann, 1987). On the other hand, a distinction should be made between business models within each sector. After all, small-scale individual landlords and corporate investors within the private rental sectors, as well as public and private not-for profit providers within the social housing sector can have very different business approaches and goals in the respective rental sectors (see also Scanlon & Kochan, 2011). Here, it is also suggestive to make a distinction between ownership and management. In both sectors there might be an organisational division between owners of the dwelling and those who manage it on a day-to-day basis. In the private rental sector, corporate investors might own dwellings, but the management could be in the hands of professional letting agents. Conversely, in the social housing industry, public authorities might own the stock, but management services are outsourced to an independent private organisation.

Market performance

Following the traditional SCP, performance evaluates the effects of competition between the two groups of suppliers in mixed rental markets. Here, firm-level and market-level (or societal) effects can be distinguished. From an economic viewpoint the first aspect is mainly about the question of whether competitive interactions between the two landlord groups leads to a more productive use of resources in the delivery of rental housing services. Neo-classical theory tells us that increasing competitive pressures provoke managers of firms to find ways of providing their products at lower costs since the profitability of the whole industry decreases with an increasing number of competitors. The analysis of firm-level performance should examine whether such mechanism exist in mixed rental market realities. Additionally, the firm-level performance should consider the effects of competition on the social mission of social landlords in the rental housing market. Here, a broader discussion on the effects of an ever-commercialising social rental sector should take place. The other way round it could be asked whether competitive pressures lead to an exit of private landlords, since they are not able to compete with social landlords on equal terms and thus become unprofitable.

From a broader perspective, performance is about the impact of competition in mixed rental markets on the consumers. In other words, performance deals with the societal desirability of competition between social and private

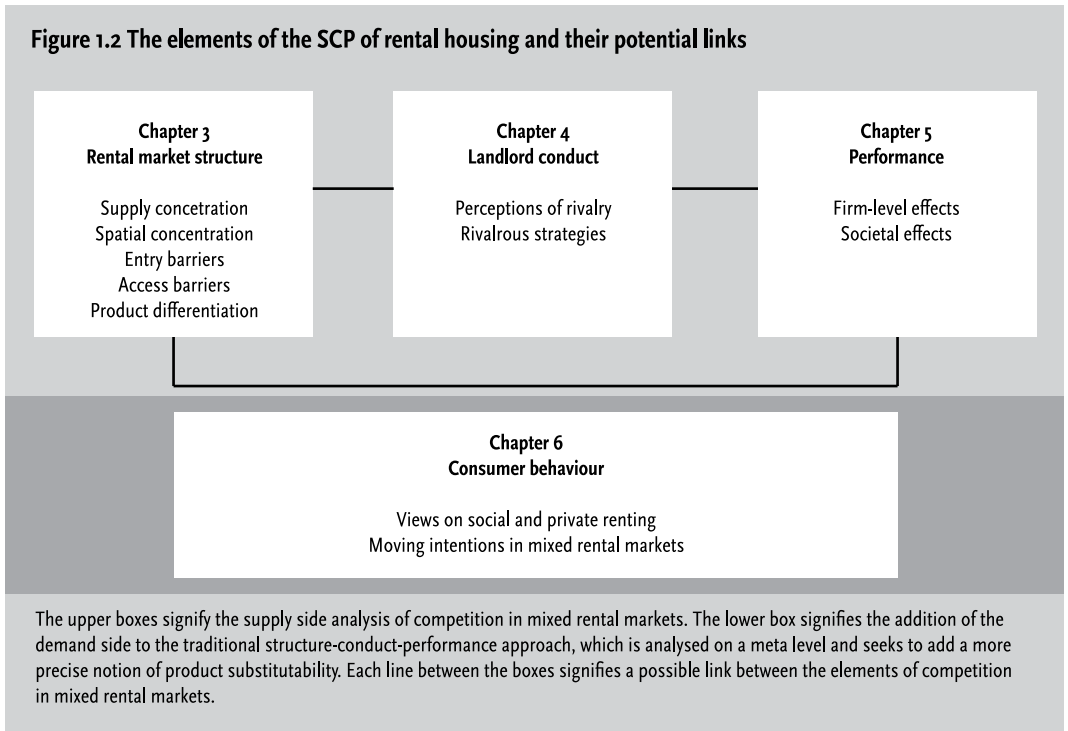
rental landlords. A competitive rental housing market, in which the two sectors offer housing units that are good substitutes, means that tenants have more choice. If tenants have more choice and if they make use of the choice in their housing consumption decisions, one can assume that the outcome of rental housing allocation satisfies tenants' housing preferences. Nonetheless, again it needs to be acknowledged that competition might have negative side-effects: If competition with commercial suppliers induces social housing landlords to focus on more profitable market segments and try to cater for more affluent households in order to secure their own financial stability, this would imply a less equitable rental market, in which social housing suppliers lose sight of their public and social responsibility. On the other hand, competition can have positive effects as well. If competitive pressures in mixed rental markets induce landlords to lower their prices or increase the quality of their products as a strategy to survive in the market and if tenants can choose between all kinds of products effectively, allocative efficiency as well as consumer satisfaction might increase. From a government's viewpoint this has important implications of how and when they should intervene in the market. If the desirable effects of competition surpass the negative effects, one might argue that public authorities might want to regulate rental markets in a way that increases competitive interaction between social and private landlords.

Consumer behaviour in mixed rental markets

In contrast to the traditional SCP, conduct in the rental market framework also gives significant weight to the role and behaviour of the tenants. In this line of reasoning, market structure sets the general conditions for competition between social and private renting. It can be argued that the degree of product similarity and the question of whether the same tenants can access both social and private rental services thus circumscribe the potential degree of substitutability of private and social rental services. This structural view on the relation between the two rental products and under which conditions they can be consumed is surely important. However, the observable factors of the two products, such as absolute rent levels or security of tenure, do not necessarily match with how they are perceived by tenants. Moreover, it says nothing about tenants' willingness to actually substitute the two rental services.

Accordingly, the SCP of rental housing should include an investigation of the attitudes towards and perceptions of social and private rental services and consequently whether tenants intend to move between the two rental sectors voluntarily. It has been pointed out by ample social research, most prominently through the Reasoned Action Approach by Fishbein and Ajzen (1975; 2010), that there is a direct link between perceptions and attitudes on the one hand, and behavioural intentions and behaviour on the other hand. In research practice the psychological concepts of attitudes, perceptions,

Figure 1.2 The elements of the SCP of rental housing and their potential links



intentions, and actual behaviour, as well as the relations between them, can be used to make the relative abstract concept of substitutability – or more precisely, the willingness to substitute – more graspable and understandable.

1.5 Research approach and key questions

The theoretical exercise in the previous section has primarily focused on the various conceptual meanings of competition in mixed rental markets; however, less attention was given to the relations between the three elements market structure, landlord conduct, and performance. It was said before that the traditional SCP assumes a unidirectional causal relationship going from the exogenous market structure directly to performance. It is thus unsurprising that the traditional framework has been applied in a way that has directly measured aspects of market structure and runs those in a regression analysis against some commonly acknowledged performance measures. Again, this study will follow a different approach, as competitive conduct, where it comes from, and what it leads to is at the centre of the theoretical model and the empirical investigation.

Figure 1.2 should be understood in a way that the links between the elements are not presumed as is done in the traditional SCP paradigm. This does not mean that the SCP of rental housing is not interested in the impact of market structure on landlord behaviour, of behaviour on performance, and additionally of performance on structural settings in the long run. Rather the opposite is true, as is indicated by the arrows in the conceptual model. However, the difference is that this thesis acknowledges a more complex relation-

ship between the three elements than a one-way causal explanation, which is why the approach chosen here is to empirically analyse the various aspects of competition in mixed markets separately and deduce the links between them from the empirical evidence. In other words, the interrelations between the three elements of the SCP are a process of discovery within the empirical investigation, making this thesis more of an exploratory than an explanatory study. In line with this is the meta level examination of tenants' consumption decision in mixed rental markets. Since, such an analysis is not part of the traditional SCP approach, the links with the other three elements are not presumed, but will be the subject of an empirical discovery process.

Research questions

Based on the theoretical epitome of the SCP of rental housing it is possible to formulate the research questions that will guide the further analysis of this thesis. Generally, the research questions structure the empirical examinations into four parts, and equally four chapters. The first set of questions concerns the competitiveness of the two local rental markets in Coventry (England) and Breda (the Netherlands) and thus gives a thorough account of the market environment, including the rules and regulations of provision, under which both landlord groups operate. The second set of questions deals with the concept of conscious rivalry in mixed rental markets and how rivalrous interactions relate to the rental market environment. The third group is about the effects of a more or less competitive mixed rental market and more or less competitive interactions between landlords. Finally, the research questions on tenant behaviour in mixed rental markets seeks the basis for giving a more precise account of how the role of the consumer of the two rental services influences the competitive relationship as such.

The competitiveness of the rental market structures (Chapter 3)

1. *What is a competitive structure of mixed rental housing markets?*
2. *How competitive are the mixed rental markets in Coventry and Breda?*

Rivalry between social and private landlords (Chapter 4)

1. *What is competitive conduct of social and private landlords in mixed rental markets?*
2. *What are the perceptions of social and private landlords of their competitive relationship? Do they perceive each other as rivals in the rental market? How do these perceptions affect their strategic behaviour in the market?*
3. *What are possible drivers of and accordingly barriers to the rivalrous interactions between the two landlord groups?*

The outcomes of competition in mixed rental markets (Chapter 5)

1. *What is the meaning of performance in mixed rental housing markets?*
-

2. *What are the possible effects of competition between social and private landlords on the performance of mixed rental markets?*

The willingness of tenants to substitute social and private rental services (Chapter 6)

1. *What are tenants' perceptions of social and private renting? How can these perceptions be explained?*
2. *How do these perceptions, as well as structural conditions and personal circumstances influence tenants' willingness to consume social and/or private rental services?*

1.6 Methodological approach and data

The attentive reader will notice the centrality of comparative housing research (Doling, 1997) in the formulation of the research goals and approach. Making this book explicitly comparative transcends the idea that the conditions, processes, and effects of competition between the two landlord groups are expected to be different across housing systems. Rather, by examining a small number of empirical cases holistically, we seek to better understand the causal processes and conditions that can lead to similarities and differences between the tenurial relationships in these countries (see Pickvance, 2001; Oxley, 2001; Oxley, 1991). In simpler terms, an application of the internationally comparative methodology aims to build explanations of why the relationship between social and private renting in country A might be classified as competitive, but not in country B.

In research practice the framework will be tested in the context of rental housing in England⁹ and the Netherlands. The two countries have been chosen from theoretical, policy-orientation and pragmatic perspectives. First of all, the two countries have a significant market share of both rental tenures. This makes any kind of relation – not to mention a competitive relation – more likely than in countries where either one of the sectors is extremely marginalized. Furthermore, in Kemeny's terminology, the two countries are two of the most extreme cases with regard to the functionality of dualist (England) and unitary rental markets (the Netherlands) (see Kemeny, 1995; Kemeny et al., 2005). In line with this is that the Netherlands – but not England – has been said by the EU to endorse unfair competition between social and pri-

⁹ Although the policy goals and instruments of housing are comparable between the constituent parts of the United Kingdom, there are nonetheless some significant differences between their housing systems with regard to administrative and governance responsibilities. Due to efficiency and pragmatic reasons the study will thus use England as a case study rather than the whole of the UK.

vate rented housing because of the lack of a level playing field caused by subsidies to the social sector leaking into their commercial activities (Gruis & Priemus, 2008; Elsinga *et al.*, 2008). Part of this discussion shows that the idea of inter-tenurial competition exists in the housing political discourse in the Netherlands; however, it also signifies that in the Dutch housing market reality, true competition between the two sectors might be undermined, as it takes place on an unlevel playing field.

From a theoretical but also a more pragmatic point of view, this study follows the work of the Housing Systems Department at the OTB Research Institute for the Built Environment, TU Delft. The housing researchers Michael Oxley, Marietta Haffner, Marja Elsinga, Joris Hoekstra, and Harry van der Heijden have conducted extensive research on the competitive relation between social housing and private renting as well as competition within the social housing sector. Many of their conclusions are grounded in a comparison of the Netherlands and England (Elsinga *et al.*, 2009), showing that rental housing seems to be more competitive in the former than in the latter country. Part of their research approach and also results can guide and complement the empirical research of this study.

The thesis further contends that it is meaningful to conduct a comparison of two local rental markets as case study cities within the country comparison. First of all, rental markets are primarily local markets, meaning that indicators of competition and how it is expressed in reality can best be examined on local levels as well. Ideally, an analysis of competition between social and private housing in local markets would rely on the concept of housing market areas (HMA) (Jones, 2002). The reason is that HMA are seen as “continuous areas comprizing a settlement or group of settlements with a high degree of housing market self-containment and where in-migration [...] is of only minor significance” (Jones, p. 557). However, for this study the approach is not feasible. As we will rely significantly on secondary data and official documents in this analysis, it seems to be more meaningful to stick with local authority boundaries, since it is the unit to which published data on (rental) housing most often applies.

Based on a literature review and an interpretation of secondary data, the local authority of Breda has been chosen as a typical city for the Netherlands, while the local authority of Coventry has been chosen for England. The selection criteria for the two cases were as follows:

- The overall size of the population and the housing stock should indicate at least a mid-sized city, in the sense of having a mixed social structure in which all kinds of classes and incomes are sufficiently represented.
- The local authority should have a relatively solitary location; i.e. it is not in an agglomeration area, where housing markets of several local authorities strongly interact with each other.
- The share of both rental tenures should reflect tenure shares in the country.

- The types of suppliers should be representative for the overall country. However, for England it was decided to exclude cities where a council landlord is active, mainly because traditional as well as stock transfer housing associations (see Pawson, 2006) have become the dominant providers of social housing.
- The pressure in the local housing market (demand/supply relation) in both rental sectors should signify what researchers have observed for the whole country. In the PRS, vacancy rates were used as a measure for market pressure, and in social housing the average waiting time on the social housing waiting list. This criterion precluded extremely tight housing markets such as London in England and Amsterdam or Utrecht in the Netherlands.

Data

The competitiveness of the rental markets

The analysis of the of the five competitiveness benchmarks in Chapter 3 primarily relies on secondary data published by local and national statistical offices, as well as a study of national and local policy documents. To get a better understanding of regulation issues (such as rent regulation, security of tenure, or accessibility criteria) in the two countries, the study further reviews the housing literature on rental housing markets and policies in England and the Netherlands. It also collects primary data to calculate rent levels, as well as the number and market shares of social and private landlords in the two case study cities, and makes use of a series of in-depth-interviews with local housing experts, including housing officers from the local authorities.

The perceptions and behaviour of landlords¹⁰

To explore the key questions on landlord conduct, a qualitative approach was chosen. Rather than using a large-n quantitative survey, the empirical examination explores the views and perceptions (research question 1) of 30 social and private landlords in 36 semi-structured in-depth interviews. In all interviews a topic guide was used, which comprised similar questions for all kinds of landlords, while at the same time it allowed for country or city-specific issues. The themes revolved around the main activities of landlords, their products and the tenants they cater for, their views on the rental market in general, their perceptions of the other rental sector and its landlords, notions of competition, as well as views on rental policy and regulation on a national and municipal level.

To allow for an exhaustive exploration of the range of possible views of landlords, the sampling approach for the interviews was as follows: In the

¹⁰ A more precise account of the data collection process for both the qualitative in-depth interviews with landlords and the quantitative survey among tenants in Breda and Coventry is given in Appendix B.

social housing sectors, interviews were conducted with managers and other responsible persons in different departments of housing associations (e.g. lettings, project development, business strategy, and commercial operations). To cater for different market segments and business models in the PRS, the sampling targeted small-scale landlords, letting agents, and (where existing) corporate investors. In both case study cities, the sampling targeted managers rather than owners, which led to a relatively high share of letting agents in the 16 interviews in the PRS (37.5 per cent).

For the actual analysis of the interviews a mix of description, interpretation and grounded theory techniques (see Ritchie & Lewis, 2003) were applied.

The outcomes of competition in mixed rental markets

Assuming that the single case study approach in each country restricts the research to specific market circumstances, which means that the conditions and processes of competition might differ in other local rental markets, the research approach in Chapter 5 on the effects of competition is both theoretical and empirical – which is being signified by the term possible effects in the research question. Consequently, the analysis primarily relies on a meticulous review on the meaning of performance in the economics and the housing literature, as well as on market outcomes in England and the Netherlands as presented in previous studies. This is complemented by the evidence from the in-depth interviews and official performance reports to assess whether competition between the two groups of providers leads to a more productive and efficient use of resources and evaluate whether a higher degree of direct competition has a negative impact on the delivery of social housing services and the overall provision of private rental services.

The perceptions and intended behaviour of tenants¹¹

To investigate the views of tenants on social and private renting and their willingness to substitute the two rental services, Chapter 6 is designed as a quantitative survey study. The empirical data for this chapter were collected through a postal/internet survey among social and private renters in the Dutch case study city of Breda and a postal survey among social tenants in Coventry.

In Breda, 5,000 social tenants were approached by email and were invited to fill in the questionnaire between October 2011 and December 2011. Invitations for participation were sent to all social renters who provided their email address to their landlords, meaning that there was no pre-sampling of respondents. Because email addresses of private tenants were not obtainable, 2,500 invitations were sent to a random sample of private renters by post-

¹¹ A more precise account of the data collection process of the quantitative survey among tenants in Breda and Coventry is given in Appendix C.

al mail. 825 out of the 7,500 invited households returned a usable questionnaire, of which social tenants filled in 529 and private renters 296 questionnaires. This equalled an overall response rate of 11 per cent (10.6 per cent in the social rented sector and 11.8 per cent in the private rented sector).

In Coventry, only social housing tenants of one housing association were invited for participation. Primarily due to time- and resource constraints, targeting private rental households was not feasible in the English case.¹²

On behalf of this thesis one housing association sent the questionnaire to each of its 2,000 social housing addresses in Coventry by postal mail. No pre-sampling of respondents took place. In total, 168 usable questionnaires were returned, which amounted to a response rate of 8.4 per cent.

Similar questionnaires were used in both cities.¹³ They contained 61 questions and were divided into five main parts: (1) current housing situation, (2) the respondent's housing career, (3) moving plans and housing preferences, (4) perceptions of social and private renting, (5) personal information. The questionnaire design largely followed the aim to cover all relevant aspects of the Reasoned Action Approach model. Sections 6.1 – 6.3 and 6.5 aimed to learn more about households' resources and restrictions and actual control to rent socially or privately, as well as their intentions to do so. Section 6.4 of the questionnaire probed for tenants tenure-specific beliefs, attitudes towards and perceptions of renting socially and privately.

1.7 Outline of the thesis

Having introduced the conceptual and methodological approach of the research in this introductory chapter, the remainder of the book looks as follows: Chapter 2 on rental housing in England and the Netherlands should be seen as an intermediate piece, which seeks to provide background information on the development of social and private renting in the two countries, the position of the various landlord groups on a national scale and who the consumers of the two rental services are. As such the chapter remains on a purely descriptive level and can be used by the reader to get a deeper understanding of the rental systems and practices in the two countries and the two case studies.

Chapter 3 will elaborate on the meaning of a competitive market structure in mixed rental housing markets. The application of the conceptual model in the second part will unfold the market environment in which landlords

¹² For an explanation, see Appendix C.

¹³ There were minor differences between the questions the current housing situation, because in Coventry the survey only included social rental households.

have to operate and in which tenants consume either social or private rental services. It will elucidate the characteristics of the two rental products and examine the organization and regulation of either rental sector. The analytical basis of this chapter is a comparison of rental housing in the two case study cities Coventry and Breda.

Chapter 4 will first spell out what the concept of conscious rivalry between social and private landlords means and what it entails in business practice. The proposed taxonomy of rivalry will then be used for the analysis of the interviews with local landlords and letting agents. Do they see each other as rivals? What is such a rivalrous relationship based on? In a third step, a link is being made to the findings on the structural environments in which landlords operate. The analysis thus seeks to give a precise account of how structural conditions in the market can circumscribe, or better to say drive or inhibit, perceptions of rivalry and consequent competitive interactions.

Chapter 5 on the effects of competitive interactions between landlords on the performance of the rental market takes up two tasks. Firstly, it will give a more precise account of what performance in mixed rental markets means and how it can be measured. Here the chapter will engage in a discussion of the mainstream economics, nonprofit, and housing literatures. Secondly, the deduced concept of performance in mixed rental markets will be applied to the real housing market situations in Coventry and Breda, as well as to the national rental systems in England and the Netherlands. Choosing this 'effects of competition' approach will highlight the theoretical and empirical links between structure and performance, as well as conduct and performance.

Chapter 6 on consumer behaviour in mixed rental markets surpasses the original approach of the structure-conduct-performance paradigm, as it will focus on the demand side aspects of competition in mixed rental markets by applying a more comprehensive meaning to the term substitutability. It will, on the one hand, engage in a discussion on how the Reasoned Action Approach by Ajzen and Fishbein (2010) can be used as an innovative research approach to measure the willingness and ability to substitute social and private rental services. On the other hand, based on the survey among social and private renters in Breda, as well as social renters in Coventry, the chapter will statistically examine under which circumstances tenants are inclined to move between the two rental sectors.

The conclusion of the thesis in Chapter 7 will present a summary of the research findings, including a recapitulation of the individual chapters but more importantly a final discussion on the links between market structure, landlord conduct, market performance, and consumer behaviour. Furthermore, it will present a critical reflection of the research approach; it will provide some recommendations for future related research; and finally, it will discuss the policy implications of the research project.

2 Rental housing systems in England and the Netherlands

The previous chapter briefly outlined the rationale for selecting England and the Netherlands as the two countries for the empirical testing of the theoretical framework. To repeat, Kemeny (1995) classified England as a dual rental market, whereas the Netherlands is characterized by a unitary system. Furthermore, various papers by Haffner, Hoekstra, Elsinga, van der Heijden and Oxley claim that competition between the two sectors is stronger in the Netherlands than in England. Finally, based on various selection criteria, the study presented the cities of Coventry and Breda as ‘typical’ case studies for the national housing systems.

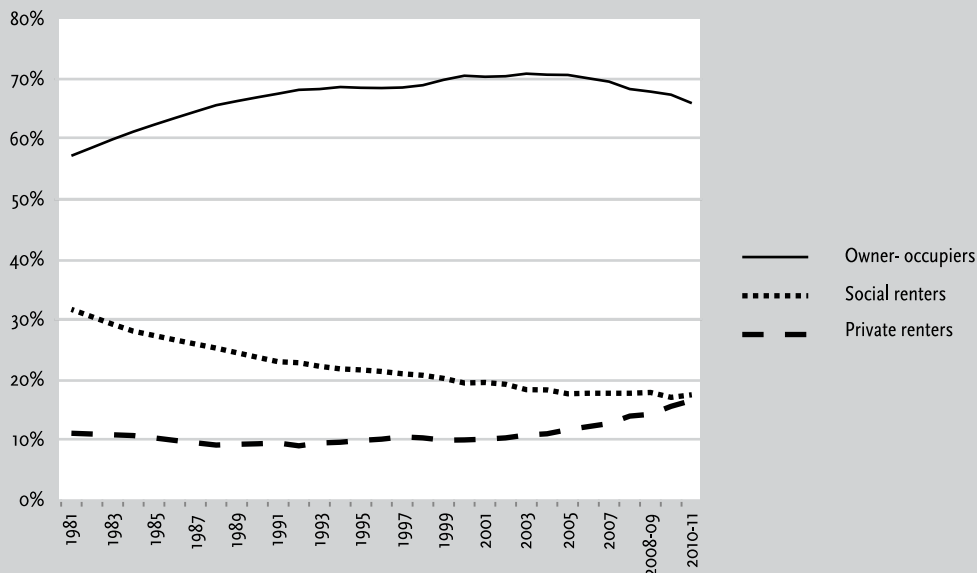
This intermediary chapter elaborates on these issues. On the one hand, it aims to provide a better understanding of the roles and functionality of social and private rental housing in the two countries. This means that we take a closer look at the landlords and the tenants in each country, as well as at housing policy and regulatory arrangements in the period 2008 to 2011 – which is the period of the data collection for this study. On the other hand, this chapter will throw more light on the two case study cities. So far, the study only presented the criteria, which led to the selection of Coventry and Breda as typical case studies. Yet, in order to be able to draw conclusions from the case study on the whole national rental system it seems to be inevitable to outline the main differences between the local rental market and the national rental housing system. The description of the local housing market will be kept relatively brief, since a thorough analysis of rented housing in the two cities follows in Chapter 3.

The chapter proceeds as follows: Section 2.1 will start out with a short historical sketch of the tenure structure in England. Section 2.1.1 takes a closer look at the landlords in both rental sectors, while Section 2.1.2 characterizes social and private rental tenants more thoroughly. Section 2.2 will use an identical approach for rental housing in the Netherlands. In Section 2.3 the two case study cities will be introduced. The conclusions (Section 2.4) will discuss and summarize the differences of the roles of social and private renting in the two countries and will show how the two case study cities comply with the national system.

2.1 Rental housing in England

In a long-term historical perspective, the most important tenure in the English housing market was private renting. In the period of industrialization and urbanization private renting expanded drastically, adding up to more than half of the entire housing stock. During that period poor housing conditions, high levels of overcrowding, and the emergence of slums in urban areas characterized housing markets. As a consequence, two major housing political reforms were introduced in the early 20th century, introducing a rent con-

Figure 2.1 Tenure structure in England, 1981-2011



Source: CLG, 2011a

control system in the private rental sector and exchequer subsidies in the social housing sector, which led to a long period of council housing growth and private renting decline, particularly in the first two decades after World War II. To quote Mullins and Murie (2006, p. 37), “for a considerable period – from before 1919 to the 1970s – it was possible to support the growth of home ownership without restricting the growth of council housing, and both expanded at the expense of private rented accommodation.”

By the end of the 1970s the reputation of social housing worsened, particularly the high-rise apartment blocks and terraced housing estates built in the 1960s and 1970s received negative connotations (ibid, 2006). It was partially this development in the social sector and partially ideology that led to a radical change in housing policy under the Conservative government. In an almost 20 year long period between 1979 and 1997, housing policies were mostly designed as a commitment to an increased provision of housing through the market. Owner occupation was highly subsidized, and private renting was almost completely deregulated. Social housing, on the other hand, experienced a large decline of its tenure share and an erosion of the monopoly of council suppliers (Mullins & Murie, 2006). The outcomes of this are highlighted in Figure 2.1.

It is debatable whether the housing policy of New Labour from 1997 to 2010 was a continuation of the previous government’s housing policy, or whether changes are more apparent. The general policy guidelines did not change in the private sector, since owner-occupation remains the preferred tenure and the deregulation of private renting has not been revoked (Haffner et al., 2009a). The social housing sector, however, was targeted by various new housing policy programs: Amongst other things, the government has created the possibility for local authorities to run their housing stock through an Arms-

Table 2.1 Social housing stock in England, 1961-2009 (thousands of dwellings)

Year	Housing associations (RSL)	Council housing (incl. ALMOs)
1961	-	3,382
1971	-	4,530
1981	410	4,798
1991	608	3,899
2001	1,424	2,812
2009	2,195	1,820

RSL: Registered Social Landlord.

ALMO: Arms-Length Management Organisation.

Source: CLG, 2011a

Length Management Organisation, a social rent restructuring policy has been implemented, the housing allowance system was reformed, and most importantly, choice has become the keyword in the provision of social housing.¹

2.1.1 The landlords

Social landlords

Until after the 1980s, social housing provision in England was very much associated with public council housing suppliers. The radical reform of housing policy under the Conservatives aimed to change this monopolistic structure – in 1981, local authorities provided 92 per cent of all social housing – and facilitated the growth of the nonprofit housing association sector, which has led to a relatively balanced dual supply structure of social housing on a national level (see Table 2.1). Two specific policies played a key role in this development. Firstly, the decrease of the council sector can primarily be ascribed to the Right to Buy program. Introduced through the Housing Act in 1980, it enabled tenants to buy their social dwelling at a substantially discounted price. Up until now, the program has led to a sale of about 1.8 million, having its prime in the 1980s. Secondly, the Conservatives shifted bricks and mortar subsidies for new social housing, as well as subsidies for maintenance investments from local authorities to housing associations. As a consequence, housing production by local authorities practically came to a halt in the beginning of the early 1990s, while the production of housing associations has substantially grown in the last two decades. A further result of the new subsidy scheme was the execution of large-scale voluntary transfers (LSVTs) of council housing stock to newly established private stock transfer associations or existing ‘traditional’ housing associations (Pawson, 2006), a practice which, according to Malpass (2001) has contributed to a process of demunicipalization in England.

So, what are the differences between public council suppliers and the housing association sector? Council housing organizations can vary significantly in size and kind of stock. Some authorities, most evidently in the bigger cities, own more than 50,000 dwellings, where others only supply a relatively small number of dwellings. It is self-evident that local authorities primar-

¹ These issues will be discussed in more detail throughout the chapter.

ily own housing stock within their own boundaries (Cave, 2007). Councils can manage their housing stock either directly or through an Arms-Length Management Organisation (ALMO), which are semi-autonomous companies running the day-to-day management and business policy, while the local council itself still owns the stock and controls the allocation policy within the municipality (Audit Commission, 2009).

The main reason for setting up ALMOs is the current finance system in the council housing sector, which is based on a revenue subsidy scheme. Central government funding covers the difference between rental incomes and the housing costs of local authorities. These subsidies are designed to keep council housing rents below market levels. Separate bricks and mortar subsidies, on the other hand, supported investments into existing and new housing stock. The abolition of those funds (see above) has led to a chronic underinvestment in council housing and finally resulted in relatively poor conditions of its dwellings. Under the housing policy of New Labour, government funds were made available to increase the standard and performance of local authority housing. However, it was stipulated that funding for maintenance investments and subsidies for the construction of new social housing is only available to local authorities that run their stock through an ALMO (Pawson, 2006; Whitehead, 2007).

Generally, all housing associations are nonprofit associations, meaning that all operating profits must be reinvested into the housing business. They are responsible for managing their own finances and for guaranteeing their long-term financial viability. From a legal viewpoint all associations are private entities and are neither owned nor directly controlled by the central or local government. Most importantly, to obtain various rights and privileges housing associations must be registered as a Registered Social Landlord² (RSL) with the Homes and Communities Agency (HCA)³, the national regulator of the housing association sector. Social housing finance is more complex in the association sector than in council housing. The Housing Act 1988 introduced a large-scale mixed funding regime for HAs, stipulating that public capital grants are limited to 75 per cent of the initial project costs, where the rest is to be covered through loans on the capital market. The risks of the development project and lending private money are carried by the housing associa-

2 Since the term housing association has no decisive meaning from a legal point of view, throughout this study the term housing association is equated with the term Registered Social Landlord. Housing Associations that are registered as charitable organizations instead of being registered as RSLs are addressed as these.

3 When the research project was started, social housing regulation and registration was the responsibility of the Tenant Services Authority. However, the current Conservative-Liberal government has decided to abolish the TSA and move its regulation powers to the Homes and Communities Agency. Changes were put into effect on 1 April, 2012.

tions themselves.

In order to be able to meet the increased costs of social housing provision, it was further stipulated that the rent levels of the new dwellings should enable associations to reach a break even in their investment. As a result, housing association rents have increased rapidly in the last twenty years, leading to relatively high rent differential between public providers and housing associations (see CLG, 2011a). With the intention to balance all rents in the social housing industry, the New Labour Government (1997-2010) introduced a new rent-restructuring regime in 2002. It says that, by 2012, all social dwellings have to apply a rent formula that reflects local manual worker earnings, as well as the size, locality and condition of the dwelling. Part of this process is the adjustment of rents for existing dwellings. This means that rent increases are coupled with the general retail price index, can however be increased by a further 0.5 per cent of the yearly rent and £2 per week. Rent decreases are also possible in the adjustment period and are subject to the same rule (Tang, 2008).⁴

The introduction of the mixed funding regime was complemented by a new regulation structure. Since 2009, the HCA is responsible for the distribution of the central government's capital grants. Based on the guidelines of the National Affordable Housing Programme (NAHP), the HCA decides which housing associations – or ALMOs and private developers – are eligible for funding for the development of new social housing in a certain local authority. These decisions are guided by performance assessments of individual associations through the Audit Commission.⁵

Notwithstanding all housing associations operate under the same financing and regulation premises, the governance models of the housing association sector have become more diverse since the late 1980s. In general, two distinct types can be identified: traditional housing associations and stock transfer associations. The mixed funding regime has enticed traditional housing associations to become more commercialized, to grow substantially in size, and to expand to new localities (Mullins, 2010). Malpass (2,000) points out that even though some mainly larger associations have renounced their voluntary busi-

⁴ Since 2012, housing associations have an additional rent setting option, the so-called 'Affordable Rent' setting scheme. It enables housing associations to offer fixed term tenancies at a rent level that is higher than the average social, which means that the initial rent is set to 80 per cent of local market rents.

⁵ In its decision on which housing associations are eligible for funding, the HCA also cooperates with the National Housing and Planning Advice Unit (NHPAU). The NHPAU is an independent body, which does not have any regulatory powers itself; however, it advises local and regional planning bodies on where and how much new affordable housing needs to be built. Hence, the decision on which housing associations receive grants of the HCA is not only based on the HAs' individual performance, but also on where the highest demand for new social housing construction exists.

ness model and have become more risk-seeking in their business operations, the new supervision and governance structures have resulted in the traditional housing associations becoming “more obviously and deeply entrenched within the structure of the state apparatus for meeting social needs” (ibid, p. 240). Pawson (2006) notes that although they might be of equal size, stock transfer associations differ from traditional housing associations on various aspects: First of all, LSVT associations inherited a relatively poor housing stock and a tenant mix that was very much dominated by the lowest income stratum of the local population. Secondly, they are formed from within the public sector, thus they do not share the traditional association’s history as voluntary charitable organizations. Thirdly, they are bound to local boundaries and tend to retain their close ties with local authorities, at least in the first years after the stock transfer.

The question remains how stable these observable differences between traditional and stock transfer associations are? In the last ten years, the entire housing association sector was affected by a rapidly increasing number of inter-landlord collaborations into higher administrative units and alliances. These agglomerations were achieved either through the establishment of new group structures⁶ or through mergers between existing housing associations, leading to a mixing of the business models of the two housing association groups (van Bortel et al., 2010; Pawson & Sosenko, 2008). The formation of these group structures of housing associations all over the country can have some essential implications for supply structure on a local level. After all, it is not uncommon that two or more housing associations operating in the same local market belong to the same parent group. In some local authorities (e.g. Liverpool, Newcastle, and Sunderland) the council transferred the social stock to a number of newly formed associations, which are part of the same group, however, operating in different parts of the city. Therefore, the question remains whether those groups should be considered as one supplier or several suppliers.

Private rental landlords

Figure 2.1 shows that there has been a strong growth of private rental housing since 2003. One might argue that the deregulation policy of the Conservatives as described above had a key role in this development. Here, the Government’s main projects were the abolishment of all sorts of rent regulation for tenancies that were started after 1989, and the introduction of assured short-hold tenancies, which gave landlords the possibility to regain possession of their dwelling after a six months period of a secured tenure, without the ne-

⁶ This involves the creation of a formal association of separate organizations, where one association functions as a group parent, while the others are subsidiaries.

cessity to justify their decision.

Looking at the growth of the sector in the last two decades, one might argue that the private rental deregulation policy has directly led to the rejuvenation of the sector. Of course, the deregulation of rents has given landlords better profit prospects; yet, housing researchers (e.g. Hughes & Lowe, 2007; Rhodes, 2006; Haffner *et al.*, 2008; Kemp, 2004) tend to agree that it is debatable to which extent the deregulation of the PRS has contributed to this development. It has been pointed out that besides the favourable conditions for private housing growth – e.g. increasing house prices made the rental business an attractive investment opportunity – and the improvement of the public opinion on private renting, particularly the introduction of Buy-to-Let mortgages as a new finance mechanism has made an essential contribution (Kemp, 2011). The original Buy-to-Let was launched by the Association of Residential Letting Agents as a new type of mortgage product; thus it was not a government project, but originated in the capital market and PRS itself. Buy to Let mortgages can be described as mortgage-style loans, specifically designed for the purchase of a residential property, where the rent income is used to finance the mortgage costs (Rhodes, 2006). Since its introduction in 1996, a large influx into the PRS of ‘Buy to Let landlords’ could be observed. Estimates by the Council of Mortgage Lenders indicate that there were roughly 750,000 outstanding Buy to Let mortgages in 2006 – however, the number should be considered carefully (Rugg & Rhodes, 2008). Interestingly, the success of the Buy-to-Let has strengthened the small-scale supply structure of the private rental industry.

Most experts on private renting in the UK, including Peter Kemp, Julie Rugg, Stuart Lowe, Steve Wilcox, and David Rhodes, have argued that the sector should not be seen as one homogeneous mass, but it needs to be considered that there are very distinct types of private landlords. “Private landlords do not form a homogeneous group. On the contrary ‘The term private landlord encompasses a wide range of types of individuals and organizations and includes some who would not recognize that term as a description of themselves’” (Crook & Kemp as cited in Kemp, 2004, p. 94).

First of all, it must be clarified that not all PRS dwellings are traded on the open market. Employers, relatives/friends and other landlords provide about 20 per cent of all private renting accommodation only to specified households (Rhodes, 2006). The Private Landlord Survey 2010 (CLG, 2011b) provides data on the market shares of different groups of landlords in England (see Table 2.2). It shows that almost three-quarters of all landlords in England are individuals and couples. Private companies make up 15 per cent of all landlords. The rest of the landlords are other organizations, including a large share of employer landlords. Furthermore, we can see that the share of full-time investors is much lower among individuals and couples than among companies and other organizations. This corresponds with the relatively low share

Table 2.2 Types of private landlords in England, 2010¹

Landlord type	Share in private rental sector (%)	Share of full-time landlords (%)	More than 75 per cent of total income derived from rent (%)	Portfolio size is less than 10 dwellings (%)
Individuals and couples	71	17	12	93
Private companies	15	59	47	44
Other organizations	14	25	17	39

¹ Dwelling weights statistics are used for all numbers.

Source: CLG, 2011b

of individuals and couples who receive more than 75 per cent of their income from rent collections. Finally, a large majority of individuals and couples do not own more than 9 dwellings, where more than half of them own just a single dwelling (53 per cent).

It goes without saying that this classification is rather crude and does not take the differences within each landlord group into account. Kemp (2004) uses a more precise classification, which includes landlords' motivations and business models. Besides stewardship landlords, employer landlords, institutional investors and property slump landlords, three types of landlords should be mentioned in particular. Firstly, informal landlords are landlords who see their property as a part-time investment. Many of them are not strictly commercial and are not necessarily profit driven. They rather engage as landlords to be able to repay their mortgage on the property. Informal landlords are mostly couples or individuals, who provide a very small number of dwellings in areas where they live themselves. Secondly, investor landlords are a wide range of individual landlords and companies, many of which are Buy-to-Let landlords. They are characterized by a good knowledge of the local housing market conditions, often provide housing in several locations, are more commercially oriented, and their portfolios can range from a couple of dwellings to several hundred properties. Many of them depend on the rental stream as their main source of income (Rhodes, 2006). Interestingly enough, many investor landlords started out as informal landlords and might have come into the business by chance, or without the intention to make a business out of their rental activities. Yet, with the availability of cheap Buy-to-Let mortgages, many informal landlords have become keen investor landlords (Hughes & Lowe, 2007). Thirdly, commercial landlords are a smaller group of landlords that comprises large private and public residential property companies or commercial property companies with large residential property portfolios. They tend to own several thousands of dwellings throughout the country, while they operate on a strictly profit-driven business model. Large-scale student housing suppliers belong to this category (Rugg & Rhodes, 2008).

Rhodes (2006) points out that both informal and investor landlords have increasingly made use of letting agents in the last years. Surveys show that 60 per cent of all private rented dwellings were entirely managed by their landlords in 1993, whereas in 2001, already 50 per cent of all landlords have assigned management tasks to a letting agent. These tasks can be divided into lettings only services, in which a letting agent, i.e., find and vet pro-

spective tenants, and full management services, which allow agents to perform tasks such as the setting and collection of rents, or the organization of maintenance investments. The motives of part-time and business landlords to use a letting agent tend to be diverse. Where business investors primarily make use of an agent due to the fact that their dwellings are often not in the same locality as their place of residence, part-time investors predominantly assign tasks to agents due to the fact that they have a limited amount of time to pursue their obligations as a landlord (ibid, 2007). In general, the increased use of letting agents might have two important implications. Firstly, in those localities where the usage of letting agents is common, the provision structure in the PRS might change significantly. It still holds true that the ownership of the private renting stock in such a situation is dominated by a very high number of small-scale individual landlords, but the provision of the housing service, nonetheless, could be significantly influenced by the structure of the local letting agent market. Secondly, the increased use of agents might have an impact on tenant/landlord relationship. If full management responsibilities are given to a letting agent, it can be assumed that rather than the actual owner of the dwelling, tenants might consider letting agents as their landlord.

2.1.2 The tenants

On average, private renters and social tenants are very dissimilar with regard to their socio-economic and demographic dispositions (see Table 2.3). Considering the age structure of household reference persons (HRP)⁷, except for a large proportion of older persons (> 65 years) the age structure in social housing is in line with the age structure of all HRPs. Furthermore, with regard to household composition it can be observed that lone parents with dependent children tend to live in social dwellings, while couples with or without children are to a much lesser extent be found in the social sector. Within the social sector the group of one-person households dominates; more than 40 per cent of all social renters do not share their dwelling with another person. Accordingly, with 2.2 persons per household, compared to 2.3 overall, the household size in social housing is the smallest across all tenures (CLG, 2011a). Black and Minority Ethnic (BME) groups are overrepresented in the social sector, particularly blacks and Bangladeshi.

In contrast to the demographic structure in the social housing sector, a par-

⁷ “The household reference person (HRP), otherwise known as the “highest income householder”, must be a householder (i.e. a person in whose name the accommodation is owned or rented). Where there are joint householders, the person with the highest income is selected. If two or more householders have exactly the same income the oldest is selected.” (CLG, 2012)

Table 2.3 Characteristics of social and private tenants in England, 2010

	Social housing	Private renting	All households
Number of households (thousand)	3,826	3,617	21,893
HRP < 35 years (%)	19.1	51.7	18.6
One-person household (%)	43.3	29.1	29.1
Average household size	2.2	2.4	2.3
Ethnic minority (%)	15.9	18.1	10.3
Working (full-time and part-time) (%)	32.4	69.3	59.0
Unemployed (%)	9.6	6.1	3.4
Mean gross income per year (£) – HRP + partner	17,400	29,000	34,800
Mean weekly rent (£)	79	160	130*
Tenants receiving housing allowance (%)	62.6	24.6	-
Length of residence < 2 years (%)	15.0	54.3	15.6

All percentages refer to within the tenure.

HRP = Household Reference Person – see footnote 5 of this chapter.

* Includes mean monthly mortgage payments of owner-occupiers with a mortgage.

Source: CLG, 2011a

ticularly young customer base marks the PRS. More than half of all private renting tenants are younger than 35 years, whereas HRPs older than 65 years are fairly underrepresented. This is partly the result of the strong growth of the student population in England and also their growing importance as one of the main target groups of private renting. With regard to household composition no precise picture evolves. Couples with and without children are underrepresented; however, other multi-person households are overrepresented in the PRS. Single households are, on the other hand, in line with the average of all households. Black and Ethnic Minorities are clearly overrepresented in the PRS. More than 18 per cent of all private renters belong to an ethnic minority; hence their share is even higher than in the social housing sector. Similar to social housing, BMEs are not a homogenous group in private renting. The sector seems to be popular among Indian and Chinese residents, whereas Black and Bangladeshi are less often found in private rentals.

More than anything else, social sector tenants can be depicted by their economic status. Not only is the share of unemployed persons well above average – almost 10 per cent in the social sector compared with 3.4 per cent overall – but even more striking is the extremely low labour market participation rate. Only a third of all social housing tenants either work full- or part-time, where particularly the share of full-time employed tenants is disproportionately low, leaving two-thirds of all social households with an economically inactive reference person. This disadvantaged economic status is also reflected in the income situation of social housing tenants. In 2010, more than half of all social housing households had a gross annual income of less than £15,000 (25.6 per cent for all tenures). The mean gross annual income of social renters was roughly £17,400, compared with about £35,000 overall (CLG, 2011a). Since a diverse group of households rent privately, it is not possible to simply categorize them with regard to income and work status. The largest majority of private renting tenants (HRPs) belong to the working population in England. About 70 per cent are in employment, with 60 per cent being full-time employed, which can to a certain extent be explained by the low share of pensioners in the sector. The high share of working persons is well reflect-

ed in the gross income of about £29,000 per annum. Generally, private tenants are relatively well distributed among income classes. There is a substantial group (26 per cent) with comparably low gross annual incomes of under £15,000 per year. Another large group of HRPs and partners earns between £20,000 and £30,000 per year (24 per cent). Finally, there is also a relatively large income cohort with a gross yearly income of more than £40,000 (20 per cent). It can thus be said that social renters are on average more residualized, while private renters are more polarised.

In the context of income levels, it is interesting to take a closer look at the rent expenditures of each group. In 2008, the average weekly rent paid by social tenants was £79, with large differences between council tenants (£74) and housing association tenants (£84). For a large share of social housing tenants (63 per cent in 2010) the weekly rents are partially or fully covered by Housing Benefit payments. For those social tenants that received Housing Benefit⁸ the mean rent was reduced to £8 per week, which means that rent costs were almost fully covered by government subsidies (CLG, 2011a). When private tenants are depicted by their rent expenditures, which also touches on the question of affordability in private renting, it should be considered that different tenancy types in the sector exist. Generally, rents that are still regulated and rents of those dwellings that are not traded on the open market are on average much lower than those of assured and assured shorthold tenancies⁹. In 2010, private tenants had to pay an average of £160 per week (all tenancies combined). To give an idea of rent differentials according to tenancy type within the PRS, 2008 data from the Survey of English Housing (CLG, 2009) shows that tenants with an assured tenancy had to pay £126 per week, those with an assured shorthold £136. Regulated tenancies cost about a weekly mean rent of £85, while tenants of a not openly traded dwelling had to pay

8 Housing Benefit in the social housing sector applies on a national level to make certain that tenants with comparable living and income conditions receive similar benefits. The three defining factors of the amount of the HB are the net household income – stating that HB is means tested –, household composition, and the rent level (Stephens, 2005). The current HB rules are designed to ensure households that their post-rent incomes do not fall below the social assistance benefit rate. Therefore, all tenants that receive social assistance or have a post-rent income below that level are eligible to receive a HB that covers 100 per cent of their rent expenditures. Tenants whose income is higher than the social assistance level are entitled to receive a HB that equals their rent discounted by 65 per cent of the difference between their net income and the social assistance rate. Local authority tenants receive their HB in the form of a rent rebate, which is directly paid into their rent account. In contrast, housing associations tenant get a rent allowance that may be paid to them or, on request, to their landlord, which is largely used in practice (Kemp, 2007).

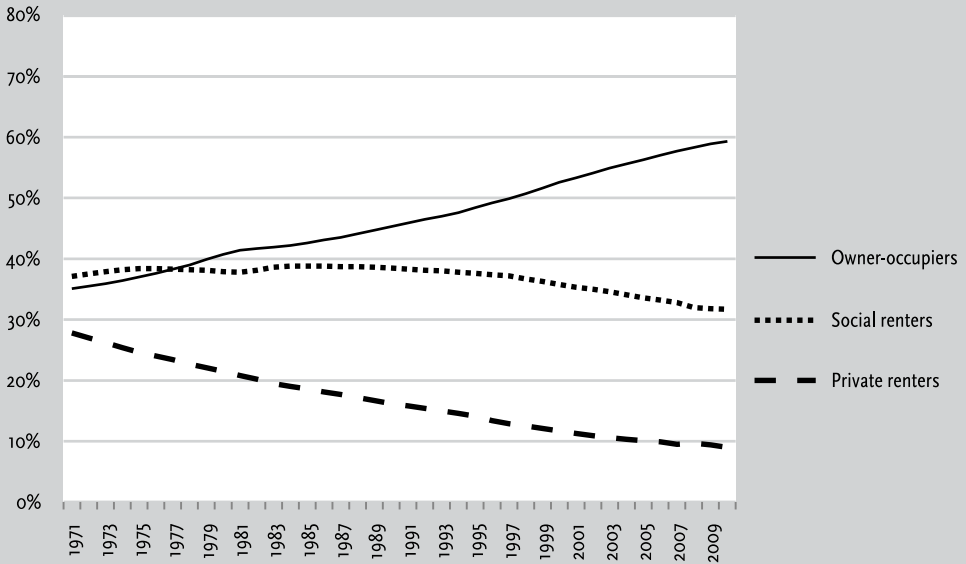
9 Most assured shortholds guarantee a regulated tenancy for the first six months of a rental contract (a court order is necessary for an eviction), yet as soon as the fixed term ends, landlords can repossess the dwelling any time they seek to do so, given that they write the so-called S21 eviction notice two months in advance of the expiration date.

£107. The amount of rent a household has to pay is, of course, also a question of where the person lives. While median rents in London are on average high above £200 per calendar month, they are only half as high in the North of the country. Another point is that for 21 per cent of all private tenants rent expenditures were at least partially covered by Local Housing Allowance (LHA)¹⁰. If LHA is taken into account, mean rents per week decrease to £53 per week. However, considering that in contrast to the social sector only a quarter of all private rental households receive housing benefit, it holds true that most of them do not have such low housing costs. This is generally in line with the much higher rent expenditures as a share of weekly household income in the PRS. When HB benefits are included private renters spend on average 43 per cent of their income on housing (incl. service charges) while 'only' 28.5 per cent of social renters do so. Benefits excluded the expenditure to income ratio for private renters increases to more than 50 per cent, whereas the one of social renters is about 39 per cent. Surely, these figures do not say anything about how much income is left after housing is paid for, and given the more residualized income situation of social renters one might assume that they face affordability issues that are nowhere near a more fortunate situation than the one of private renters.

Finally, social and private tenants can be described by their intra- and inter-tenurial mobility. In contrast to the PRS, a considerably longer length of tenancies can be observed in social housing. A large share of social tenants has occupied the current dwelling for more than ten years (43 per cent). The median length of residency in the social sector was about 12 years, compared to 14 years for all tenures. In this regard social tenants compare better with owner-occupiers than with private tenants. If we look at movement between tenures in 2009-2010, new entrants into the social sector were primarily newly formed households or previous private tenants. Regarding the previous tenure by current tenure in 2009, more than 60 per cent¹¹ had their previous accommodation in the social sector (CLG, 2011a). Out of the house-

10 Since 2008, Housing Benefit in the PRS is called Local Housing Allowance (see Haffner & Boelhouwer, 2006; Stephens, 2005). It is calculated on the basis of a local reference rent, instead of the actual rent level, and the household size. Keeping the idea of rent ceilings of an earlier reform, where tenants have to cover any excesses, the main innovation was that tenants who are able to find a dwelling with a rent below the LHA are allowed to keep a difference of up to £15 per week (Haffner *et al.*, 2009a). The current Conservative-Liberal Democrats Government wants to change the LHA system once again. In the Emergency Budget in June 2010 the coalition announced that from April 2011 on properties of more than four bedrooms are not subsidized, the £15 excess that some tenants could keep will be removed, it is not the average local rent that is used for the calculation but the 30th per centile of the local rents. In addition the government introduces absolute caps – £250 for a one bedroom property, £290 for two, £340 for three, and £400 for four bedrooms. Yet, at the time of writing the old LHA scheme was still in place.

11 This only includes reference persons with a residency for less than one year.

Figure 2.2 Tenure structure in the Netherlands, 1971-2010

Source: ABF Research – Syswov, 2010

holds who move to another tenure, more than 80 per cent chose the PRS as a destination. Here it should be said that this might be temporary trend, since in the period 2005-2008 a majority moved to the owner-occupied sector (60 per cent). Apparently, the current house price crisis has changed moving patterns considerably. Considering the movement behaviour of private renters, they are generally much more mobile than social tenants and owner-occupants. In 2009-2010, 54 per cent of all market renters occupied their dwelling for less than two year. Consequently, the mean length of stay in the PRS is, at about four years, by far the lowest of all tenures. Furthermore, moving from a private renting dwelling to another one is most common. Indeed, three quarters of all private tenants who had moved between 2009 and 2010 had their previous accommodation in the PRS as well. Finally, tenants who leave the private rented sector are about two times more likely to move to owner occupation than to the social sector (ibid, 2011a).

2.2 Rental housing in the Netherlands

Similar to the situation in England, the PRS in the Netherlands grew alongside the increasing (urban) population in the late 19th and early 20th century (van der Schaar, 1987). In the post-World War II era, the ever-existing problem of housing shortages in the Netherlands was aggravated by strong population growth. Accordingly, the central government's housing policy at that time aimed primarily at building new dwellings as fast as possible. In this period different subsidies and housing political instruments were introduced. Particularly the extensive bricks and mortar subsidies, which were available to all housing associations and also private landlords, resulted in a rap-

id growth of the social housing sector (Haffner, 2011) (see Figure 2.2). One reason for the social sector growth was its ability to carry out the construction of a high number of dwellings in a short period. Another reason was the government's aim to establish social housing rents as an instrument of economic and social policy. Below market rents were seen as the basis of modest claims for wage increases, thus being "an instrument of anti-cyclical economic policies in periods of economic downturn" (Dieleman, 1996, p. 276).

In the 1970s, the central government aimed to increase choice for households in their decisions on buying and renting and it aimed to increase the quality of the existing and new housing stock, which resulted in a mixed system of object and subject subsidies. By the end of the 1970s, however, the government decided to gradually decrease the subsidies for the rental sector, while promoting a substantial increase of the owner-occupied sector (Haffner *et al.*, 2009a). Due to a crisis on the housing market between 1978 and 1982, the government plan was, however, curtailed or at least delayed until the mid-1980s. Hence, bricks-and-mortar subsidies for the developers of affordable rental housing were kept on a temporary basis. This again increased budgetary constraints, and with these an even greater need to economize on subsidies became apparent (van der Heijden, 2002).

A new stage in housing policy was reached when the former Secretary of State, E. Heerma, published the policy memorandum *Housing in the Nineties* in the late 1980s (Heerma, 1989). With this document the government proclaimed a constant retreat from the housing market, particularly from the social rental sector (Kempen & Priemus, 2002). The new policy aimed at six major subjects: decentralization, deregulation, independent housing associations, a stronger reliance on means-tested housing allowances, privatization of municipal housing companies, and the promotion of owner occupation (Dieleman, 1996; Boelhouwer & van der Heijden, 1992).

Two items of 'Housing in the Nineties' directly targeted social housing: the privatization of municipal housing companies and the financial independence of housing associations. With regard to the first aim, the policy was very successful. Even though sales of the stock had taken place already before the 1990s, most large-scale transfers took place in the course of the new policies. In 1990, there were still 213 active municipal housing companies with a housing stock of about 315,000 dwellings. Only ten years later, the stock owned by Dutch municipalities was negligibly low (14,000 dwellings), making housing associations the sole providers of social housing in the Netherlands (Priemus, 2003a).

The financial independence of housing associations was achieved in two consequent steps. Firstly, the Social Housing Management Order (BBSH) stipulated that the social housing sector should function as a revolving fund, where social housing activities have to be financed by the associations' own means (Boelhouwer, 2003). The second major step was the grossing-and-bal-

ancing operation of the 1990s. Up until 1995, housing associations received subsidies to equalize deficits in the operation of their rented housing stock, enabling associations to invest in the construction of new social housing. With the grossing-and-balancing all subsidies concerning the renovation of the stock, exploitation, and the construction of new stock were eliminated, and housing associations had to pay back all outstanding government loans. For this, the associations received a lump sum equal to the discounted value of all future state-approved property subsidies, covering a period of 50 years and based on long-term estimations of rent levels, as well as interest and inflations rates (van der Heijden, 2002)

One might argue that the deregulation aspect of the 'Nota Heerma' document should have had a direct influence on the structure of private renting. However, except for the discontinuation of object subsidies, proposals on how to change the sector have never exceeded the stage of discussions between politicians and housing market experts. Amongst other things it was debated whether a reform of the rent regulation system should take place, where private rental lobbying groups have advocated for a higher share of deregulated rents or sometimes even for a full deregulation of the whole PRS. These groups – particularly the umbrella organization of institutional investors – have argued that, due to overregulation and the position of the housing associations in the country, private renting has become a relatively unattractive investment.

A state of housing political inaction has, however, affected all tenures in the 2000s. Similar to private renting, social housing has experienced a long phase of no major reforms. The reason is surely not that the sector is considered to work perfectly; indeed, there were several cases of fraud and management malpractice in the housing association sector since the major reforms in the early 1990s (see van Bortel *et al.*, 2010). As a result, the structure and independence of the social housing sector has been discussed controversially. For one thing, the independence of housing associations has led to fundamental discussions on how to supervise the sector and how to define their fields of activities, in order to guarantee a stable balance between associations' social and commercial activities. On another point there have been continuous debates on the rent regulation in the social sector. Some commentators (e.g. IVBN, 2011) point out that the quality and size of a large number of their dwellings would allow associations to increase rent levels considerably. Most importantly, discussions about social housing in the Netherlands have also taken place on a European Union level. In short, the Commission of the EU has expressed serious concerns about the size of the social sector and how the setup of the sector allegedly inhibits fair competition in the commercial rental market segment. The result of this discussion is that from 01 January 2010 on, housing associations have to allocate 90 per cent of their dwellings to households with a disposable income of less than €33,614 (Priemus & Gruis,

2011). Arguably, this new rule has some major consequences on how associations run their stock and to whom they will and can offer their dwellings. With this we might expect a significant change of the relation between social and private renting. This issue will be picked up once again in the analysis of market structure (see Chapter 4).

2.2.1 The landlords

Social landlords

Housing associations were established as not-for-profit organizations in the mid-19th century, with the aim to create decent housing conditions for the industrial workforce in urban areas. They were given the status of approved institutions through the Housing Act in 1901; however, until after 1945 they played a minor role in the Dutch housing market (Priemus, 2003a). The sector grew significantly between 1945 and 1990; however, their heyday took place in the course of the changing housing policies of the 1990s. Nowadays, about 418 housing associations own 2.4 million social dwellings in the Netherlands, a number that has been fairly stable over the last 20 years (VROM, 2011).

From a legal perspective all associations are private nonprofit organizations that are neither owned nor directly controlled by public authorities (van Bortel et al., 2010). There is however a regulatory framework that stipulates how the money of housing associations has to be used. The Social Housing Management Decree (BBSH) constitutes six major tasks of the housing associations. Firstly, housing associations are obliged to give priority to the official target group of social housing. This target group is defined as those households that are eligible to receive a housing allowance and is based on the age and compositions of the household. For instance, a single household reference person younger than 65 years belongs to the target group if his or her gross income does not exceed €20,975 per year. A multi-person household, on the other hand, can have a gross income of up to €27,075. The standard rates for households above 65 years are slightly lower (VROM, 2009c).¹² This implies that associations have to keep rents at an affordable (below-market) level. Secondly, housing association managers need to consult with their tenants. Thirdly, housing associations are obliged to maintain a decent quality of their housing stock. Fourthly, all housing associations must guarantee their financial continuity on their own behalf. Fifthly, housing associations

¹² As stated above the definition of the target group of social housing has changed in the course of the new social housing allocations system that has been agreed upon between the Dutch Government and the European Commission. The core target group still is defined by the eligibility to housing allowance payments, yet the housing associations' target group is circumscribed by the new allocation model in which 90 per cent of all available dwellings must be allocated to households with a taxable income of less than €33,000 per year.

are expected to invest in the residential environment and the liveability of neighbourhoods. Sixthly, with respect to the growing importance of housing for older people, associations should provide joint housing-and-care opportunities (Elsinga & Wassenberg, 2007). Housing associations that are registered as an approved institution are committed to these tasks and responsibilities. To guarantee these main activities a supervision system has been established in which housing associations are supposed to enter voluntary performance agreements with local authorities about the use of their financial assets and in which their actual service performance is evaluated by the central government and their financial performance by the Central Fund for Housing, which is an independent government agency that reports the financial state of the entire social housing sector and individual associations to the minister responsible for housing (Conijn, 2005).

As said, with the abolition of continuous supply side subsidies¹³ housing associations operate as revolving funds. If they want to invest in their current housing stock or the construction of new dwellings they have to use private finance. There are however indirect subsidies for the construction of new social dwellings. Firstly, housing associations often receive a discount when acquiring developing sites from local authorities.¹⁴ The second indirect subsidy is the state guarantee for social housing investment borrowings by the Guarantee Fund for Social Housing (WSW). Due to the public guarantees, housing associations can borrow against lower interest rates, by which they have an estimated benefit of €300 million per year. Thirdly, the Central Housing Fund (CFV) supports housing associations with insufficient financial means in specific investment projects or those associations that are in financial troubles. The indirect subsidy here is that the CFV was set up with the financial backing of the state. Finally, housing associations have the right to borrow from the Dutch Municipality Bank, which is a special purpose bank with a very high credit rating (Priemus & Gruis, 2011). These four indirect subsidies, but particularly the first two subjects, have provoked commercial developers and providers of private housing to proceed against the unlevel playing field on the commercial rental market in the Netherlands that was mentioned above.

Notwithstanding the existence of these implicit subsidies, the introduction of the revolving fund scheme has arguably been a trigger of the sector's com-

13 Continuous because the lump sum that has been paid by the government in 1995 can be seen as a subsidy which still has an effect on associations' current expenditures.

14 For each site a taxation of the market value has to be done by an independent agent. The subsidy can thus be defined as the difference between the market value and the actual price an association has to pay. However, if an association was overcompensated in relation to the social and economic value of the development, they might be forced to pay back a certain amount of the subsidy (van Middenkoop, 2010).

mercialization and financial self-reliance with regard to rent levels, project development and the utilization of their stock. In the Netherlands a rent regulation system exists in which all rents below a certain threshold – in 2011 this level was €652 net rent per calendar month – are regulated, meaning that a quality valuation system stipulates maximum rent levels and governments stipulate rent increases. Dwellings with a rent level above the deregulation limit are based on free market allocation principles, as are rent increases, which can however be implemented only once per year. The quality calculation comprises different aspects: Amongst others, quantifiable aspects such as the size of the dwelling, the type of heating system, how the dwelling is insulated, the type of dwelling, and the availability of a garden area. Furthermore, the quality of the living environment is expressed in points as well, where rent committees evaluate factors like the proximity to shops and the quality of schools in the neighbourhood (VROM, 2009a). In the context of rent setting and the regulation scheme the commercialization process has been characterized by several developments: On the one hand, associations have sought to develop social housing dwellings with a maximum rent level that comes close to the deregulation limit. On the other hand, housing associations have increased their activities in the development and management of free market dwellings. Other associations have pursued the path of developing owner-occupied dwellings, which they could sell with considerable profits. Finally, many housing associations opted for the sale of parts of their housing stock to sitting tenants. All of these activities are considered to be essential for the functioning of the revolving fund principle of the social housing finance model (Haffner *et al.*, 2009a).

Although they are all subject to the same regulation and have similar financing methods, there are important organizational differences between associations. First of all, similar to the situation in England, housing associations in the Netherlands differ significantly in the number of dwellings they own and manage. Table 2.4 shows that a majority of associations is relatively small, since their stock does not exceed three thousand units (55 per cent). Yet there are also some very large associations with more than 25,000 dwellings in their portfolio (VROM, 2009a).

It should not go unnoticed that in the last ten years the average size of housing associations has grown significantly, increasing from 3,400 dwellings per association in 1997 to more than 5,000 in 2008, and the number of associations has decreased substantially – minus 300 associations in the same period (van Bortel *et al.*, 2010). The reasons for the vigorous merger activities are manifold. Priemus (2003a) points out that from a business economics viewpoint it is a legitimate strategy to withstand increased financial pressures. Furthermore, numerous housing associations have exchanged their management and have tried to work as financially independent organizations but did not succeed to do so. As a result, passed off as mergers those associations

Table 2.4 Size of housing associations in the Netherlands, 2008

Number of dwellings	Number of housing associations	Total housing stock in size range
> 50,000	3	180,239
25,000-50,000	13	468,736
12,000-25,000	34	519,040
6,000-12,000	70	533,556
3,000-6,000	86	365,902
1,500-3,000	93	201,625
< 1,500	156	106,954
Total	455	2,376,070

Source: CFV, 2010

were de facto taken over by financially sound associations. Finally, housing associations used the mergers to grow beyond their original area of operation. Accordingly, there are a larger number of housing associations that have become regionally and some even nationally operating actors in the social housing sector.

Data from the Central Fund for Housing (CFV, 2010) shows that besides the size of their stock and the area of operation, the sector is very heterogeneous with regard to the main focus of individual associations. Although most associations can be characterized as generalists, engaging in all kinds of social housing activities, a considerable share of the association sector tends to specialize in specific customer groups, such as students and elderly.

Private rental landlords

Generally, the depth and breadth of information and research on the providers of private rental dwellings in the Netherlands is, to say the least, meagre. There are, for instance, no detailed surveys on the average number of dwellings per landlord or within landlord groups. Nonetheless, it is possible to sketch a picture of who the providers of private rental accommodation are, their motivations and how they operate.

Unlike the very small-scale supply structure of private renting in England, there are generally two main private landlord groups in the Netherlands. On the one hand, similar to the UK a large number of small-scale individual landlords exist. On the other hand, there is a class of professional corporate investors (Priemus, 1998). However, these are not fixed categories, because there are differences between landlords within each category with regard to their aims, business models, what they own, and which tenants they cater for. Yet, it seems to be meaningful to stick to the two-fold categories in the first place, and look at differences within each group in more detail when it is necessary.¹⁵

National surveys show that in 2008 about 52 per cent of the private rental stock is owned by private individuals, about 41 per cent by large-scale companies, and the rest by other landlord groups (including employer- and family-related provision). Out of the 40 per cent market share corporate inves-

¹⁵ It is however not always easy to maintain these two categories because different sources, e.g. statistical year-books and policy documents tend to define each group differently.

tors within the PRS, institutional investors own 22 per cent of the stock, owning about 134,000 dwellings throughout the country (IVBN, 2008)¹⁶. This landlord group comprises a number of subclasses, such as pension funds, insurance companies, banks, and real estate funds. Notwithstanding their declining market share, institutional investors are an important landlord group in the country and need some clarification. Many of those that are still existing today entered the housing market in the 1950s and 1960s when subsidies for the construction of new dwellings were available to all types of developers (van der Schaar, 1987). At that time they were building all kinds of dwellings, but mostly in larger housing estates in peripheral areas of larger cities throughout the Netherlands. This included low- to high-priced dwellings. With the abolition of these subsidies, the building activities of institutional investors decreased rapidly. Paradoxically, compared to housing associations and developers of owner-occupied dwellings, the building activities of institutional investors had picked up between 2006 and 2007, just before the crisis on the Dutch housing market began.

However, recent developments in the institutional investor segment are different to their original developments in the 1950s and 1960s. Under the current market conditions they primarily seek to develop high-end accommodation with rent levels that exceed the liberalization threshold significantly. Currently, about 48 per cent of their tenancies are still regulated, while 52 per cent – mostly their newer dwellings – fall under the free market regime (IVBN, 2011). Institutional investors, but also corporate investors in general, are highly commercialized investment companies, most of which seek a maximum return on investment. Almost all of them are large-scale providers with portfolios of at least several hundred dwellings. They tend to operate in various local markets, thus having only weak local connections. Furthermore, many of them are active in other real estate segments than just housing; for some of them the real estate market – and particularly private renting – is just one investment opportunity. Almost all institutional investors are members of the umbrella organization IVBN (Association of Institutional Property Investors), which functions as an interest group constantly campaigning for the liberalization of the rental housing market (Elsinga *et al.*, 2007).

With about 400,000 dwellings private individuals own about 14 per cent of all rental dwellings (2008). Private individual landlords in the Netherlands tend to have similar motives for providing private rental accommodation as those in England. It also holds true that they are not really a homogeneous group. Some of them have become landlords by chance (for instance, through inheritance of a dwelling); others have started a small-scale renting busi-

¹⁶ Institutional investors are here understood as a specific subcategory of corporate investors. The business principles are the same, in that they are profit-oriented investment trusts operating.

Table 2.5 Characteristics of social and private tenants in the Netherlands, 2008

	Social housing	Private renting (individual landlords)	Private renting (institutional investors)	All tenures
Total number of households (million)	2.4	0.4	0.3	7.2
Age of reference person < 30 years (%)	18.5	21.7	50.3	27.7
One-person household (%)	46.0	52.9	45	27.5
Ethnic minority (%)	26.6	19.8	17.1	19.2
Working (full-time and part-time) (%)	47.0	61.4	50.7	67.0
Unemployment benefit recipients (%)	6.8	3.2	3.5	3.6
Mean disposable income per year (€)	23,371	23,188	28,753	37,419
Mean monthly net rent (€)	363	520	577	-
Tenants receiving housing allowance (%)	39.7	13.9	15.0	-
Mean length of residence (years)	13.6	10.5	14.3	13.9

Source: WoON, 2009

ness, which may provide a large share of their total income. Although there is no hard data on exact market shares, it seems sensible to make a difference between part-time landlords and investor landlords in the Netherlands as well. Part-time investors in the Netherlands tend to own a very small number of dwellings. They often do not manage the dwelling themselves and are active in a single location. Many of them see their activities as an additional investment for their pension. Investor landlords tend to own tens of dwellings in various locations in a city, operating on a strictly commercial basis and often seek high or maximum returns on their investments (Priemus, 1998; Elsinga *et al.*, 2007). Many of these private persons and small businesses are united in the umbrella organization Vastgoedbelang. The aims of this organization are similar to the ones of the IVBN, namely a liberalization of the rental market and a higher profitability of investments (including maintenance investments). The call for deregulation policies needs to be seen in the light of the low rent levels of the dwellings of small-scale individuals. More than 95 per cent of their dwellings have a rent level that falls below the deregulation threshold (Vastgoedbelang, 2010).

2.2.2 The tenants

To recapitulate, private tenants in England were characterized as an incoherent group of households (see Section 3.1.2). In the Netherlands it is possible and also seems to be useful to distinguish between private tenants that rent with an individual person and those that rent with a corporate investor. All data in this section comes from the National Survey on Housing 2009 (WoON) published by the Ministry of the Interior. The main finding here is that social and private tenants in the Netherlands are more alike than renters and owner-occupiers.

More specifically, considering the demographics of social tenants, the age structure of people who live in social housing is considerably old. Almost 60 per cent of all tenants are between 35 and 65 years old. Additionally, retired households are strongly overrepresented, while younger reference persons (< 35 years) are underrepresented (see Table 2.5). The household composition depicts single parent families as fairly overrepresented; yet, by far the largest

group is single-person households with a share of around 50 per cent. Accordingly, and similar to what we have observed for England, the average household size in the social sector is lower than the overall size. Arguably the most striking demographic characteristic of social tenants is the high share of ethnic minorities. More than every fourth household in the social sector has an ethnic background, where the overall share is less than 20 per cent.

The age structure in the whole private rental sector is relatively well represented among all age categories; yet, similar to the English case, particularly young people under 35 tend to live in the PRS. This pattern is much more visible in the small-scale individual landlord segment, indicating the existence of a large student population. Conversely, elderly people are slightly overrepresented in the corporate investor market segment. Furthermore, the composition of households differs between private rental segments as well. In the institutional investor segment about half of all households are single persons; couples without children are the second biggest group. The general distribution of household types is sustained within the private person sector; however, the share of single-person households is substantially higher than in the institutional investor segment (+ 8 percentage points). Again this indicates the large number of students living in this segment.

With regard to their movement behaviour, social tenants are characterized by a relatively low mobility, expressed in comparably long mean lengths of residences. In 2009, social tenants had occupied their current dwelling for an average of 13.6 years, compared to 13.9 years overall. Moving social tenants most often go to other social dwellings (59 per cent). About a third became owner-occupiers in the same period, which includes households that gained the possibility to buy their current social rental dwelling.¹⁷ Interestingly enough and in contrast to the English example, the social housing sector was the main destination for newly formed households. Conversely, it seems that private tenants are less affected by 'tenure immobility'. Quite surprisingly, the lowest share of tenants stayed within the PRS (28 per cent) in 2009, whereas the majority moved to the owner-occupied sector. Furthermore, private renters seem to consider their accommodation not only as a short-term solution. Looking at mean length of stay in the private sector, we can see that particularly institutional investor tenants have occupied their dwelling for a relatively long period. This indicates that many tenants regard private renting as tenure of choice rather than as an interim solution – as it seems to be the case in England.

Social housing households are distinctly structured with respect to their socio-economic status. Less than half of all reference persons are eco-

17 This can be seen as a first indication of the fact that the rental housing sector is not a closed system but has strong ties with the owner-occupied market. Although this is not the subject of research in this thesis, the idea of competition between owner-occupation and rental housing is thus important and valid as well.

nomically active. Additionally, the rate of retired persons in the social sector is above average as well (34.5 per cent compared to 23.6 per cent overall). This economic status is clearly reflected in social tenants' income situations. The mean disposable income of social sector households was about €23,000 in 2008. This is significantly lower than overall disposable incomes (approx. €37,000). Expressed in income classes, more than 40 per cent of all social tenants had a disposable income of less than €18,500 per year, while 15 per cent had even less than €12,000. Nonetheless, there is also a relatively high share of people – about 35 per cent – with a relatively high disposable income (> €25,000). With regard to social tenants' rent expenditures, the average monthly net rent of social sector households was €363 in 2009. The share of tenants whose rent expenditure was partially or fully covered by housing allowances added up to 40 per cent in the same period.

In the PRS, about 55 per cent of all tenants get their income from either full-time or part-time employment. Less than a third is retired, and about 3.5 per cent of all PRS households have their main income from unemployment benefits. There are differences between the two segments, however. Among those households renting with a corporate investor about 40 per cent get their income through pension scheme, while this is only the case for about 20 per cent in the private individual sector. Regarding their incomes, one can observe relatively evenly distributed income classes. About 23 per cent has a disposable income of less than €12,000. Middle-income households are well represented; however, the biggest income class is those households with a disposable yearly income of more than €25,000 (about 44 per cent). Again the differences between households renting with a private institution and those renting with a private person are substantial. The former are overrepresented in the higher income class, which is expressed by a yearly mean disposable income of approximately €28,750 per year. Tenants renting in the private person segment, on the other hand, are significantly overrepresented in the lower income classes, shown by the much lower mean disposable income of €23,200. With regard to rent payments in the private sector, one can generally observe a much higher mean monthly net rent than in the social housing sector. With €548 per calendar months, the net rent expenditures of private tenants are 1.5 times higher than the ones of social tenants. Yet, we can also see that the difference is lower among tenants who rent with a private individual landlord and have net rent costs of €520 per month, whereas average net rents of €577 can be observed in the institutional investor segment. In both PRS segments the share of housing allowance recipients is significantly lower than in the social rental sector (about 14 per cent in total). This is in line with the fact that absolute housing allowances are on average only half as high in the PRS as in the social rental sector.

In the context of rent expenditures and public assistance through housing allowances it is worthwhile to take a closer look at the way housing allow-

ances are designed in both sectors. In the previous section it was said that one should distinguish between the regulated and the deregulated rental sector in the Netherlands. We have seen that all dwellings with a rent level of more than €652 are allocated through free market processes. This deregulation limit also performs as the maximum rent limit for which tenants can receive housing allowances (see also Haffner *et al.*, 2008; Priemus & Elsinga, 2007). For all rents, including social housing as well as private rental units, below the deregulation limit, housing allowances are designed as follows. A basic rent has to be paid by every tenant in the Netherlands. The level of the basic rent is, depending on the age and composition of the household, about €205. The basic rent is supplemented by a quality discount limit of €357, which says that the rent that lies between this level and the basic rent is fully covered the housing allowance. The quality discount limit is also the maximum rent limit for households with a reference person who is younger than 23 years. Rents that exceed the quality control limit are subsidized on the basis of household age and composition. This means that for one and two-person households the rent between €357 and €511 (capping limit) is subsidized with 75 per cent of the actual rent level. This capping limit is slightly higher for multi-person households (> two persons per household), with €548. These two capping limits are the maximum subsidized rents for non-single households with a reference person of less than 65 years. All single and older (> 65 years) households can also receive a 50 per cent housing allowance on their rent between the according capping limit and the liberalization limit of €652 (VROM, 2009b).

It is also worth mentioning that the rent tenants have to pay determine the property rights they get. Security of tenure is defined in the Dutch civil code. It delineates that both in the social and private sector tenancy agreements exist for an indefinite period of time, and the landlord is not allowed to cancel such an agreement without the approval of the tenant. In the PRS it is common practice that temporary contracts are agreed for a period of one year; after this 'introductory' period the contract is indefinitely valid. Nonetheless, this security of tenure system only applies to tenancy agreements that fall under the regulated rent system. Rents that are above the liberalization limit are not affected (there is however a system of some basic rights in place; see VROM, 2009a).

2.3 The case study cities Coventry and Breda

The previous sections aimed to provide information on how the two rental sectors operate on a national level. This section now turns to the case study cities Coventry (England) and Breda (Netherlands). The goal here is, however, not to describe the functionality of rental housing in the two municipalities

Figure 2.3 Wards in Coventry (2003)



Source: CCC, 2003

and to go into detail with regard to the relationship between the two sectors. As part of the analysis on market structure, this will be covered in the following comparative chapter. Instead, this section aims to provide some information on the housing markets as such and to show whether the two 'typical' cases deviate from what we have described for the national level on who provides rental housing and to whom it is provided for. As such, the description of the two cases will be kept very brief.

2.3.1 Coventry in context

The local authority of Coventry is a metropolitan borough in the West Midlands Region. With a population of about 306,700 (2007), Coventry is the 11th largest city in England and the second biggest city in the Midlands. The city is administratively subdivided into 18 wards (see Figure 2.3). Although the major city in the West Midlands is Birmingham, Coventry performs the role of the leading city – due to its population size, as well as economic and socio-cultural dominance – in a sub-regional context of Coventry, Solihull and the remaining local authorities in the county of Warwickshire (North Warwickshire,

Table 2.6 Tenure shares in Coventry and England, 2010

Tenure	Coventry (2010 estimate)		England (2010)
	Dwellings	%	%
Owner-occupied	90,650	68	66
Social rented	24,300	18	18
Privately rented	14,050	13	16
Total	129,000	100	100

Sources: ONS, 2012; CCC, 2006a; CLG, 2011a

Warwick, Nuneaton & Bedworth, Stratford-on-Avon and Rugby) (CCC, 2006a).

Until the 1980s, Coventry was one of the major manufacturing areas in the UK, probably best known for car manufacturing and engineering. However, with the demise of these industries, the city experienced a long-term period of declining employment levels and a significant decrease of deprivation levels, which rose well above the national average. This economic decline went hand in hand with a decline of the total population number. In the late 1990s and 2000s the city experienced a substantial economic recovery, at least until the national economic crisis at the end of the decade. The recovery was based on a strong growth of research oriented job growth in engineering industries. This went together with an increasing number of students and employees at the two local universities, Coventry University and the University of Warwickshire. Accordingly, the city has grown once again in the last ten years, particularly among younger age cohorts. Besides the growth of the younger population, the city has also undergone a strong increase of its BME population – 20 per cent of all inhabitants are non-white, where the Indian population is most strongly represented (8.3 per cent). Hence, considering the demographic profile of the city, Coventry seems to be in line with a typical mid-size urban area, including a high share of students and BME citizens.

Considering the socio-economic profile of the resident population, we can see that the average unemployment rate was 9.5 per cent in 2009, compared to 8.0 per cent in England. Accordingly the share of economically inactive people is slightly higher as well (25.5 per cent to 23.4 per cent) (ONS, 2010). The mean household income in Coventry was £30,225 in 2006 (CCC, 2006a), which means that households in Coventry are on average the poorest in the sub-region Coventry/Warwickshire. Nonetheless, incomes in Coventry compare with the national average, as the mean household income tends to be significantly lower than incomes in local authorities such as Milton Keynes and Oxford, but significantly higher than in the cities in the North of England.

The housing market

Current data shows that there are about 130,000 households in Coventry, leading to an average household size of approx. 2.4 persons per household. Out of these 130,000 households a large majority lives in owner occupied dwellings (70 per cent). The social rental sector has a tenure share of 18.3 per cent, while households renting a private dwelling add up to an estimated 13 per cent of all households¹⁸ (see Table 2.6).

¹⁸ For the private housing sector the most recent published data is for 2006. Interviews with local experts sug-

Historically, the development of housing tenures has been different from the national picture. Local housing expert Dr Tim Brown, lecturer at the DeMontfort University Leicester, noted that the owner occupation rate in the city has increased much faster in the post-war period than in other English cities. This is a reflection of the city's past as a major engineering area. The economic surge in the 1950s led to extremely high wage levels in the Coventry region, which in turn enabled ordinary workers to buy houses rather than – what was the usual state at that time – renting them. The large share of the owner occupied sector led to a relatively fast decline of private renting; social housing, on the other hand, grew rapidly.

In the last twenty years and in line with the national development, the relative share of the owner occupied stock and the relative and absolute number of the social housing stock decreased, while the stock of private rented housing grew significantly. The decrease of the social housing stock was mainly due to the demolition of difficult-to-let estates and the sale of social dwellings to sitting tenants through the Right-to-Buy program – about 2,500 units in the last decennia. A major change in the supply structure of social housing was the transfer of 20,196 council housing dwellings to the Whitefriars Housing Group in 2001. Accordingly, there is no council housing supplier any longer and all social housing is supplied by nonprofit housing associations (CCC, 2006a; Outside, 2009). Currently, 15 housing associations own housing stock in Coventry, most of which are traditional associations. By far the biggest social provider however is the stock transfer association Whitefriars. Two traditional housing associations can be considered as major suppliers of social housing as well; these are Midland Heart and Orbit Heart of England.¹⁹ In line with the social housing structure in the whole country, substantial differences between the activities of the stock transfer and traditional housing associations in Coventry exist. First of all, they differ with regard to geographical scope: Where all of Whitefriars' housing stock is located within the boundaries of the municipality, the traditional housing associations operate in various locations in the Midlands. Secondly, the two association groups diverge with regard to their tenants and their portfolios. The stock portfolio of Whitefriars is considerably older than that of the traditional housing associations and the share of houses and bungalows is much lower. Data provided by the TSA (2010) shows that the tenant profiles of the three associations are comparable overall; yet, Whitefriars tends to provide relatively more units for tenants receiving Housing Benefit and lower-income households in strongly deprived neighbourhoods.

gest that the share of the private rental sector has, however, increased significantly in the last four years and is estimated. Based on growth rates on a national level, the current PRS share is estimated to be about 13 per cent nowadays, which is still slightly below the national average.

¹⁹ This will be discussed in detail in the next chapter.

The robust growth of the private rental sector in the last two decades, particularly in the last four years, has three main reasons. Firstly, in line with the development of the sector, the market environment, such as low interest rates, relatively stable house prices (also in the property slump years), and surging rents – presented a favourable investment climate for aspiring new landlords and those who wanted to increase their portfolio size. Secondly, Coventry has experienced a strong growth of its student population in the last twenty years. As described before, this is one of the main customer groups for private landlords. Thirdly, the influx of asylum seekers and migrant labourers has created a new and large customer group for landlords as well (CCC, 2006b). This connects to the highly diverse supply structure of the PRS in the city, in which private landlords operate in all kinds of submarkets. Most landlords see the student housing business as their major field of activity, but a considerable number of landlords focus on (young) professionals and the middle to higher rent market segment. Seemingly, a substantial share of the private landlord class in the city operates in the Housing Benefit market, offer temporary accommodation, and provide housing for asylum seekers. Furthermore, data from the city council (ibid, 2006) and personal interviews with local housing market experts suggest that, in line with the national PRS supply structure, small-scale individual persons dominate the market. However, in recent years a number of large-scale nationally operating suppliers of student accommodation have sought to enter the housing market in Coventry.

To conclude, as difficult as it is to call a city a typical case study for rental housing in England, this brief description of the city's housing market has at least shown that we are not dealing with a distinct case such as London or the cities in the North of the country would be. Therefore we can argue that the case study city conforms to the selection criteria as presented in the introductory Chapter. Firstly, the fact that the council housing stock was transferred to a LSVT housing association (Whitefriars) allows for an examination of competition between housing associations, as the 'modern' providers of social housing, and private landlords. Secondly, the housing market in Coventry seems to show no structural trait that would be completely exceptional to what one can observe in the country. Rather, the share of social and private renting, the effort of the city council to create more mixed communities (CCC, 2007), the location of the municipality, the social structure of the population, and the development of the PRS in the last years that competition compares with what one might call a national average situation.

2.3.2 Breda in context

The city of Breda is a municipality in the province of North Brabant, the Netherlands. With a population of 172,085 inhabitants (O&I Breda, 2012), Breda is

Figure 2.4 Districts in Breda (2012)



Source: O&I Breda, 2012

the 8th biggest city in the Netherlands and the third biggest city in North Brabant. Breda functions as both a regional centre in the Province and as an important link between the Netherlands and Belgium, particularly between the cities of Rotterdam and Antwerp (Gemeente Breda, 2009).

In the post-World War II period the city experienced a rapid growth of its population, partially through the annexation of adjacent municipalities such as Teteringen and Bavel (see Figure 2.4), and partially through demographic changes (in-migration and excess of births). In 1940, the population added up to about 50,000 inhabitants, while it grew to about 160,000 until the end of the last century. In the last ten years the population has grown by another 10,000 inhabitants (CBS, 2009). The demographic growth of the city has been facilitated by a positive economic development in the last twenty years. Breda has become one of the strongest local economies of the service sector in the country, which was accompanied by the influx of highly educated young people in the same period.

Breda has a relatively balanced age structure of its population, which is in line with the situation in the whole Netherlands; one might note that older people are slightly overrepresented, and that a significant (polytechnic) student population exists. With respect to the ethnic population, recent figures show that 79.7 per cent of the population has a non-migration background. The biggest ethnic minority are Moroccan people with 2.9 per cent of the local population, while Turks are the second biggest group with 1.7 per cent (O&I Breda, 2012). In 2009, there were 73,500 households, leading to a household size of 2.3 persons per dwelling. Compared to national figures, single-person households are fairly overrepresented in Breda, while couples with children are significantly underrepresented. This, however, compares with the situation in other bigger Dutch cities (CBS, 2009).

Regarding income levels in the city, the average disposable yearly household income was €31,200 in 2006. More precisely, single-person households had a disposable income of €18,600, while the average income of couples with children was €44,200. Here, the situation in Breda compares with the national and the regional average. Most households receive their income through job-related salaries or self-employment; there is however a significant group of social benefit recipients. Again, this compares with the national average.

The housing market

The housing stock in the city of Breda grew rapidly after World War II. New housing and mixed-use areas were developed, some adjacent villages were annexed – with them large development sites and a relatively high number of single-family houses –, whereas older housing estates were gradually demolished after the 1980s. Currently, there are about 75,100 dwellings in the city (O&I Breda, 2012).

About 60 per cent of all dwellings are owner-occupied, while 40 per cent are rental dwellings. The majority of rental dwellings are social housing units (31 per cent), while private renting is a relatively small sector in the city (9 per cent) (see Table 2.7). In the last two decades a substantial shift from renting to owner-occupation has taken place in the city. On the one hand, many private landlords have left the market, particularly corporate investors. In numbers they sold more than 1,100 dwellings between 2001 and 2009. More recently, the decline of the sector has come to a halt however. Local experts (Interviews Breda, 2010) stated that there has been a strong influx of property slump landlords, which is reflected in a temporary surge of PRS dwellings owned by private individuals from 4.6 per cent in 2010 to 8.0 per cent in 2011. On the other hand, social housing has been fairly stable; yet a significant number of dwellings were demolished in the last years, particularly in the major urban renewal areas in the Northern and Western part of Breda (Geeren and Heuvel) (Gemeente Breda, 2009). Social housing in the city is provided by three housing associations, which have a similar share of the market.

Table 2.7 Tenure shares in Breda and the Netherlands, 2010

Tenure	Breda		The Netherlands
	Dwellings	%	%
Owner-occupied	45,900	61	59
Social rented	23,300	31	32
Privately rented	6,250	8	9
Total	76,300	100	100

Sources: O&I Breda, 2012; ABF Research – Syswov, 2010

Increasing demand for owner occupied dwellings has led to escalating house prices in Breda up until 2009. With an increase of the median transaction price from about €175,000 in 2001 to more than €240,000 in 2007, house price increases in the municipality have outpaced the countrywide mean price. Accordingly, Breda has become one of the most expensive municipalities with regard to mean house prices (Gemeente Breda, 2007). In turn this has also led to rapidly rising rent levels in the private rental sector. In the social housing sector, excess demand has led to growing waiting lists and individual waiting time in the last years (Gemeente Breda, 2009). It should be added, however, that demand pressure is strong in all tenures; yet, this is only typical for a mid-sized city in the Western part of the Netherlands.

Considering the supply structure three housing associations – Laurentius Wonen, Singelveste AlleeWonen, and WonenBreburch – provide all social housing dwellings in Breda. Even though these associations are so-called approved institutions, there are some major differences between them. Laurentius housing association has its roots in the suburban areas of the city, owning a housing stock that is much more spread across the city than that of the other associations. Singelveste AlleeWonen is a regionally operating, mid-sized housing association with a majority of its housing stock in Breda. Its stock tends to be of better quality and higher rents than that of WonenBreburch, but of lower quality and rent levels than that of Laurentius. WonenBreburch is also a mid-sized regional housing association with its main area of operation in the municipality of Tilburg. In the 1990s it took over the municipal housing stock in Breda, which still has an impact on its main activities today. Due to the fact that they have the lowest tenant profile, the worst stock and the highest concentrations in more problematic neighbourhoods of all social housing providers, their main business is investments into their current stock. Similar to Singelveste, WonenBreburch has become one of the main student housing suppliers in Breda (Interviews Breda, 2010).

The supply structure in the city equally follows what has been described for the national level, in which the PRS is split up between private individuals and institutional investors/large-scale private companies. While PRS landlords in Breda had an almost equal share of the housing stock (5.3 and 5.1 per cent of the total housing stock) in the market in 2001, the share of private individuals (4.6 per cent/3,500 dwellings) is higher than the share of institutional investors (3.6 per cent/2,700 dwellings) in 2010 (O&I Breda, 2012). Small-scale individual landlords tend to be active in specific market segments. Most importantly, alongside with student complexes owned by housing associations, they are the main providers of student housing in the city. Another important customer group is younger couples and families who seek to live

in more upscale accommodation in the city centre. Conversely, institutional investors tend to own larger estates and provide accommodation for older as well middle-aged multi-person households. Part of their stock, primarily less expensive dwellings, is often rented to younger starters. Institutional investors are predominantly nationally operating organizations, often being represented by letting agents in the local housing market.

To conclude, similar to Coventry in England, Breda can be seen as a 'typical' mid-sized city in the Netherlands: tenure shares are comparable, the housing market is tight, social housing and private renting have been declining in the last twenty years – at least up until 2010 –, the supply of social housing is dominated by large scale housing associations, while private renting is supplied by both private individual and corporate investors. The particularly high prices in the private sector might be seen as a particularity; however, most urban areas in the Netherlands have house and rental prices that are well above the average.

2.4 Conclusions

This intermediate chapter sought to provide information on rental housing in England and the Netherlands and gave a brief introduction to the respective case study cities. To summarize, based on the high share of poor and low-income households and the long median length of stay it might be assumed that social housing in England primarily performs the role of a permanent tenure with a welfare safety net function. People who become social tenants are likely to stay so permanently. We have, however, seen that there are important differences between the council housing and housing association segments in general, and between traditional associations and stock transfer associations in particular. Hence it seems that the emerging structure and more commercialized modes of operation within the housing association sector, as well as changes in social housing policy have introduced some traits of a choice-based tenure, rather than acting as a safety net only.²⁰

The description of the tenants and the landlords in the private rental sector imply that there are no simply identified sources of demand and supply. What seems to be a crucial aspect of private renting is the tenants' high mobility, indicating the easy access role of the sector in the English housing market. However, the sector houses tenants from the whole social stratum, who might either see private renting as their tenure of choice or as a temporary solution before moving to an owner-occupied or social housing dwelling.

The discussion on rental housing in the Netherlands has proposed that the

²⁰ For a good discussion on this issue, see Fitzpatrick and Pawson (2007).

primacy of the social rental sector is, similar to the English case, the satisfaction of housing need of disadvantaged households. Yet, considering the socio-economic and demographic profile of its renters, the social sector provides accommodation for a broad stratum of households. The private rental sector, on the other hand, is difficult to interpret and it seems that there is not a singular clear role, neither in policy making nor in housing market realities. This argument is based on the admittedly simplistic view of a strong polarization between the provision and demand structures in the corporate investor segment and the private individual landlord segment. The first seems to perform the role of tenure of choice for older and more affluent households who tend to stay in their dwelling for a long period. Conversely, private individual landlords, comprising both informal and investor landlords, tend to provide dwellings that are more often inhabited by younger, less affluent households (including the student population) who see their accommodation as a temporary solution.

To conclude, the descriptive analysis suggests that social and private renting in the Netherlands are indeed closer than in England with regard to the tenants' profiles, or in the terms of *Elsinga et al. (2009)* and *Haffner et al. (2009b)* a higher degree of competition between social housing and private renting might exist in the Netherlands than in England. Using the typical case study cities of Coventry and Breda the next chapters will approach the relation between the two sectors more analytically, using the SCP of rental housing as a guiding paradigm. How does the allegedly more competitive rental system in the Netherlands play out in a local market context? How do providers of social and private renting see their relationship? And if social housing is more competitive in the Netherlands, why are there relatively few moves of tenants between the two rental sectors in both countries, particularly from social housing to the private rental sector? These are some of the questions that will be discussed in the next four chapters.

3 Market structure

The competitiveness of mixed rental markets

The first chapter of this thesis introduced the conceptual framework for the analysis of competition between social and private landlords in rental housing markets, presenting the idea that competition analysis relates to the competitiveness of the market environment in which both landlord groups operate, the rivalrous interactions between social and private landlords, and the outcomes of competition in the rental market. It was further argued that the SCP paradigm itself seeks to unfold the links between these three competition elements. This chapter addresses the first element of the SCP of rental housing, the competitiveness of the rental housing market in which landlords in Coventry and Breda operate. Two research questions guide the following analysis: (1) *What is a competitive market structure in mixed rental housing markets?*; (2) *How competitive are the mixed rental markets in Coventry and Breda?*

The first key question is theoretical in nature. The argument in the introduction was that in order to make the concept of 'market structure' workable for this research, the narrow neoclassical meaning as used by the traditional SCP approach should be complemented by some basic insights of institutional economics and the general functionality of rental housing markets, in particular of the social housing sector. As a result, the definition of market structure in this study focuses on the relation between two different industries in one market. Five elements of market structure were devised as crucial in this respect: Supply concentration in both rental tenures, the spatial concentration of this supply, barriers to enter the social and private rental housing industry, barriers to access the consumption of social and private renting, and rent and quality aspects of product differentiation between social and private rental services. So far, only the meanings of these competitiveness items were introduced; however, it has been left implicit under which circumstances a mixed rental market can be classified as competitive or uncompetitive. This gap will be addressed in the first part of this chapter, in which we elaborate on the question of how mainstream theories of market structure, particularly the idea of perfect competition, can be translated to rental housing markets. Subsequently, this model is applied to the two case study cities Coventry and Breda, which means that each item of market structure will be examined through a comparative approach. To make the differences in mixed market competitiveness visible, a simple five-point scale (from very low to very high) of competitiveness will be used. This comparative scale should be seen as a pragmatic approach, where modest subjective estimation is integrated with objective empirical data.

3.1 An analytical framework of perfect competition in mixed rental markets

As it was argued in Chapter 1, five items circumscribe the competitiveness of a mixed rental market: Firstly, there is a strong impetus for analysing supply concentration for the two rental sectors separately, the reason being the existence of two industries, which might or might not operate in the same market. The assumption here is that a deconcentrated supply structure is more competitive than for instance a situation in which both industries are characterized by a monopolistic supply structure – which seems to be very unlikely in the PRS with its naturally atomistic supply structure. As a second step it seems to be meaningful to assess the position of social landlords in the whole rental market. Are they dominating the market, or are there private landlords with similar market shares? If social landlords are quasi-monopolists in the rental market (as measured by their market share), one might assume that they dictate market outcomes and individual decisions by private landlords are very much circumscribed by the strategies of social landlords. In practice, the measurement of supply concentration might not always be straightforward, since a cleavage between ownership and management can exist. After all, if a small number of letting agents managed the entire stock of a large number of owners, serious concerns about the validity of supply concentration measures based on ownership would prevail.

Secondly, spatial concentration connects to the idea of monopolies within the two rental sectors and in the rental market as a whole by controlling for a strong spatial concentration of tenure-related rental housing supply (see Maclennan & More, 1997). It can be assumed that if social housing was supplied in completely different locations than private renting, the whole rental market would surely be less competitive than an environment in which social and private landlords provided housing in the same neighbourhoods. Ideally, one would look at the stock location of every individual provider. However, the spatial distribution of the entire social housing and private renting stocks can be seen as a good proxy for this.

Thirdly, it was argued before that strong entry and exit barriers can exist if they are defined as the requirements and preconditions providers have to meet when they aim to offer market or social housing services. The underlying supposition is that when bureaucratic burdens are low for a landlord to operate in both sectors, or to switch from one sector to the other, the market environment is more competitive than a situation where providers are bound to strict regulation of the types of housing services they may offer. This connects to the idea of a contestable market (see Baumol, 1982), where entry to all kinds of provision is costless and there is no distinction between existing and potential competitors. One entry barrier might be the access of landlords to subsidies in the provision of social housing due to specific require-

ments for an organization to become a social landlord. A contestable market means that all types of incumbent social landlords as well as other types of landlords are allowed to contest for the provision of new social housing and associated subsidies. Similarly, a contestable rental market means that there are no restrictions for social housing providers to engage in the market rental business, i.e. they should be able to offer housing that is allocated by market forces in addition to their social housing activities without any regulatory barriers. A conscious choice of social housing providers against the provision of market renting, on the other hand, should not be seen as a barrier to entry. Contestability in the provision of social housing further means that public subsidies, if available, should be assigned to the bidder with the most efficient and socially desired proposal, irrespective their organizational status. In order to guarantee a level playing field in the market rental sector, rules and regulation should prohibit the use of social housing funds for an engagement in the market rental sector. The latter should take place along strictly commercial lines. As the outcomes of operating in the social and particularly the market sector were uncertain, the risk of failure and bankruptcy would then be genuine. Contestability also relates to the question of where social landlords are able to offer their housing services. Do they have a prescribed area of operation, or are they allowed to operate on a regional or national scale? This touches on the existence of spatial barriers to entry. If spatial barriers to entry existed and local housing markets were closed entities, rental markets would be less contestable and thus less competitive.

Fourthly, it was argued that the degree of competitiveness is strongly influenced by the question of who might actually be able to consume both private and social housing services. Access barriers to consumption here is defined as the free choice for tenants between the two rental services, or whether regulatory or landlord-induced impediments to act on their demand preferences exist? In practice, one barrier to access the social housing sector might be explicit income limits, stipulating that households with an income above a certain threshold are excluded. Conversely, such barriers might also be present in the commercial sector, if private landlords set up minimum income barriers, thereby excluding lower-income households from the consumption of their housing services per se. From a regulatory viewpoint the application of waiting lists for prospective tenants is a clear barrier to access the sector. On the other hand, high demand pressures might stifle access to private rental housing. More specifically, private renting is a private good, which means that in principle tenants are rivals and can be excluded from the consumption of the good. The extent of consumer rivalry and excludability are however a question of whether there is an excess or shortage of supply. Hence, a tight private rental market might be seen as a barrier to entry for starters and people who are willing to move to the sector. The assumption behind the opportunity to consume a social or private rental service is the following: The

scarcer the social housing resource (long waiting lists), the higher the probability that potential social housing customers move to a private rental accommodation. Yet, the higher the pressure on private renting the higher the probability that people cannot find appropriate accommodation.

Fifthly, product differentiation refers to the idea of substitutability of private and social housing; i.e. whether the two services are homogeneous or heterogeneous services with regard to their rent/quality bundles. The rent item comprises three different aspects: the differences between absolute rent levels, the regulation of initial rents and rent increases, and the availability and generosity of housing allowance payments. The assumption here is that if all of these three aspects are similar in both rental sectors, the rental market is more competitive because the willingness and ability to substitute both services is increased. Equally, this homogeneity approach also applies to the quality of the two rental services. If low-standard social dwellings – including both technical and comfort aspects – were only offered in deprived neighbourhoods, while high-end market dwellings were mainly located in popular areas, the products would barely be seen as substitutes. Additionally, the existence of quality regulations in the two sectors is an important point. This includes observations of how the security of tenure for tenants and further property rights are organized and regulated in both sectors: If social tenants savour a high degree of security in their rental agreements and market tenants can be evicted easily, social housing has a competitive advantage. Furthermore, if there are similar quality regulations in place, tenants might consider the two products as better substitutes.

What is a competitive market structure?

To repeat, neoclassical economics states that a perfectly competitive market needs to fulfil five conditions – homogenous goods, high number of suppliers, no barriers to entry and exit, perfect information for all market participants, and divisibility of goods. If all these conditions are fulfilled, suppliers can only behave competitively, leading to a welfare-optimal outcome of the market. This notion might help to answer the question on what a competitive market structure in mixed rental housing is. Although the present theoretical model abstracts from information aspects and the divisibility of a good, the previous remarks have shown what competitiveness means in the context of the individual items: A competitive supply concentration means that there is a high number and small market shares of landlords in both rental industries. Furthermore, a competitive supply structure also implies that there are no spatial monopolies of either social or private landlords. Competitiveness in the context of barriers to entry is a situation in which all kinds of organizations can provide social as well as private rental housing without facing any regulatory barriers. This relates to the idea of a contestable rental market (Baumol, 1982). Moreover, a competitive market structure is circumscribed by a situa-

tion in which potential private and social renters can easily access both sectors, not facing any regulator- or landlord-related impediments to consumption. Finally, competitive rental markets are dependent on the homogeneity between the two rental services, including market-related as well as regulatory product characteristics.

If we look at the five factors conjointly, one might argue that there is a state of 'perfect competition' between social and market renting. This would be fulfilled if each aspect were fully competitive in itself: a large number of suppliers with small individual market shares, high spatial proximity; no barriers to entry in supply; no barriers to access consumption; identical product characteristics. It should be obvious that similar to its neoclassical antecedent, that the state of 'perfect competition' does not exist in reality, since social rental housing will never be fully congruent with the private rental sector. However, it is possible to use the model of a perfectly competitive market as a yardstick to classify real local rental markets, which are Coventry in England and Breda in the Netherlands in the case of this research.

3.2 Supply and spatial concentration

Supply concentration

Two measures of supply concentration are widely used in economic studies, the *n*-firm concentration ratio, which is based on the market share of a certain number of largest suppliers in the market, and the Herfindahl Index (HI)¹. Both measures are used in this study. The oligopolistic structure of social housing, which was described in Chapter 2, can be found in the local authority of Coventry as well. Data from the Tenant Services Authority (2010) reveals that 21,042 social housing units (general needs dwellings only) are offered by 15 housing associations throughout the city. These dwellings are, however, not equally distributed among suppliers. Table 3.1 shows that the three largest housing associations own about 90 per cent of the social housing stock in the city. Even more revealing is the position of Whitefriars housing association, owning three out of four social dwellings in the city. A calculation of the Herfindahl Index (0.57) suggests an almost monopolistic supply structure.

There are no perfectly representative figures on supply concentration in the PRS in Coventry. Yet the calculation for different supply concentration indi-

¹ The HI is defined as the sum of squares of the market shares – which are expressed as fractions – of a given number of firms in the market. Antitrust agencies consider a HI of more than 0.18 as a highly concentrated industry. Values between 0.1 and 0.18 are regarded as moderately concentrated, while values below 0.1 are regarded as deconcentrated and competitive (Kelly, 1981). The HI is supposed to be less arbitrary than the *n*-firm concentration index as it takes both the number of suppliers and each individual market share into account.

Table 3.1 Supply concentrations in Coventry and Breda, 2010

	Number of landlords ¹	Number of dwellings	3-firm concentration ratio	10-firm concentration ratio	Herfindahl Index
Coventry					
Social housing sector	15	21,042	91.9	99.1	0.57
Private rental sector	358	1,331	32.5	50.5	0.04
Breda					
Social housing sector	3	23,193	100.0	100.0	0.33
Private rental sector	74	3,898	21	46.9	0.03

¹ Coventry: Registered private landlords only; Breda: Private landlords with more than 10 dwellings only.

Sources: TSA, 2010; data provided by Coventry City Council, city of Breda, and housing associations in Breda; own calculation

ces of accredited landlords² shows that on average each landlord provides four dwellings. The 3-firm (32.5 per cent) and 10-firm (50 per cent) supply concentration suggest that there are a few larger providers of accredited properties; however, the Herfindahl Index, including all accredited landlords, is very low with a value of 0.04. More precisely, the few large-scale providers tend to be active in the student market only. For instance, the largest accredited landlords in the city are Warwick University (215 units), and a private student housing developer (133). Accordingly, it can be assumed that private renting apart from student housing is even more deconcentrated than the already low HI Index suggests.

In Breda, social housing has an oligopolistic supply structure with only three major providers. Data provided by the three housing associations shows that their market shares are of comparable size, where the smallest association owns 6,736 general needs dwellings and the largest 8,439 dwellings.³ Notwithstanding the comparable market shares, the calculation of the Herfindahl Index shows that social housing in the city is a very concentrated industry when compared with other industries or the private rental sector. Since there is no mandatory registration scheme for private landlords, the calculation of supply concentration in the private sector cannot be as accurate as in the social sector. However, the municipality collects data on landlords with a housing stock of more than ten dwellings. The analysis of this data leads to two interesting findings. Firstly, as expected, supply concentration as measured by the Herfindahl Index (0.03) in the private rental sector is rather low.

² The Coventry Accredited Property Scheme (CAPS) is a local voluntary system of private landlord accreditation. The idea behind this is to recognise and publicise which landlords provide accommodation that is of good physical standards, comprising amongst other things general fitness for habitation, security and fire precautions, as well as energy efficiency issues, and that is well managed. In 2010, the CAPS included about a third of all PRS dwellings in the city.

³ There are further approved institutions in Breda. Yet, these other institutions are excluded from the calculation since they provide accommodation in joint housing and care facilities and nursery homes for elderly people only.

It can be assumed that the degree of concentration of the entire PRS industry is strongly overestimated, since small-scale landlords are largely excluded in the sample; indeed, only eight individual persons own a stock of more than ten dwellings in the city. Conversely, there is some concentration in the corporate investor market segment. Five corporate investors own more than 200 hundred dwellings in the city, which is reflected in relatively high three-firm and particularly ten-firm concentration indices.

It was mentioned before that the use of letting agent services among private landlords in England as well as the Netherlands has been growing rapidly in the last years. As a result of this development, the provision structure in the PRS is not as clear as the number of dwellings per landlord and related concentration measures might suggest. If in business practice letting agents manage the dwelling and the tenancy, which could include decisions on rent levels, investments into the building, and the selection of tenants, they might be perceived by tenants as the landlord of the dwelling. In Coventry, with its 41 letting agents, it seems that management services are far more concentrated than ownership of the dwellings. It is not possible to calculate agent-based supply concentration, but evidence from interviews with local letting agents suggests that the average letting agent in Coventry manages about 80 dwellings, which would add up to a total of about 3,000 to 3,500 dwellings. If this number was correct, one could indeed assume that due to the management/ownership cleavage the statements about a highly deconcentrated private rented sector in the city should at least be treated with caution.

Equally, there is no hard evidence on the position of letting agents in Breda. Yet, a review of the two most important rental property websites in the Netherlands⁴ and evidence from the interviews with landlords and agents in Breda propose that a large proportion of the private rented stock is offered via letting agents. Furthermore, local letting agents stated that they often provide management tasks as well. Interestingly enough, there seems to be no difference between institutional investors and small-scale individuals, since both landlord groups largely rely on their services. A brief examination of the letting agent market in the city shows that there are about 20 companies. The two biggest letting agencies, both being specialized in the institutional investors market, manage up to 1,000 dwellings (Interviews Breda, 2010). As a result, there are indeed some signs of a concentrated private renting industry in Breda, maybe even more so than in Coventry.

Spatial concentration

In a national context, Hills (2007) points out that particularly between the 1960s and 1980s social housing in England was predominantly built by local

4 Funda.nl and pararius.nl.

Table 3.2 Concentration of social and private rental housing in Coventry wards, 2006 and 2010

Ward	Total number of dwellings in ward (2006)	Private landlords			Housing association	
		Number of dwellings (2006)	% (2006)	Number of advertised properties (2010) ¹	Number of dwellings (2010) ²	% (2010) ²
Bablake	6,686	200	3.0	42	439	6.5
Binley & Willenhall	7,811	640	8.2	28	2,312	29.6
Cheylesmore	7,328	790	10.8	76	478	6.5
Earlsdon	6,396	760	11.9	166	221	3.4
Foleshill	6,897	1,270	18.4	51	1,242	17.4
Henley	8,215	400	4.9	32	1,680	20.6
Holbrook	6,759	650	9.6	42	553	8.2
Longford	8,236	1,000	12.1	48	1,427	17.3
Lower Stoke	7,175	810	11.3	169	1,055	14.4
Radford	7,788	1,170	15.0	99	1,362	17.1
Sherbourne	7,090	660	9.3	66	669	9.2
St Michaels	7,744	1,930	24.9	130	1,838	22.9
Upper Stoke	7,383	770	10.4	113	949	12.5
Wainbody	5,126	310	6.0	11	71	1.4
Westwood	7,260	600	8.3	36	1,257	16.7
Whoberley	7,165	1,040	14.5	68	264	3.7
Woodlands	7,157	470	6.6	68	1,201	16.7
Wyken	6,992	570	8.2	64	926	13.0
Coventry total	129,208	14,040	10.8	1,309	17,944	13.7

¹ The simple calculation on the number of advertised PRS properties in October 2010 shows that most areas in which the PRS had a proportionally large share of the entire housing stock, seem to show a similar supply structure nowadays: the City Centre (St. Michaels), Stoke, Radford, and specifically Earlsdon seem to be the most popular private renting areas in the city.

² Only the two largest housing associations are included in the calculation, which equals approx. 85% of the entire social housing stock.

Sources: ONS, 2010; CCC, 2007; data provided by Whitefriars and Midland Heart housing associations; rightmove.co.uk

authorities in urban and urban fringe housing estates. Conversely, according to Rugg and Rhodes (2008) it is a common phenomenon in England that some submarkets of private renting are located in specific areas as well. The local authority of Coventry is an enlightening example of tenure-segregated local housing markets. Table 3.2 shows that social renting, as measured by an above average tenure share per ward, is strongly present in certain wards but not in others. Here, it should be noted that wards are made up of historically shaped and grown neighbourhoods and are purely administrative units that do not take into account the structure of the housing market; therefore, they are, to say the least, a relatively imprecise spatial unit for measuring the concentration of supply. Indeed, within many wards there are classical social housing neighbourhoods, where it is de facto impossible to find a balanced tenure mix. Areas like Wood End, Henley Green, Manor Farm (all Henley Ward), Willenhall (Binley and Willenhall ward), Stoke Aldermore (Lower Stoke ward), Canley (Westwood), and Tile Hill (Woodlands) have a social housing share of more than 80 or even 90 per cent.

Spatial concentration can also be found in the private rental sector. Large concentrations can be found in the city centre (St. Michaels ward), as well as in the wards Foleshill, Radford, Earlsdon, in Stoke, Cheylesmore and Whoberley. Interestingly enough, the demand structures vary between these wards. The centre seems to be appealing to various tenant groups, while Foleshill

shows a high concentration of tenants with a BME background. Lower Stoke, Earlsdon, Cheylesmore, and Whoberley are due to their proximity to either Warwick or Coventry University very popular among students, leading to a high share of private HMO⁵ accommodation in these areas. Periodically, before the start of a study year, some neighbourhoods in these wards experience a very high turnover of tenants. This is well reflected in the number properties that were advertised in August 2010 (Rightmove.co.uk, 2010). As one can see in Table 3.2, the two largest private renting wards are clearly underrepresented, while popular student areas, particularly Earlsdon and Cheylesmore, are overrepresented. Finally, Radford and Holbrook are private rental markets with a higher profile, meaning that they show a larger share of professionals among private tenants.

As a result of this tenure-concentrated spatial structure in Coventry, there are indeed only few wards where both rental sectors have tenure shares that are above their respective local authority averages. Among these are Foleshill, Longford, Lower Stoke and Radford. From the viewpoint of spatial proximity between the two sectors the central ward St. Michaels stands out. It should be noted that because the measurement of social housing concentration comprises only the two largest providers and because private renting has grown significantly in the last four years, their actual vicinity might be underestimated here.

Social housing in Breda seems to have a relatively low degree of spatial segregation. Except for very few cases, social housing is widely present in all of Breda's housing areas⁶ (see Table 3.3). Nonetheless, there are some peripheral neighbourhoods – peripheral to the city centre – where social housing strongly dominates the housing market. Particular concentrations exist in the housing estates of Hoge Vucht, Princenhage/Heuvel, Brabantpark/Heusdenhout, and Tuinzigt/Westerpark, all of which have been developed in the 1960s. An assessment of spatial concentration of private renting shows two things. On the one hand, institutional investors and private individuals tend to operate in different areas within the city. Where large-scale landlords tend to have their stock in peripheral areas with large housing estates, private individuals are mainly active in and around the city centre. On the other hand, we can see that private renting generally plays a minor role in suburban areas.

⁵ Housing in Multiple Occupation.

⁶ This is a classification provided by the research and statistics department of the municipality of Breda. Different neighbourhoods are clustered into those 'housing areas' (woongebieden). According to the statistics department, clustering was done in a very pragmatic way, therefore not being based on empirical methods of clustering as done in a housing market area approach (see Jones, 2002). As a result, housing areas in Breda are a more or less arbitrary classification. However, it serves our purposes quite well, because their size, measured in the total number of dwellings is comparable to the ward classification in Coventry.

Table 3.3 Concentration of social and private rental housing in housing areas in Breda, 2010

Housing area	Total number of dwellings	Corporate investors		Private landlords		Housing associations	
		Number of dwellings	%	Number of dwellings	%	Number of dwellings	%
Centre	7,401	327	4.4	1,170	15.8	2,365	32.0
Belcrum/Doornbosline	3,147	78	2.5	154	4.9	1,281	40.7
Hoge Vucht	7,035	480	6.8	46	0.6	4,219	60.0
Brabantpark/Heusdenhout	6,791	139	2.1	235	3.5	2,838	41.8
Zandberg/Sportpark	3,450	32	0.9	323	9.4	180	5.2
Ginneken/Ypelaar/Blauwe Kei	8,977	439	4.9	442	4.9	1,564	17.4
Boeimeer/Ruitersbos	3,722	211	5.7	192	5.1	337	9.1
Tuinzicht/Westerpark	5,347	3	0.1	281	5.3	2,200	41.1
Princenhage/Heuvel	6,996	382	5.5	198	2.8	3,091	44.2
Haagse Beemden Southeast	3,833	334	8.7	5	0.1	895	23.4
Haagse Beemden Northwest	7,048	130	1.8	122	1.7	2,431	34.5
Bavel	2,060	8	0.4	31	1.5	539	26.2
Ulvenhout	1,895	0	0	66	3.5	370	19.5
Prinsenbeek	4,296	161	3.7	34	0.8	567	13.2
Teteringen	2,111	0	0	25	1.2	437	20.7
Buitengebied	2,183	0	0	174	8.0	3	0.1
Breda total	76,292	2,724	3.6	3,498	4.6	23,317	30.6

Source: O&I Breda, 2012

With regard to spatial competition between the two rental tenures we can make the following preliminary conclusions: The total number of social housing dwellings in every market area of Breda is higher than the total number of private rentals. There are few areas in the city where we can find a concentration of all landlord groups: Belcrum/Doornbosline, Princenhage/Heuvel and particularly the centre of Breda are exceptional in this respect. However, if the two private rental segments are considered as one, the picture is slightly different since then almost all of the central and peripheral – yet not the suburban areas – have significant shares of social and private renting.

3.3 Barriers to entry provision and access consumption

Barriers to entry the provision of rental housing

As a general rule, all types of landlords can supply social housing in England. As explained in the previous chapter, housing associations that want to be eligible for public funding need to become Registered Social Landlords with the responsible regulatory body, the Homes and Communities Agency. Profit-oriented private companies or individuals can register with the regulatory body as well. If they do so they are eligible for funding for the construction of new social housing as well. Grants for the construction of new dwellings are intended to be given to the most efficient organizations no matter what their legal status is – where efficiency is based on a nationwide monitoring system. There are thus genuine risks to fail as a supplier of social housing. A system of social housing supply where all sorts of providers can provide social housing and those landlords with the best performance actually provides new social housing shows a high degree of contestability (compare Gibb & Maclen-

nan, 2006). If we further take into account that housing associations are allowed to operate in the market rental sector, and that those activities are solely financed through private loans, there seem to be few potential supply-side barriers to a competitive mixed rental in England.

However, this seems to be an overtly theoretical reasoning since in local practice the provision of social housing in Coventry is exclusively in the hands of housing associations – indeed, there has not been a single case of social housing development by a commercial party. Interviews with local experts (Coventry, 2010) suggest that this might not only be due the reluctance of private developers to engage in social housing, but also because of the way the social housing production is organised by the local authority: The council has the responsibility to identify the need for social housing, as well as where and under what circumstances it should be built. In practice, they thus decide on which developer actually receives funding for a new social housing project. The Coventry council takes a rather pragmatic approach in this decision, as it is highly influenced by its relationship with the locally operating housing associations and the experiences from the past (see also Mullins & Walker, 2009). Hence, even if there were private companies willing to engage in social housing, they probably would find it very difficult to get access to government funding.⁷ The other way round, housing associations in Coventry engage in the provision of market housing only on a negligible scale. To say the least, their commercial renting activities are manageable, to say the least. Indeed, the biggest housing association does not provide any market or intermediate⁸ market rental accommodation. The two largest traditional housing associations in the city do provide commercial units; yet these are primarily shared-ownership dwellings, which are intended to be sold in the long run.

National rules on the supply of social housing in the Netherlands stipulate that it is the exclusive task of approved institutions. Private organizations that wish to provide social housing would therefore have to become such an institution. The status as an approved housing association is, however, associated with certain responsibilities (see Chapter 2), which inhibit that, for instance, institutional investors engage in social housing as a supplementary activity. This means that even if private landlords aimed to supply social housing, maybe because they wanted to make use of the existing implic-

⁷ Similarly, this practice might form a severe barrier to entry new local markets for social housing providers. In other words, even though all types of landlords and developers are eligible to provide housing in various locations, the close ties between local authorities and housing associations already operating in Coventry, seem to impede the emergence of new social housing providers.

⁸ Intermediate rental housing is a form of tenancy that is seen to close the gap between social and market rents. Intermediate rents are set to a level, which equals 80 per cent of the rent of a market dwelling of similar quality.

Table 3.4 Private rental activities of housing associations in Breda, 2010

Housing association	Overall stock	Number of dwellings > €650	Share of market rentals (%)
Laurentius	6,736	343	5.0
WonenBredburg	8,439	112	1.3
Singelveste	8,018	105	1.3

Source: Data provided by associations

it subsidies for social housing (below-market level loans, below-market level land prices), there would be high barriers to enter the social housing industry.

On the other hand, housing associations can and do engage in the provision of market rental housing. As long as they have the financial means to do so, there are no barriers to enter except for the capital costs. In Breda the three housing associations engage in market rental provision on various scales. If we define market renting⁹ as rental accommodation above the liberalization threshold, we can see that the smallest housing association in the city has by far the most significant share of dwellings in the deregulated market segment (see Table 3.4). However, the question remains whether these activities comply with the idea of a contestable market. It was pointed out that the indirect subsidies for the provision of social housing might leak into such commercial activities. The local market of Breda is no exception here, since social and private rental accommodation is often developed within the same estates. Furthermore, the notion of contestability is undermined by restrictions on where approved institutions are able to operate. Generally, each housing association has a defined area, mostly a region, where they can develop social housing estates. If an association aspired to provide social housing outside that area, they would either have to gain a special permit by the Ministry which is responsible for housing, or they would have to either cooperate, or more radically, merge with a local association. Translated to the social housing sector in Breda this means that the risks for the three housing associations – and possibly private developers – of new entrants in the market through new developments are relatively small.

Barriers to access social and private rental consumption

In both cities, social housing is allocated through a Choice-Based Letting (CBL) scheme.¹⁰ However, the CBL systems operate quite differently in the two localities. In the so-called Coventry Homefinder anybody who is older than 16 years, is not an asylum seeker or a student, and has not been evicted from a previous tenancy can register with the system. There are however explicit entry barriers in the actual allocation of dwellings. Firstly, different properties are reserved for households of a corresponding size. The general rule is that

⁹ Dwellings of housing associations with a rent level of below the threshold is by definition social housing and cannot be market renting. Provision in the deregulated sector is offered on the free market and not allocated through waiting lists.

¹⁰ The main idea of a CBL scheme is that all available social dwellings in a locality are offered via the same channel (mostly internet pages), where tenants can place bids for dwellings and have the right to turn offers down (see Brown & King, 2005).

Table 3.5 Registrations on Coventry Homefinder by banding priority, 2010

Band ¹	1A	1B	2A	2B	2C	3A	3B	Total
Number of applicants	57	48	695	204	299	9,945	2,261	13,509

¹ Housing need is subcategorized in different bands: very urgent need (Bands 1A and 1B – e.g. exceptional medical need, affected by redevelopment), urgent need (Bands 2A, 2B, 2C – e.g. statutory homelessness, people fleeing violence), and no housing need (Bands 3A and 3B – e.g. owner occupiers).

Source: Data provided by Coventry City Council

the number of bedrooms is one less than the household size (CCC, 2010b). Secondly, there is a priority banding system, which is based on an applicant's housing need (see Table 3.5). 75 per cent of all bids are allocated based on banding priority and the length of registration time, the other 25 per cent is allocated on the basis of waiting time only. Income is not directly considered in the allocation of housing; yet, housing need is by definition higher among low-income households, which means that there is at least an indirect barrier for more affluent households. Finally, the existence of a long waiting list severely restricts access to social housing. In May 2010, 13,509 people were registered for social housing, most of which (~ 90 per cent) were classified as not having any housing need (see Table 3.5). If this number is compared to the 2,500 available dwellings in 2010, it should be obvious that the chance to get into the sector for people with low housing need is marginal.

In Breda, anybody who is older than 18 years can register with the CBL scheme. Exceptions are made for students (they are treated as a separate group of applicants, since they are only eligible for housing in student housing complexes) and adolescent households in urgent housing need (mostly people who are affected by redevelopments). Registrations are made in two ways: People can either state that they are actively looking for social housing accommodation, or they can register as passive applicants in order to accumulate waiting list time. Active applicants, but not passive ones, will receive offers with available properties that match their individual criteria (e.g. a given number of bedrooms, neighbourhood). A smaller part of the stock for active applicants is allocated through a lottery drawing. Housing need plays a minor role in social housing allocation; nonetheless, barriers to access exist, where the most profound is the existence of long waiting lists. Each dwelling has an individual waiting time, which is based on property type, size, and location. If an applicant wanted to rent an apartment with an elevator in a high-demand neighbourhood, for instance the city centre, an accumulated waiting time of about 52 months would be necessary. For a single-family house the average waiting time is as long as 70 months (Gemeente Breda, 2009). The structure and age of the applicant household determines the necessary waiting time as well. Generally, it is the case that the older the applicant, the higher their acquired waiting time needs to be before they get an offer by one of the three housing associations. Similarly, larger households have to wait longer before they receive offers. The average waiting time in Breda adds up to 4.5 years. If we further take into consideration that there are more than 8,500 active applicants on the waiting list and another 20,000 passive applicants the barriers to enter the social sector extremely high (see Table 3.6).

A second significant barrier to access social housing is the introduction of

Table 3.6 Waiting time and number of active applicants by household category in social housing in Breda, 2008

	Student household	Single or 2-person household <23 years	Single or 2-person household 23-54 years	Any household with more than 3 persons	Older household 55-65 years	Older household 66 -74 years	Household 75 years and older	Total
Number of applicants	218	597	3,455	1,874	713	811	840	8,508
Average waiting time in months	11	20	44	48	50	61	73	50

Source: Woonloket Breda (2009)

explicit income limits. Since January 2011, it is stipulated that 90 per cent of all new allocations in the social sector (< €650) must be appointed to tenants with an income of less than €33,614. The access of middle and higher-income households to social housing thus has become more restricted.

Conversely, barriers to access the private sector exist in Coventry and Breda as well. Interviews with private landlords in Coventry suggest that a common practice in the allocation of accommodation is the application of minimum income requirements. Tenants might be required to show some proof of a steady and sufficient income to cover the monthly rent for, particularly, more expensive dwellings. Furthermore, there are high transaction costs for new private tenants, since they have to make a deposit and, most often, pay a letting agent fee of about 20-40 per cent of a monthly rent. Though no figures are available on the scale of discrimination, many advertisements for private rental properties specify that the landlord will not accept tenants who receive housing allowances or other social benefits. The interviews with several private landlords confirm that stigmatization is an important driver of the tenant selection process. Finally, continuously high demand for certain properties, particularly two-bedroom properties and bedsits in popular areas, has led to a limited availability of and thus accessibility to PRS dwellings. Indeed, even though they might be affected by temporary fluctuations in the student housing market, landlords draw a picture in which they have no structural problems of finding new tenants for their vacant dwellings (Interviews Coventry, 2010).

Similar patterns of discrimination and housing market pressures can be observed in Breda as well. Firstly, it is common practice by private landlords, in particular by institutional investors to apply minimum income requirements. Advertisements and statements from letting agents in Breda suggest that most often gross incomes need to exceed the asked rent level four times. Furthermore, access to private renting is constrained by the very high transaction costs of moving to such accommodation. In reality tenants do not only have to pay the first month rent before they move into a flat, but they have to make a deposit (most often a one-month rent) as well. Moreover, if they want to access dwellings of small-scale individual landlords¹¹, tenants have to pay a letting agent fee, which equals a one-month rent as well. Another barrier

¹¹ Most small-scale individual landlords in the city use letting agents when looking for new tenants. Institutional investors abstain from such practices, paying the letting agent fees themselves rather than passing them on to the new tenant.

to access is that institutional investors use waiting lists for the allocation of their dwellings in the regulated market segment. However, this does not really compare to the CBL allocation scheme in the social housing sector, because this is not a mandatory allocation system, but mainly a self-imposed system for the management of new lets. Finally, even if tenants were able to fulfil the mentioned requirements, access to the private rental sector is severely restricted by the shortage of supply. Similar to most other urban areas in the Netherlands, the supply of private rental housing is relatively tight, particularly the supply of affordable dwellings with a rent below the liberalization threshold (< €652). In Breda, particularly the supply of private rental accommodation in central and peripheral areas is a scarce good, since it is popular among a diverse set of customer groups, such as students, young single-person households and more affluent multi-person households (Interviews Breda, 2010).

3.4 Product differentiation

Rent levels and regulation

Most publications (e.g. Scanlon & Whitehead, 2007) that compare the mean rent levels in both sectors do not refer to the size and quality of dwellings. This is however a crucial aspect since higher rents in the private sector might, i.a., just be based on larger and better dwellings across the whole stock. Since data on private sector rents is limited, it is not possible to present rent levels for specific quality levels in both cities. However, it is possible to calculate social and private rents for different property sizes, here measured by the number of bedrooms in both cities and additionally by total floor size in Breda.

Table 3.7 shows that there is generally a large gap between private sector and social housing rents in Coventry. The average rent of a private rental dwelling is almost twice as high as the one of a social dwelling. It also shows that the gap in rent levels increases with the number of bedrooms in a property. While rents of bedsit and one-bedroom apartments are about 1.5 times higher in private renting, two and three bedroom apartments are almost twice as expensive. The huge gap between a four-bedroom social and a four bedroom private dwelling is probably due to the high number of student houses. Here, the rule is that the sum of rents charged for single bedrooms is significantly higher – which holds true for all HMO forms – than if the rent was charged to one household only.

Although not visible in Table 3.7, there are, of course, differences between the social and private sector rent differentials across various localities in Coventry. Data provided by the three housing associations show that in the social housing sector rents do not differ substantially between the 18 wards.

Table 3.7 Private and social rent levels in Coventry and Breda, 2010

Property size	Social housing		Private renting	
	Net rent pcm ¹	N	Net rent pcm	N
Coventry				
Bedsit/studio	£ 231	1,048	£ 335	24
1 bedroom	£ 269	5,502	£ 443	181
2 bedrooms	£ 302	6,509	£ 520	514
3 bedrooms	£ 325	5,730	£ 619	393
4 bedrooms	£ 361	392	£ 933	170
average	£ 296	19,181	£ 591	1,282
Breda				
Bedsit/studio	€ 252	224	€ 411	17
1 bedroom	€ 345	1,093	€ 836	102
2 bedrooms	€ 413	3,346	€ 1,055	162
3 bedrooms	€ 461	2,607	€ 1,201	66
4 bedrooms	€ 523	412	€ 1,377	33
average	€ 421	7,682	€ 1,020	380
	Net rent pcm/sqm	N	Net rent pcm/sqm	N
	€ 6.6	7,682	€ 11.8	380

¹ pcm = net rent (without service charges) per calendar month; rents include general needs dwellings only.

Sources Coventry: Rents of the three largest associations (Whitefriars, Midland Heart, Orbit) only; average rent levels of smaller associations are comparable. For private rents: rightmove.co.uk (April and August 2010)

Sources Breda: Social housing stock of one housing association. Private renting: data collected on property websites funda.nl and pararius.nl (September 2010 and January, 2011);
Based on own calculations

For instance, for a two-bedroom dwelling in Cheylesmore (the most expensive ward) tenants have to pay £316 net rent per calendar month (pcm)¹², whereas tenants in Radford have to pay £294 pcm for the same type of accommodation. The opposite is true in the PRS, where rent differentials of £100-£200, depending on the type and size of the dwelling, between the various neighbourhoods can exist. To give but one example, for a two-bedroom flat in Earlsdon the average monthly rent is £580, while it amounts to 'only' £475 for the same dwelling type in Binley & Willenhall, which is a social housing dominated area in the city.

Abstracting from such measurement issues and the differences between city areas, the basic contention is that part of this large gap between social and market rents can be explained by the different systems of rent regulation. Chapter 2 laid out the different systems of rent settings and pointed out that where the private sector is almost completely deregulated, social housing rents are determined through an administrative rent setting mechanism – the rent-restructuring regime. These differences comprise initial rents as well as rent increases. If we translate this into the comparison of rent levels in Coventry, we can assume that prospective private renters in the city do not only have to pay higher prices for similar dwellings, but future rent payments will increase more rapidly in the PRS than in the social sector. Arguably, this has a negative impact on the substitutability of the two rental services.

¹² Net rent is the rent excluding service charges and utility costs and excludes any personal subsidies for the tenant.

Table 3.8 Calculation of Local Housing Allowance rate in Coventry, September 2010

Number of bedrooms	Weekly amount
Shared accommodation	£62.00
1 bedroom	£100.11
2 bedrooms	£112.77
3 bedrooms	£126.58
4 bedrooms	£172.60
5 bedrooms	£218.63

Source: CCC, 2010a

Furthermore, the actual rent level should be seen in the context of what a tenant has to pay by himself and which share of his rent might be covered by demand subsidies. This touches on the question on how LHA allowances compare to Housing Benefit payments in Coventry. It was shown (see Chapter 2) that in principle housing allowances are available to both social and private rental households; yet there are important differences in how the two systems are operated, where Housing Benefit is calculated in a way that post-rent incomes do not fall below the social assistance eligibility level. LHA, on the other hand, is based on local reference rents and is thus not connected to actual rent levels. The local reference rents for different property sizes in Coventry are shown in Table 3.8. If we now compare this with the existing rent levels in Table 3.7, one can observe that for most households the largest share of their rent tends to be covered by LHA (September 2010) calculations.¹³ From this point of view there thus appears to be little differences between social and private renting.¹⁴

Table 3.7 also illustrates the existence of high rent differentials in Breda. Absolute average net rents in Breda are about 2.5 times higher in the private rental sector than in the social housing sector. Similar to the situation in Coventry, it can also be observed that rent differentials grow with the number of bedrooms. However, the rent gap in Breda might be significantly overestimated. On the one hand, the calculation of average rents should consider actual floor sizes as well, since private rental dwellings with an identical number of bedrooms tend to be larger than social rentals – a finding that does not hold in Coventry, since dwelling types are similar across rental sectors. Indeed, if we look at actual property sizes in Breda, average rents in the private sector are less than two times as high; yet, rent differentials are substantial. On the other hand, there are only a relatively low number of cases in the private rental sector, where the existence of high quality dwellings in upmarket areas seems to be overestimated significantly. Letting agents (Interviews Breda,

13 Surely the household size needs to be considered, where the local authority allows one bedroom for every adult couple (married or unmarried), one for any other adult aged 16 or older, one for any two children of the same sex aged under 16, one for any two children aged under 10, and one for any other child (under 16).

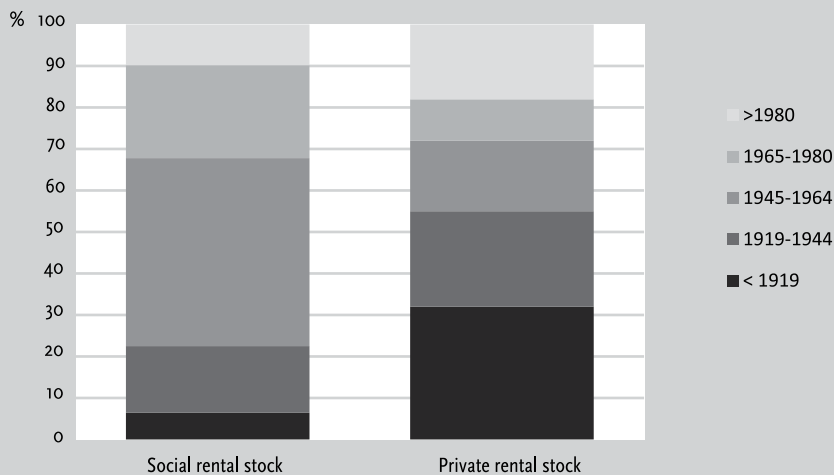
14 The LHA caps introduced by the current Conservative-Liberal coalition government will supposedly change this significantly, since market renting becomes more unaffordable, if average rents are significantly higher for each property type than the level of the LHA cap. As a result, Housing Benefit and thus the social sector in Coventry might become more appealing to low-income household since the largest share of their rent is covered by the allowance, while they can expect additional housing costs in the private rented sector.

2010) stated that the lower and middle rent segments have been growing significantly in the last years. One agency states that they mediate about 30-40 dwellings with a rent level below the deregulation limit (see Chapter 2) every month, where bedsits for students play a crucial role. Indeed, most of the 380 advertised properties were located in expensive inner-city locations or newly constructed estates. Hence, besides the lack of student accommodation in the calculation, there is also an absence of less expensive, older dwellings of institutional investors in the city. Data provided by one letting agency, which manages rental accommodation owned by corporate investors, shows that there are indeed several hundred dwellings with a middle rent level, some of which fall below the deregulation limit. Furthermore, similar to the situation in Coventry, rent differentials can be smaller in some neighbourhoods than in others. The data from property website used for the rent level calculations shows that city centre locations and specifically private rental accommodation in peripheral areas to the South of the City Centre (Zandberg and Ginneken) have much higher rents than similar (with regard to size and dwelling type) private rentals in the North of the city. It is thus unsurprising to find that specifically in those neighbourhoods where social landlords and corporate investors have above average market shares (e.g. Hoge Vucht and Heuvel) the rent differentials tend to be the lowest.

Similar to the situation in Coventry, rent regulation arguably plays a significant role for the rent gap in Breda. As implicated in the previous statements, it is important to note the difference between landlord types on the one hand, but also between regulated and unregulated rents on the other hand. Except for the relatively inexpensive student market and the regulated institutional investor housing stock – which does not have the potential to be offered in the free market sector – landlords in Breda seem to have a strong incentive to provide housing that is not only above the liberalization threshold, but exceeds it significantly. On the one hand this guarantees them higher revenues, since here is no administratively determined maximum rent. On the other hand, there is less supply in this segment, since housing associations primarily operate in the regulated market sector. Arguably, this limits competitive pressures, which might lead to a higher profitability.

A final point here is that housing allowances are available on a similar basis for social and private renters in the regulated market segment. One could argue that given this similarity the substitutability between the two rental services is relatively high. However, in the light of actual rent levels in Breda, there might be serious concerns about how substitutability is affected in reality. Again, the largest share of private rental accommodation is to be found in the deregulated sector. At least from a theoretical viewpoint this means that a tenant who receives a housing allowance but who considers moving to the private sector would most probably lose their entitlement. This then links back to the concerns about barriers to enter the private rental market.

Figure 3.1 Age of private (2006) and social rental (2010) stocks in Coventry, 2006/2010



Sources: For private renting: Coventry City Council, 2007; for social housing: data provided by Whitefriars and Midland Heart, 2010

Product differentiation – quality levels

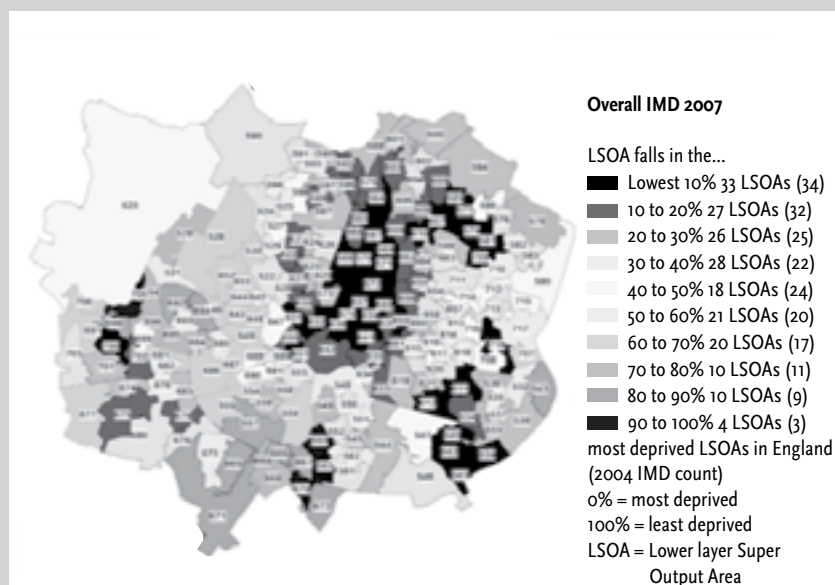
In order to assess the quality of dwellings in the private rental sector, public authorities in Coventry conducted a House Condition Survey in 2006. As measured by the Decent Homes Standard¹⁵ (DHS) approximately 40 per cent of the private rental stock is classified as non-decent, whereas the decency rate in the social housing sector is much higher (about 90 per cent) (CCC, 2006a). This quality gap is probably based on the age profile of the PRS stock, where the largest share of private rental dwellings was built before 1919 (ca. 32 per cent), and another 20 per cent was built before the end of World War II. In contrast, social housing was mainly constructed in the post-war period until 1964 (almost 50 per cent) (see Figure 3.1). Although not being a direct measure of a dwelling's quality, from the viewpoint of similarity between social and private rental dwellings it seems to be meaningful to mention the prevailing dwelling types in the two sectors. Generally, both tenures are comparable in what they offer to tenants, meaning that three-bedroom houses, as well as two-bedroom houses and flats are most often provided by social and private landlords. A marked difference, however, is the higher share of bedsits and smaller flats in the property structure of social housing.

A lack of comprehensive data means that this study cannot assess the quality of location for single properties, but uses a more mediate approach: Based on the English indices of deprivation¹⁶ (CLG, 2007) the quality of social

¹⁵ In the Housing Green Paper 2000 the government stipulated that all rental houses in England should meet the current statutory minimum standard for housing, which was redefined in 2006 with the Housing Health and Safety Rating System (HHSRS); all dwellings should be in a reasonable state of affair and have reasonably modern facilities. Furthermore, all dwellings must have a sufficient degree of thermal comfort, best achieved through effective isolation and efficient heating.

¹⁶ This relies on measuring seven factors of deprivation for small-scale neighbourhoods of about 3,000 - 5,000

Figure 3.2 Overall index of multiple deprivation (IMD) in Coventry, national percentages, 2007



Source: CCC, 2008

and private rented housing locations is associated with the quality of small-scale neighbourhoods. In Coventry, 33 out of 197 areas belong to the 10 per cent most deprived areas in the whole country (CCC, 2008). Figure 3.2 indicates that most of these localities can be found in neighbourhoods where social housing is the dominant tenure (e.g. Wood End and Manor Farm in the ward of Henley). Interestingly, the two wards with the highest share of private renting show some of the highest deprivation levels in the city as well (Foleshill and St. Michaels). However, other private rental areas in the city are associated with low levels of deprivation (e.g. Earlsdon and Woberley). This finding reflects the great diversity between private rental submarkets, indicating that part of the private rental stock compares to social housing with regard to quality of location and quality of dwellings, while other submarkets are very different from social housing.

A further aspect of quality is if there are regulations that protect tenants from the deterioration of their dwellings. It was mentioned that social housing standards are monitored by the Audit Commission and the HCA and stipulated by the Decent Homes Standard. Conversely, in the PRS applies, the local authority has sought to apply its role as enforcer of decent living conditions through different measures, including the introduction of its voluntary accreditation scheme (see footnote 2 in Chapter 1). Therefore, it might be argued that tenants have a comparable degree of security of what their

Table 3.9 Average values (WOZ) of social and private rental dwellings in Breda, 2010

Sector	Total number of dwellings	Average value (€)
Social housing	23,220	163,491
Institutional investors	2,717	195,378
Private individuals	2,829	206,333

Source: Data provided by the municipality of Breda; own calculations

accommodation should provide from a minimum quality aspect; however, the threats for landlords of being punished when providing bad quality housing are arguably more genuine in the social housing sector.

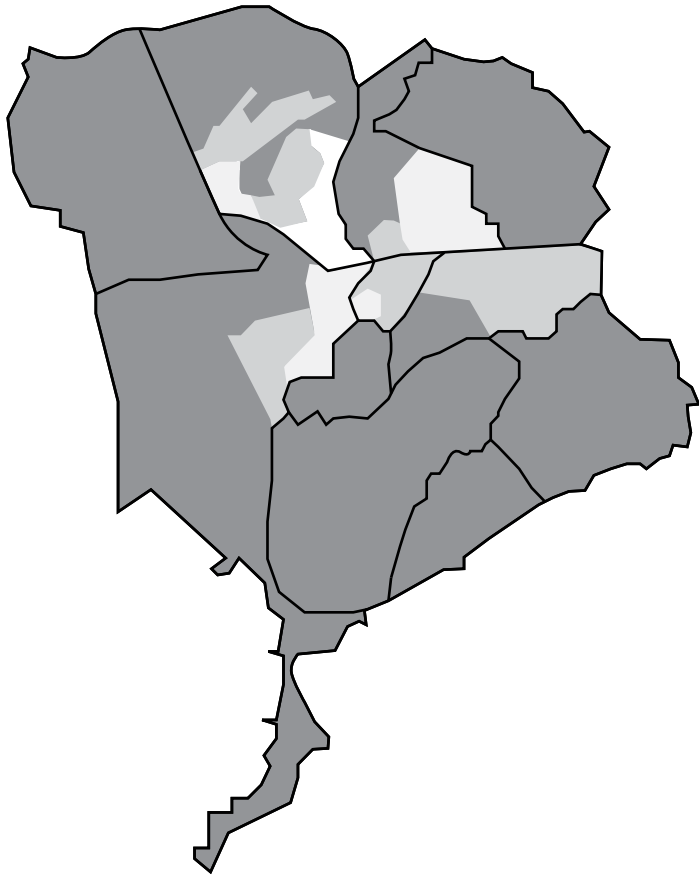
Finally, from the tenants' viewpoint the quality of a rental service certainly comprises more aspects than measurable location and dwelling features. It was argued before that the property rights of social and private renting will have an impact on the substitutability of social housing as well. Chapter 2 described that alongside the systematic differences in rent regulation, private rental tenants savour much less security of tenure in England; however, it seems that with the rise of assured shorthold tenancies in the association sector, security of tenure is converging.

Similar to the situation in Coventry direct measures of the quality of the dwellings are not available in Breda. Hence, this study will turn to a more indirect quality indicator, the value of dwellings. The average value of a private rental dwelling is significantly higher than the one in the social sector (€163,491), where dwellings of private individual landlords are the most valuable (€206,333) (see Table 3.9). One reason for this is that with 65 sqm social rental dwellings are on average significantly smaller than their private sector counterparts (100 sqm on average). Furthermore, dwellings owned by institutional investors tend to be of younger age than social housing dwellings, which were to a large extent constructed in the 1970s and 1980s. In contrast, most of the small-scale individuals' stock is considerably older. Yet, it seems that good maintenance of these dwellings makes up for the older age of the stock (O&I Breda, 2012).

Additionally, higher values in the private rental market reflect that they are more often associated with neighbourhoods of high demand and quality. A recent publication (VROM, 2010) on the liveability of neighbourhoods¹⁷ shows that levels of deprivation are generally low throughout Breda (see Figure 3.3). Yet, there are some differences between neighbourhoods. The lowest scores on liveability in Breda are to be found in peripheral areas in the Northeast and the Southwest around the city centre. Unsurprisingly, these happen to be areas where a high concentration of social housing, and to a smaller extent the older, more inexpensive institutional investor stock can be found.

In the theoretical part of this chapter it was argued that a comparison of the quality of social and private renting should look at property rights for ten-

¹⁷ The liveability index is based on six benchmarks: security, social inclusion, population structure, quality and availability of public facilities, public spaces, and the quality of housing stock itself, which are however not really quality measures but use data on dwelling types, the age of the housing stock, and the share of social rental dwellings.

Figure 3.3 Liveability on a neighbourhood level in Breda, 2010

The darker the colour, the higher the liveability score.

Source: Leefbaarometer.nl

ants and quality regulation aspects as well. With regard to the latter, Governments in the Netherlands did not introduce a national quality regulation scheme in the past. However, one could argue that the rent regulation system functions as an inbuilt quality filter. As said, the quality valuation system stipulates the maximum rent level for each dwelling. This means that if landlords want to operate above the deregulation threshold, the quality and the size of the dwelling needs to be high per se, which in reality has led to an overtly high quality and large private rental sector. With regard to tenants' property rights it was explained already that the differentiation is once again not between social and private renting, but between regulated and unregulated rent levels, where security of tenure, understood as both the protection from direct eviction or indirect eviction through extremely high rent increases, is considerably higher in the regulated market segment. Consequently, it

Table 3.10 Competitiveness of rental housing markets in Coventry and Breda in comparison to a perfectly competitive market

	Coventry	Breda	Model of perfect competition
Supply concentration	0	0	++
Spatial concentration	--	+	++
Barriers to entry supply	+	0	++
Barriers to access consumption	--	-	++
Product differentiation – rent	-	-	++
Product differentiation – quality	0	0	++

Five-point competitiveness score with ++ as the highest score and -- as the lowest score; 0 indicates a neutral score.

can be argued once again that social and private tenants seem to be on par with each other; yet in the context of actual rent levels in the local rental market, tenants who intend to move from a social to a market rental dwelling, will most often lose out with regard to property rights. Most likely, this has a negative impact on the degree of substitutability between the two rental services.

3.5 Perfect competition and the mixed rental markets in Coventry and Breda

So far, the analysis compared rental housing in the two cities without making a reference to the question of how competitive they are in relation to the model of perfectly competitive mixed rental markets. Based on a five-point competitiveness scale, Table 3.10 classifies the two rental markets and shows that they are quite diverse on various aspects. More precisely, the competitiveness scale ranges from very low, indicated by a double minus score, though neither competitive nor uncompetitive (0 score), to very competitive, indicated by a double plus score. As mentioned in the introduction to this chapter, this approach should not be considered as using hard facts and numbers, but introduces a moderate subjective element into the classification of the two rental markets, which seeks to visualize how they compare to the model of perfect mixed rental market competition.

There are similar patterns of supply concentration in both cities. Social housing is highly concentrated – even more so in Coventry due to the position of the very large stock transfer association. Private renting seems to be relatively competitive in both cases. However, one should keep in mind the cleavage between ownership and management. The expert interviews suggest that landlords in both cities have increasingly made use of letting agent services for managing their housing stock. Considering that agents can have a decisive influence on rent setting, investment decisions, and tenant selection, the low concentration in the two private rental sectors might at least be questioned. A final observation is that if considered as a whole, both rental markets are strongly dominated by housing associations. One of the main distinctions between the two rental markets is the high geographical proximity and thus high competitiveness of social and private renting in Breda. In contrast, there are relatively few neighbourhoods/wards in Coventry with an above average

size of both private renting and social housing. Spatial monopolies of social housing and the low geographical proximity of the two sectors suggest a low degree of competitiveness in the English case.

Barriers to entry supply is the only aspect where Coventry scores higher than rental housing in Breda, because at least in theory rental housing is a relatively open market. All kinds of providers can apply for social housing grants, where access to funding is based on contestability principles. However, we have seen that local practice and landlords' business strategies foil the nationally legitimized free entry principles. In Breda, the social housing industry is an insular system, in which high barriers to entry effectively protect housing associations from potential competition from private landlords. Yet, housing associations in Breda seem to be more entrepreneurial and commercial, as they have penetrated the PRS more strongly than their English counterparts. From the viewpoint of the theory of contestability, the identification of barriers to entry supply in both cities suggests that the given supply concentration calculations are relevant for the classification of competitiveness, since they appear to be relatively stable in a long-term perspective. Considering the barriers to access consumption aspect of competitiveness, the prioritization of housing need in social housing allocation as well as the strong stigmatization of low-income households by private landlords propose that barriers to access are higher in the English case study city. The estimation of a higher level of competitiveness in Breda is based on the finding that even though income limits have been introduced in social housing allocation in Breda, middle-income households can still access the social housing sector if they acquire enough waiting time; after all notwithstanding the approx. €33,000 income criterion, more than 40 per cent of all households in the Netherlands are in theory still eligible for a social rental dwelling (VROM, 2011). Equally, the fact that in Breda both social and private landlords provide accommodation for the student population, suggests a high degree of competitiveness at least in this market segment.

If we look at rent and quality aspects of product differentiation conjointly, the two rental markets can be similarly classified, however, due to different reasons. In Coventry, a low-rent/low-quality market segment exists in rental housing, while it is relatively marginal (yet growing) in Breda. From the viewpoint of the low-income demand group, there thus seem to be more options to rent a social or a private dwelling in the English city, suggesting a higher degree of competitiveness. On the other hand, when rent regulation and housing allowances are taken into account, the picture is quite converse. Below the liberalization threshold the consumption of a private or social rental service takes place under identical conditions in Breda. In other words, taking into account that private tenants often have to pay more for similar qualities, lose out property rights, and face higher insecurities about rent increases the suggestion that there is a higher degree of substitutability in Coven-

try becomes at least questionable. If tenants in Breda rent a private dwelling rather than a social dwelling, they most likely have to pay a lot more; yet for the additional rent they get a dwelling of higher quality and larger size. Here, substitutability becomes a question of willingness to pay for a better product. Overall, it can be tentatively concluded that from a rent perspective substitutability seems to be relatively low, while the quality aspect of product differentiation suggests neither highly competitive nor completely uncompetitive rental markets. As a result, the potential for a larger overlap between the two sectors seems to be higher in Breda, while the two sectors are actually more alike in Coventry.

A final remark is that in comparison to the state of perfect competition between social and private renting, both rental markets are relatively uncompetitive. Although Breda is slightly more competitive than Coventry, it seems to be surprising that the Dutch case study city does not score higher overall in relation to the model of a perfectly competitive mixed rental market. After all, the Netherlands has been described as a more competitive rental market than England (see previous chapters). Certainly, the approach of using case study cities for the empirical research can play a substantial role in this outcome, since even typical local markets never reflect the national situation perfectly. However, the contention here is that the market structure framework is just able to give a more precise account of how competitive rental markets are with regard to the relation of social and private renting. This is because previous studies have often remained on an abstract level, where the assessment of competitiveness was based on less empirical material as used in the present approach.

3.6 Conclusion

The aim of this first empirical chapter was twofold: To present discuss the question of what a competitive mixed rental market is and to analyse the degree of competitiveness between social and private renting in the two local rental markets of Coventry and Breda. The two underlying research questions were combined in that the two real local rental markets were compared with each other on the grounds of the model of the perfectly competitive mixed rental markets. The discussion in the first section of this chapter showed that such a market can be defined as a rental environment in which social and private rental supply is deconcentrated, the two services are offered in the same locations, both rental services can be provided by all types of landlords, they can be consumed by similar tenant groups, and social and private rental services are highly similar with regard to their price/quality relations, including actual rent and quality levels as well as regulatory principles. It was further argued that 'perfect competition' between social housing and private

renting cannot exist in reality. Rather, it should be considered as a tool to empirically determine to what extent local rental housing deviates from this 'ideal' state of competition.

It was thus unsurprising to find that both rental markets do not conform to this paradigm, but show several signs of an uncompetitive market structure. The approach has shown that it is not always without difficulties to exactly classify rental housing in the two case study cities, mainly due to a lack of comprehensive and comparable data. Nevertheless, the analysis of primary and secondary empirical data has led to the conclusion that there seems to be a slightly higher degree of competitiveness in Breda. Interestingly enough, this corresponds with the descriptions of the roles of social and private renting in the national rental systems (see Chapter 2); however, based on these descriptions of the national rental housing systems one would have expected a much wider gap between the two local markets.

For the next chapters these findings are meaningful in the following way. If we follow the assumption of the traditional structure-conduct-performance paradigm that the competitiveness of market structure has important implications for the strategic behaviour of landlords, and consequently on the performance of the whole rental markets, then there should indeed be some signs of more conscious rivalry between landlord and stronger strategic interactions between the two landlord groups in the rental market of Breda.

4 Landlord conduct

Perceptions of rivalry and rivalrous behaviour

The previous chapter examined the competitiveness of the local rental housing markets in Coventry and Breda in the light of the model of perfect competition between social and private renting. Analysing the market environment in which landlords provide and tenants consume rental services aimed to shed light on, i.a., regulatory, structural, and spatial aspects of competition in mixed rental markets. In this chapter, the focus is shifted towards the actors themselves. Through this it is acknowledged that in reality competition is a dynamic process, and not a structural concept, as it takes place between the different suppliers in the market. As such, this chapter aims to explore and build explanations for the competitive relation between, and competitive conduct of, social and private landlords in mixed rental markets. Within the SCP of rental housing, the analysis of competition between social and private renting has two main components. On the one hand, this chapter is interested in the actual processes of competitive conduct. This relates to the first two sets of research questions: (1) *What is competitive conduct of social and private landlords in mixed rental markets?* and (2) *What are the perceptions of social and private landlords of their competitive relationship? Do they perceive each other as rivals in the rental market? How do these perceptions affect their strategic behaviour in the market?* The first question is a theoretical one and is discussed in the following section. The second set of questions is about the application of this analytical framework in the context of mixed rental housing in Coventry and Breda (Section 4.2)

On the other hand, since competitive conduct is not a necessity – we have seen that both case study cities, show various signs of uncompetitive rental markets with regard to inter-tenurial relations – the chapter will discuss possible drivers of and barriers to competitive behaviour. In other words, this chapter also broaches the issue of how the structure of the two rental markets in Coventry and Breda influences the rivalrous behaviour of social and private landlords in mixed rental markets. The third key question thus is: (3) *What are possible drivers of and accordingly barriers to the rivalrous interactions between the two landlord groups?*

As the aim of this chapter is to give a precise account of the concept of conscious rivalry in mixed rental markets and which factors might lead to such views, a qualitative research approach of interviewing landlords directly was chosen (see Appendix B). As such, the empirical investigation primarily remains exploratory; yet, using the comparative approach adds a substantial and significant explanatory element to the study. Yet, before the results of the empirical research on perceptions of rivalry and rivalrous conduct are presented, the next section discusses the concept of conscious interfirm rivalry in more detail and it provides a rationale for why this theoretical approach is considered as more fitting for this study than a more formalized, model-building economics approach to studying competitive behaviour.

4.1 An analytical framework of conscious rivalry in mixed rental markets

In the introductory chapter (Section 1.3) of this thesis it was pointed out that from the perspective of neoclassical economics, and certainly within the traditional SCP framework, the behaviour of the firm is a property of market structure, which means that each market form (perfect competition, monopolistic competition, oligopoly) has its own equilibrium to which firms need to adapt if they want to avoid the risk of being driven out of the market. Accordingly, a theory of firm conduct becomes only interesting if a market is imperfectly competitive, because under the conditions of perfect competition a firm has no incentives to advertise, to react to the decisions of rivals, or to try to discourage entry.¹ In imperfect markets it is the case that individual competitive strategies can lead to a better position of single firms; however, competition models of new institutional economics and game theory show that for each market, optimal profit-maximizing output, pricing and investment strategies prevail. Hence, if managers intend to maximize profits, their choices seem to be very limited, irrespective of which market form prevails (Martin, 2010).

In the context of the SCP of rental housing there are two main issues with the neoclassical notion of firm conduct: First of all, the whole traditional and also modern industrial economics strand is based on the assumption of rational, profit maximizing suppliers. The outcomes of the conventional models of competition analysis, e.g. Bertrand competition in a duopoly, stand and fall with profit-maximizing equilibrium pricing or output strategies (Martin, 2010). Yet, in mixed rental housing markets social and private landlords do not necessarily share the profit-driven business paradigm, which particularly applies to the social housing industry, where nonprofit organizations share a more diverse set of objective functions and have a business primacy of a social mission. As a result, the nonprofit economics highlights that the existence of different objective functions among firms in the same markets has important implications for our understanding of how firms compete.

Equally important, in neoclassical economics managers are seen as anonymous actors who have to operate along prescribed structural settings. Actual behaviour, including the processes and intentions that lead to strategic decisions on pricing and investments, thus tends to be neglected by the analysis, or is at least only implicitly mentioned. As a result, if we want to understand competitive behaviour of individual landlords in rental housing markets a different path might be more useful. This thesis argues that although it is not

¹ From this point of view it could be argued that the analysis of conduct is always interesting, because, in reality, truly perfectly competitive markets do not exist.

directly related to the SCP concept itself, the business economics and management literature on interfirm rivalry provides a more promising approach.

In short, the main argument here is that given the inherent differences between social and private landlords, and more generally social and private renting, using the neoclassical notion of conduct would only be inadequately able to highlight the various facets and conditions of such a competitive relationship.² In this study, the focus thus indeed lies on landlords' interactions and perceptions, which might be classified as an interpretive and exploratory approach to conduct in the SCP of rental housing, since the prediction of actual behaviour plays a subordinate role.

Competition as a process of interfirm rivalry

The essence of rivalry is that there are at least two firms striving for incompatible positions in the market (Baum & Korn, 1996). To quote Porter (1980), "firms feel the effects of each other's moves and are prone to respond to them." This definition of rivalry has four major aspects. Firstly, rivalry is relational as it is based on the actions and reactions of competing firms. It is thus a dynamic process, which is shaped by the conscious choices of managers and other responsible persons in an organization (Kilduff *et al.*, 2010).

Secondly, it takes place between firms directly, which means that a firm's competitive actions are consciously targeted at their competitors; there are moves and countermoves. Rivalrous strategies, such as comparative advertising or predatory pricing, are intended to gain a competitive advantage above other firms (Chen, 1996; Chen *et al.*, 2007).

Thirdly, managers have incomplete and biased knowledge and information about markets and competitors, and they have differing cognitive capacities to understand these. As a result, rivalry tends to be highly subjective (Nair & Selover, 2011). This in turn has two main effects: On the one hand, subjective psychological stakes can trigger individual managers to depart from rational economic behaviour. On the other hand, there might be a cleavage between objective (as measured by structural criteria such as supply concentration) and perceived levels of competition (Paton & Wilson 2001; Porac *et al.*, 1995). Here, competition research has shown that in real markets perceptions of rivalry can be stronger in concentrated than in highly competitive markets³

² This is not to say that more sophisticated, modern game theoretical models could not provide further valuable insights; for instance, they might help to shed light on the questions of which strategies social and private landlords are likely to use in a competitive setting, and which price and output equilibriums are likely to develop. Hence, if one dealt with the prediction and estimation of behaviour, particularly in settings of repeated interactions, game theory might be a superior guiding principle. However, this is a higher level of theoretical abstraction and would require a more formal economics approach.

³ This paradoxical situation is the core of the conflict between the concepts of conscious rivalry and perfect com-

(Baum & Korn, 1996). Due to the fact that firms do not have to advertise or pursue any competitive strategy they will remain anonymous players in the market and will not be perceived as rivals. In contrast, perceptions of rivalry and rivalrous behaviour are often the strongest in highly concentrated markets, where firms can observe and react to every single move of their competitor (Chen, 1996).

Fourthly, the subjective nature of rivalry means that it is not necessarily a reciprocal perception. In reality, one firm might see another firm in the market as a close competitor, while the other might not see any competitive relationship at all. This can lead to rivalrous behaviour of one firm, which does however not necessarily induce a rivalrous reaction of another firm (Chen et al., 2007).

The drivers of rivalrous interactions

Besides identifying the main traits of a rivalrous relationship between firms, the business literature has sought to analyse the conditions under which strong perceptions of rivalry and rivalrous behaviour can prevail (e.g. Kilduff et al., 2010; Baum & Korn, 1996). Although these studies tend to make no direct connection to the industrial economics literature on market structure, one can observe some implicit analytical approaches to unfold how the structure of a market influences interfirm rivalry. Nair and Selover (2011), for instance, highlight that perceptions of rivalry and rivalrous strategic behaviour are positively related to product similarity and similarly large firm size. Equally, Baum and Korn (1996) provide some evidence that rivalry is positively influenced by the market domain overlap of competing firms, which means that if firms operate in various identical market segments, the potential for multi-market contact increases, which in turn increases the chance that firms identify each other as rivals and direct their competitive actions against them.

Furthermore, the literature also provides evidence that the drivers of rivalry are not necessarily related to structural issues. To give but two examples, Paton et al. (2000) show that perceptions of rivalry tend to become stronger among firms who have operated in the same market for longer periods. There thus seems to be a time component of interfirm-rivalry, meaning that the longer two firms have competed the stronger their rivalry will be. Chen et al. (2007), on the other hand, show that the capacity of a firm to act and react competitively, including financial and cognitive resources, can be a major driver of rivalry. Other psychological drivers have been identified in Chen's work (1996, 2007). He finds evidence for three interrelated drivers of competitive behaviour: The awareness of a competitive relationship among managers,

their motivation to act, and their capability to do so. Particularly the last point is noteworthy, since it emphasizes that managers' intentions to behave competitively are worthless without sufficient financial resources.

Conduct in the SCP of rental housing

Similar to the model of a perfectly competitive mixed rental market in Chapter 3, the concept of conscious interfirm rivalry will be used as a yardstick to analyse the competitive relationship between social and private landlords. This means that competition here is understood as a process in which social landlords feel the competitive pressures from private landlords, (and vice versa), and are prone to respond to these through their strategic behaviour. Accordingly, it will be investigated whether there is a (I) relational, (II) direct, (III) subjective and (IV) reciprocal form of competition in the two rental markets of Coventry and Breda. Examining these four aspects relates to the first two research questions, which means that both perceptions of rivalry and rivalrous strategic behaviour are at the centre of the research.

Moreover, addressing the third research question, the chapter will in a second part engage in a discussion on the drivers of and barriers to a competitive relationship and rivalrous behaviour in mixed rental markets. This touches on the question of how structural and political conditions in rental markets are generally tied in with competitive behaviour, and more specifically it will be discussed whether the impression of a slightly more competitive rental market in Breda than in Coventry endures when investigating landlord conduct, and if not why that might be so. In other words, the empirical investigation of this chapter uses the hypothesis that perceptions of rivalry and rivalrous interactions are likely to be stronger in the Dutch case study city than in the local rental market of Coventry.

One general caveat here is that notwithstanding the theoretical concept provides a compass in researching the inter-tenorial relationship between landlords, the findings need to be interpreted carefully. Social and private landlords primarily serve different market segments and operate with differing business models, where the existence of different objective functions might complicate the analysis of competitive interactions. After all, nonprofit and for-profit organizations are not necessarily vying for the favour of the customer in the market if the business goals are not identical. This seems to be not different when utilizing the concept of conscious rivalry instead of following the neoclassical notion of conduct. Amongst others, Ritchie and Weinberg (2004) point out that nonprofit organizations are not only more inclined to behave more cooperatively than fully commercial firms, they are actually encouraged to do so by legislated, socially-sanctioned incentives. We can thus assume that rivalrous behaviour will be by definition relatively weak in rental housing markets, since nonprofit housing associations often have a dominant position. Equally, when nonprofits and for-profit firms have to predict

the behaviour and intentions of other nonprofit organizations in the market, they face the complication of having to ascertain what their rivals' objectives actually are. In the context of the rental market this could mean that the existence of different objective functions is an in-built barrier to perceptions of rivalry. Hence, to guarantee a detailed understanding of conduct, the distinction of for-profit and nonprofit providers is an important item when exploring and explaining processes of rivalry between landlords.

4.2 Landlords' perceptions of rivalry and their competitive strategies

Social landlords in Coventry

The general view of housing association managers in Coventry is that the PRS consists of three diverse market segments. The student lettings market is seen as private landlords' major field of activity, which concentrates around the vicinity of university facilities. The market for professional households is perceived as a high turnover market that serves customers who are more affluent but are nevertheless not (yet) seeking to buy their own property. The quality of the dwellings in this niche market is regarded as superior to the products of the social housing sector, which corresponds with the view that rent levels are also much higher. From the viewpoint of location and the quality of the dwellings the market for professionals is regarded to be fairly similar to the owner-occupier market, which adds to the notion that it serves a similar stratum of the local population. Finally, the bottom end of the market is considered to serve low-income households who often receive housing allowance payments. A recurring theme here is that at the lower end of the market the type of dwellings and the tenants that private landlords cater for are similar to social housing; this can be interpreted as a more or less substantial overlap between the two rental sectors from a product similarity – i.e. similar rent levels and quality levels – viewpoint. However, most interviewees also state that the property rights of tenants and the maintenance services provided by landlords are better in the social housing sector.

“I suppose the PRS is characterized by two ends. The high end where you live in good properties, professional people who have got a transient life and are thus a bit reluctant to buy. And you got the unscrupulous private renting, which is for lower-income people. Private landlords here own a few units, which are quite poor and are heavily overcrowded. Our homes might be quite poor as well, but we are heavily regulated. We thus have to keep to certain standards, act in an ethical way. The PRS has two ends and we are probably quite close to the lower end.” (Coventry, social landlord)

These views on market segmentation and product similarity are generally

in line with social landlords' prevailing perceptions of rivalry. Housing association managers agree that there is no competitive relation with landlords of student housing and professional housing in the city. On the other hand, perceptions of rivalry with private landlords who operate in the low-income rental⁴ segment do exist; yet, not among all interviewees. A common pattern here is that participants who are responsible for the day-to-day tenancy management tend to see private landlords in the lower market segment as direct competitors, while general association managers and managers in the strategy departments do not observe such a relation.⁵ This provides some evidence for the subjective nature of perceptions of rivalry, where the cognitive capacities of the provider can determine the strength of these perceptions. Where perceptions of competition exist they are largely based on continuous experiences with social tenants leaving the housing association for better and, even more so, bigger dwellings in the PRS. Furthermore, if rivalrous perceptions exist, they do not really conform to a competitive market theorem. Social landlords do not see the risk to be driven out of the rental market by private landlords – after all, with such a high number of social housing applicants on the waiting list, a lack of customers does not exist. It is rather the additional costs of losing tenants to the PRS (e.g. search, repair and vacancy costs) that is seen as the major issue.

“We are seeing increasing competition from the private rented market, particularly over the last five years where there has been a shift to a lot of individuals buying properties and then let privately. Also, we can see that our rents have gone up, while their rents have come down, so we are closer together these days.” (Coventry, social landlord)

In general, social landlords show a lack of understanding of the described competitive processes. Firstly, they seemingly do not fully comprehend why their tenants would leave to a private rental accommodation after all. This might be interpreted as a general difficulty to recognize competitive advantages of either landlord group in the rental market. Secondly, social landlords in Coventry do not present a mutual view on what competition might be based on. Although they tend to agree that competition does not take place on price and location, there are different accounts of competition on waiting time, availability of dwellings, quality, repair services, or service charges. Again

⁴ This is a term most landlords used themselves. When being asked what they actually mean with this, the responses included such ideas as private landlords who provide housing for benefit recipients, private tenants who could potentially be social tenants, or it was connected to specific neighbourhoods. An absolute rent level that would circumscribe this market segment is not mentioned, but it seems reasonable to understand it as the rental market segment for lower income households, irrespective of whether they are social or private renters.

⁵ Rather than using the term rival, interviewees deliberately used the term competitor.

this signifies how different cognitive capacities lead to diverging ways of deciphering the competitive environment. Thirdly, social landlords only have a vague picture of whom they are competing against. Private landlords are regarded as anonymous market actors, making it difficult for them to describe the core of the competitive relationship and identify their rivals in the private rental market.

“You almost don’t see it as competition. Two landlords don’t have a banner above their properties. You also don’t see private landlords except for what you see in the windows of estate agents. So you can’t see what you are competing against.” (Coventry, social landlord)

Considering social landlords’ strategies to react to competitive pressures from private landlords in the low-income sector, the interviewees state that the most obvious approach would be to offer better or bigger dwellings to tenants who express a moving desire. However, this is not a marketable strategy given the constriction of the allocation system (see next section) and the tight budgets of housing associations in general. Hence, rather than pursuing an extensive investment strategy to be able to directly react to the threat of losing tenants to the PRS, associations rather employ a strategy of better information in order to convince tenants that they endeavour a more sustainable tenancy – mainly through the pronouncement of stronger property rights – when renting with a social landlord. This could be interpreted as the requirement for better marketing and more explicit tenancy management approaches in competitive mixed market environments.

A final major point in the interviews was the activities of social landlords in the private rental sector, which would be student lettings and in particular the more expensive market for professionals. Although in reality these activities take place on a marginal scale, housing association managers state that they would see themselves in direct competition with private landlords. Furthermore they agree that with increasing numbers of intermediate market rentals⁶ in recent years, there is more scope for competition in the commercial market segment. Where social landlords already operate in the commercial rental sector, they tend to use market-led pricing strategies. Hence for the actual rent calculation, their own social housing stock, even if it was in the same areas does not play a role.

⁶ Intermediate rentals mean that the tenant pays 80 per cent of the dwelling’s market rent. As stated before (Chapter 2), the current Conservative/Liberal Coalition Government seeks to expand this social housing subsector significantly, since the need for social housing grants could arguably decline when rents do not only cover costs.

“We would compare our products to other products by using Rightmove [the leading property website], would type in the number of bedrooms and the type of dwelling and see what the market rent is. Also, we talk to letting agents and ask for their opinion. Then we’d compare that to what we assumed it to achieve at the start of the year. And from that we would then set the rent. The intermediate rent is the same calculation, but we use 80 per cent of the market rent.” (Coventry, social landlord)

Private landlords in Coventry

Private landlords’ perceptions of social housing in Coventry are mainly steered by negative stereotypes and stigmatization of both social landlords and tenants. Particularly landlords in the student and professionals markets state that social landlords do not take care of their dwellings, have very poor repair services, and are highly ineffective in using public resources for the provision of social housing. The views on social tenants, or low-income households in broader terms, are equally negative as there is a general suspicion of antisocial behaviour and non-payment attitudes. It seems that some private landlords try to define themselves by being as far away from social housing as possible, both with regard to locations and tenants they cater for. Most revealing was the statement of a letting agent who suggested that social housing is still provided by the council, although in reality the council’s stock had been sold to Whitefriars housing association in 2001. Accordingly, the interviews with private landlords for student and professionals housing do not provide any evidence for perceptions of rivalry. Asked about their feelings about the provision of market and intermediate rentals of housing associations, private landlords stated that they are not aware of these housing association activities. Hypothetically, it would however not be an issue for them, since the interviewed landlords who operate in the market for professionals are relatively confident that an increase in supply does not lead to higher risks for them to be driven out of the rental market. They claim that the high quality of their dwellings guarantees them strong demand.

The views of landlords who operate in the low-income housing sector are more informed through personal experiences in dealing with social landlords and former social tenants. This is not to say, however, that their perceptions are more positive; rather, they also state that dwelling and location maintenance by social landlords is poor and repair services are inefficient. Accordingly, their view is that they offer superior products and services in the low-income rental sector. Similar to landlords in the professionals and students segments, these landlords do not see social landlords, as direct rivals in the rental market. In general, this provides evidence for non-reciprocal perceptions of rivalry, since private landlords do not share the perceptions of social landlords. More precisely, these landlords are aware that they provide housing in similar locations for similar types of households, leading to a higher likelihood of inter-tenure moves of their own tenants. However, a common

theme is that they picture low-income households to prefer a social dwelling to their own accommodation if it was available, mainly because rents are lower – at least for those whose rent payments are not fully covered by housing allowances – and security of tenure is stronger.

Interviewer: You just described that there is a competitive relationship with other private landlords. Do you see a similar relationship with social landlords in the city?

Landlord: No, no, they can get as many tenants as they want. My tenants would go to Whitefriars [the largest social landlord] if they could get a place that is similar to what they have got now.

I: Is that a problem for you, people leaving to the social housing sector?

L: It hasn't been when it happened. People move on. It is an accepted problem. If they pay 500 for my dwelling and can have a Whitefriars' dwelling for 250, it is a no brainer.

[...]

I: What about the costs when people leave?

L: Oh, don't get me wrong. I do not like high tenancy changes, but I am not able to compete with Whitefriars on rents and keep those tenants. It's a problem, but it's not something I can address, it is just not solvable.

The weak perceptions of rivalry with social landlords are well reflected in the market strategies of private landlords operating in the low-income rental sector. In their study on private landlord behaviour in the UK, Rhodes and Bevan (2010) found that two general rent-setting mechanisms exist, on the one hand market-led rent setting and on the other hand LHA-led (Local Housing Allowance) rent setting. The interviews that were conducted for this thesis suggest the same pricing patterns among private rental housing in Coventry. It suffices to say that market-led pricing, which dominates in the students' and professionals' market segments, does not have a strong connection to social housing rent levels and rent setting principles, except for the fact that a large presence of social rental dwellings in a certain area provides a basic indication for the types of demanded PRS dwellings. In other words, there is no direct influence of social housing rent setting on market rents, but a more oblique effect can exist where the social housing stock dominates the tenure structure of the market.

"If there is a lot of social housing I try to find out what their rents are because the existence of social housing rents can lower my tenants' willingness to pay. So there is no use in going into a £400 market with an £800 project. We just have to look at it [social housing] if we want to understand our market place." (Coventry, private landlord)

More interestingly is the question of whether LHA-led pricing has any connection with social housing prices, simply because it is the prevailing pricing strategy used by landlords in the low-income sector. Private landlords see

the LHA-led rent setting as a simple, secure and transparent way of getting a satisfactory rental return. They might not have any possibilities to ask for a rent level that is slightly above or below the market rent, yet the way that the LHA is calculated guarantees that the LHA rent is relatively close to what they could ask on the open market.⁷

Interestingly enough, these landlords state that LHA pricing also guides their rent setting for tenants who do not receive housing allowance. Since they know what they could get when housing an LHA tenant, they communicate this maximum rent to applicants, and let them decide on whether they want to pay this rent or not. The other way round, one landlord describes his rent setting practice as looking for a market rent that is not too far away from the maximum LHA rate, irrespective of the area in which he is operating. The reason is that if a tenant gets into a financial hardship and starts to receive LHA, the chances to sustain the tenancy are higher. Since the going LHA rate is calculated on the basis of the market rent, there is no direct connection between social landlord and private landlord pricing behaviour. Rather, for LHA-led pricing the rent levels are even more rigid than under market-led pricing, which means that landlords in this segment are seemingly not able to use their rents as a tool of rivalrous behaviour. However, given that a large presence of social rental dwellings in a certain area can have an indirect effect on maximum market rents, LHA rent setting is not entirely uncoupled from social housing rent setting.

In line with the prevailing perception that they cannot compete with social landlords in the sense that they could offer a similar product quality for the same rent, private landlords seek to guarantee constant demand for their dwellings by cooperating with the local authority in the so-called accommodation for homeless and other vulnerable people. Here, they get referrals of potential social housing tenants, which have an urgent need and require accommodation on short notice. The risks for private landlords who accommodate tenants through this scheme are lower than if they looked for low-income households through other means, since the council acts as a guarantor and pays a bond as well as they guarantee landlords an income stream of one year. After this period, landlords tend to extend contracts with 'good' tenants on a private basis. Interestingly, if there is this agreement with the local authority, private landlords seem to set all negative perceptions of low-income households aside, since their tenancy is financially secure. One might thus say that they operate along rather opportunistic guiding principles then.

⁷ LHA levels are calculated on the basis of the open market rent for different dwelling sizes. LHA is calculated for Broad Rental Market Areas, which means that the rate is similar for all areas in Coventry. This in turn implies that in some neighbourhoods actual market rents reflect the LHA rate rather well, while in more expensive or very cheap areas a large gap between the market rate and the LHA rate can exist.

It needs to be pointed out that the interviews for this research had been conducted before the rent caps for Local Housing Allowance was introduced (see Chapter 2). This means that LHA-led rent setting might become a relatively unattractive way of pricing. If maximum LHA rates decrease significantly, landlords might lose their ability to achieve satisfactory returns. This in turn implies that they are likely to change their rent setting behaviour, asking for a market rent and thus not accepting LHA tenants any longer. In this context two interviewees note that they are very flexible with regard to which kind of customers they provide housing for. If they experienced decreasing returns in the still relatively profitable low-income PRS, they would probably not only change their pricing strategy, but would most likely invest into their stock making the dwelling suitable for student housing. However, how realistic this scenario of changing strategies business is – indeed, dwellings which are provided to LHA recipients are often in less desirable areas – and what the full implications of rent allowance caps on the low-income PRS are remains to be seen.

Social landlords in Breda

Similar to the situation in Coventry, social landlords in Breda do not see private renting as one coherent sector but as a set of different market segments, which are served by different types of private landlords. Yet, their categorization of market segments in the PRS is more precise than the one of social landlords in Coventry, since they use the official distinction between regulated and deregulated dwellings to distinguish between the lower-rent segment and the (middle and) higher segments. It seems that besides its practical function in the rental market, the deregulation threshold forms a psychological barrier, which helps landlords to classify the rental stock in the city. Indeed, interview participants did seldom use the terms low-income housing or high-rent segment, but stuck to the terminology regulated and deregulated market. The prevailing perception here is that the largest share of all private renting is to be found in the deregulated, high rent market segment, whereas the provision of housing in the regulated, more affordable sector is considered to be marginal. Here, different opinions exist: some interviewees claim that there is no offer at all, while others at least acknowledge a strong role for private landlords in the student lettings market. Most importantly, almost all social landlords ignore the provision of regulated dwellings by institutional investors, which (as shown in Chapter 3) in reality amounts to several hundred dwellings in the city and is with regard to product characteristics very similar to social rentals. This is rather revealing for the self-perception of social landlords as the sole provider of housing for lower-income households. Where the existence of private landlords in the regulated segment is acknowledged the views of housing association managers tend to be negative and seem to be ill-informed: Although there is little evidence for such behav-

our, these landlords are mostly characterized as slumlords.

“There are 7,000 dwellings in the private rental sector. You can expect that about all of these dwellings cost more than €647 [the liberalization threshold]. But the deregulated sector has never really picked up, because if you can afford their rent, you better buy your own property. That is why the private sector is more of a transition market, a market where people stay temporarily. No wonder it is so small, because low-income households rent with us and richer people tend to buy.” (Breda, social landlord)

Consequently, all interview participants do not see any competitive relationship with private landlords for low-income and other vulnerable households. On the contrary, one association in Breda goes as far as cooperating with private landlords in a way that it refers potential social tenants – i.e. people who are on the social housing waiting list – to certain private landlords. Hence, in practice this housing association functions as a letting agent for private landlords. This service covers both the regulated and deregulated market segments and clearly reveals how this specific association sees the private sector in the entire rental market, namely as complementary to its own provision. This behaviour might be considered as the opposite of a relational form of rivalry, since the relation of social and private landlords in the regulated sector is not based on actions and corresponding reactions, but on a tacit form of cooperation.

“We have nothing to fear from them. They have their stock, we have ours. The thing is that with 8,000 people on the social housing waiting list, competitive pressures are very low. [...] As long as there are so many people on the waiting list and there is no structural problem with vacant dwellings, we have no problem with tenants moving to the private rental sector. But this hardly happens anyway.” (Breda, social landlord)

On the other hand, there are strong perceptions of rivalry with private landlords in other market segments. On the one hand, private landlords who provide student housing are seen as direct competitors⁸. The interviewees state that they do only have periodical problems with vacancies in their student halls. Nonetheless, they see themselves in a weak competitive position, since private landlords tend to provide more desirable products – i.e. rooms in shared houses in attractive city-centre locations – and are therefore considered to be better prepared to deal with decreasing demand. What this means is that there is little scope for housing associations to react to the actions of private landlords, since there are only limited possibilities to change the price of the product – rent levels for students are at the lower end already – and

⁸ The interview participants used the Dutch term ‘concurrent’, which is best translated as competitor.

certainly no possibilities to change the product itself. To overcome this inherent unfavourable competitive position in the student housing market, Breda's housing associations have pursued a different strategy. In their allocation management they directly cooperate with the polytechnics in the city, where the latter refer students, particularly foreign students, to social landlords. These claim that this has guaranteed them high demand throughout the study terms in the past years.

Similarly, perceptions of rivalry in the commercial market segment exist where housing associations operate in this segment on a substantial scale. Two of the three housing associations in Breda have grown and plan to further grow in the deregulated sector. Their managers share the perception that private landlords are their direct competitors. An interesting trait here is that social landlords exclusively mention large-scale institutional investors, although evidence from property websites and other sources show that individual landlords are fairly active in this market as well, particularly through the provision of inner-city apartments for younger, high-income households. According to the interviewees, competing on the turf of private landlords takes place on building sites for new developments as well as on rent and quality levels. With the ultimate aim to minimize vacancy levels, housing associations pursue a strategy of aggressive price competition that is directly targeted at corporate investors. This pricing policy can be seen as a result of their nonprofit business models, allowing them to aim for stable incomes in the long run, rather than pursuing relatively higher profit margins in the short run. For instance, this nonprofit related strategy has found its expression in moderate inflation-related rent increases even in the deregulated market segment. This rent setting strategy is supplemented by a quality-oriented strategy that can give housing associations a competitive edge above private landlords. Accordingly in the past, they have sought to offer dwellings with comparably larger outside areas, to give first-time occupants the possibility to influence the interior design, and to apply the same dwelling maintenance practices that were successful in lowering costs in their social housing activities as well.

“Letting agents and corporate investors have never taken us seriously, because it has been a small segment for us so far. But our deregulated supply grows substantially; so all associations together will have 1,500 deregulated dwellings in the near future. I think that we are going to be a major factor for them.” (Breda, social landlord)

“We could say that we want a rent increase of 5 or 7 per cent for our expensive dwellings. However, with the economic development of the last two years in mind, I think there is the risk that our tenants would leave. They already pay a lot, so I guess it would be too much for them to bear at the moment.” (Breda, social landlord)

A final theme in the interviews with social landlords in Breda – which was however also a common perception among housing association managers in Coventry – was that when asked about their competitors in the rental market, interviewees mentioned that there are some elements of a competitive relationship within the social housing sector. Particularly with regard to the development of new social housing and access to development sites – and in the case of Coventry also for government grants, all participants agreed that they vie for a leading position. On the other hand, the same landlords stated that within the fields of tenancy management and community development patterns of cooperative behaviour would prevail. Accordingly, it can be said that the housing association sector is no exception to other nonprofit markets in that cooperative behaviour is common business strategy (see Section 4.1); after all, landlords try to strike a balance between mutual social goals and their desire to grow as an organization. In the business literature this has been described as ‘coopetition’ between firms (Bengtsson & Kock, 2000), a term which has been used by social landlords in Breda in a modified form, since they described themselves as ‘collegial competitors’.

Private landlords in Breda

In contrast to private landlords in the English case it seems that private landlords in Breda have good knowledge of the structure of social housing. They distinguish between the three housing associations, know where they are located and are well informed about their recent development activities. The perceptions of the performance of social landlords in this segment is predominantly positive, emphasizing the relatively high quality of social dwellings, while they also expose less stigmatization of social tenants than their English counterparts. Surprisingly, even though they are aware of the very dominant position of HAs (housing associations) in the deregulated market segment, they see a lack of provision in the sector and they seem to regard an increasing supply of social landlords rather than of private landlords in the deregulated sector as a positive thing – maybe this links to the view of one individual landlord that housing associations are better prepared to deal with ‘more problematic tenants’. The perceptions of private landlords on the commercial activities of housing associations, i.e. the provision of private renting in the deregulated sector and the development of apartments for sale, are more arbitrary. The interviewees tend to see these activities as necessary to guarantee the financial continuity of housing associations and thus do not seem to have general resentments against commercial operations. However, most individual landlords, institutional landlords and letting agents, express the concern that housing associations seem to have lost their balance between social and market (rental) activities. They claim that commercial activities have prevailed in the recent past, while social goals, particularly the provision of housing for the official target group, have taken a back seat.

“The target-means discussion in social housing is often turned upside down. The target is social housing, and the means is the sale and renting of market dwellings, helping to realize social housing. But sometimes you get the feeling that it is exactly the opposite. They see the development of expensive rentals and units for sale as the target itself. But that is not what they are about, they exist for the provision of social housing and that’s it.” (Breda, institutional investor)

Although private landlords who operate in the regulated rental sector see housing associations in a dominant position, they do not regard them as competitors. Similar to the views of social landlords, all types of private landlords express the idea that the demand for rental dwellings in the lower income segment is so large that they do not have any problem with finding tenants for their properties at all. Hence, rather than having rivalrous perceptions of social landlords, the prevailing notion is that their provision complements the associations’ social housing activities. The excess demand also circumscribes the rent setting strategies in the regulated segment. Generally, private landlords ask the maximum rent that is stipulated by the quality valuation system. They claim that demand for these dwellings is so high that it would not make sense for them to offer them cheaper. An interesting exception can be the provision of older dwellings owned by institutional investors. Dwellings that were built in the 1960s and 1970s with government subsidies are sometimes priced according to a satisficing return, meaning that corporate investors have a certain return on investment in mind and as long as this is achieved rent levels are not changed. In practice this can lead to rents that are lower than the maximum asking rent. Accordingly, both rent setting strategies in the regulated segment are thus not a response to social housing rents but follow administrative and internal principles. Here, it is worth mentioning that a cleavage between the strategies of private landlords and the letting agents who manage the stock can exist. It has been reported in the interviews in Breda – and also in Coventry – that the perceptions of the two groups often differ on the subject of maximum rents. Simply said, private landlords often approach the market from the viewpoint of what they want to earn, while letting agents primarily look at what the market offers. It is thus unsurprising that the more self-centred approach of the owner of the dwelling coincides with a lower awareness of demand aspects and the activities of other landlords, including housing associations than it is the case among letting agents.

“I do not necessarily look at the expectations of my landlords, because I know that they have a different way of thinking about the rent level. There are always some tensions, since they look at their investment and what they want to have, and that is the price. But they completely leave the tenants and what they want to pay out of the picture. I always try to look at the demand side. But it is their property, so they have the last word in the end.” (Breda, letting agent for small-scale individual landlords)

Perceptions of rivalry certainly exist in the student and the deregulated market segments, but they tend to differ among landlords, which is again a sign of the subjective nature of perceptions of rivalry. Similar to the impression of social landlords in the city, most landlords and letting agents of student housing see themselves in a favourable competitive position with regard to the products they offer; nonetheless, considering the vivid building activities of social landlords, they predict a more difficult market environment in which enduring vacancies might occur. The interviews suggest that private landlords might react to changing market conditions by being flexible in their rent setting behaviour – given that student rentals owned by private landlords are relatively expensive, there seems to be some room for lower rent levels indeed – and by using their ties with sitting tenants to find new tenants in the student population for vacant dwellings on short notice.

The commercial rental activities of social landlords are widely regarded as a new form of competition in the deregulated sector. They see it as a problem that housing associations have entered the market with numerous relatively cheap dwellings. Housing associations are considered to deliver a strong product with modern facilities that might make corporate investors' units from the 1970s and 1980s relatively undesirable. These activities are seen as unfair competition. Interestingly, it is however not the use of indirect subsidies that is mentioned as the root of the problem, but the nonprofit business model of housing associations in general. In contrast to corporate investors they are not bound to specified return targets, which enables them to keep rents comparably low, thereby putting pressure on private landlords' rent setting. It should not be neglected, however, that not all agents and landlords share this view. One letting agent who operates in the high end market segment for individual persons expresses the perception that housing associations are not operating in this segment, and if they are it must be on a very small scale. This again exemplifies the subjective and not necessarily reciprocal nature of rivalry in mixed rental markets. From a strategic viewpoint, corporate landlords have reacted to increased competitive pressures in the following way. On the one hand, they have identified the risk that their older stock might be affected by enduring vacancies. This in turn has induced some corporate investors to opt for an exit strategy in the €700 to €900⁹ rent segment by disposing of their older, less-desired dwellings. On the other hand, many corporate investors have sought to develop high-end accommodation for specifically older households, who have decided to sell their current dwelling and move to newer rental accommodation; rent levels for such accommodation often exceeds €1,000 rent per month.

⁹ Between 2001 and 2011 the stock of corporate investors in Breda has decreased from 3,600 dwellings to 2,750.

“Just assume that we want to buy a dwelling in a location where we have this [more expensive] association stock. When we make a taxation of the rent that we can ask, their provision becomes a major factor. Let’s say I think our dwelling could make 900 Euro and the association asks 750 for their dwelling, we have a serious problem as an investor. [...] Yes, their thinking that they want to accommodate people without exhausting the maximum market rent is a problem.” (Breda, institutional investor)

4.3 Forms of rivalry in the mixed rental markets of Coventry and Breda

Table 4.1 summarizes the findings on landlords’ perception of rivalry and which competitive strategies they use to thrive in such a market. The findings in the two local rental markets are also related to the taxonomy of interfirm rivalry as a subjective, relational, direct, and reciprocal process of competition. It can be concluded that there are some significant differences between Coventry and Breda. In line with the theoretical framework, the interviews with social and private landlords in the low-income segment in Coventry suggest a subjective and non-reciprocal form of rivalry where views differ within and between each landlord group. On the other hand, the relationship cannot be described as a direct and relational form of rivalry since strategic choices are primarily not directed at landlords of the other sector but play out mainly in an implicit fashion. For instance, it was shown that private landlords could thrive on the scarcity of social rental dwellings and cooperate with local authorities to make tenancy management in his arguably more difficult market segment work. In the Dutch case the distinction between the regulated (lower-income) and deregulated (commercial more expensive) segments is the leitmotif of the interviews. In the lower-income sector all types of landlords agree that interfirm rivalry does not exist in any form; the relationship can better be labelled as a form of tacit cooperation or at least mutual acceptance of one’s activities without retaliation. In the deregulated segment, however, the interviews suggest a direct and relational, but also subjective form of interfirm rivalry. Nonprofit housing associations have entered this segment on an increasingly large scale with aggressive pricing strategies. This has provoked private landlords, however mainly corporate investors, to change their strategic behaviour in the market.

Two things are important here. Firstly the general impression that perceptions of rivalry of and rivalrous interactions between social and private landlords are relatively weak, conforms with the finding of the relatively uncompetitive market structures – as measured against the model of a perfectly competitive mixed rental market – in Coventry and Breda in the previous chapter. Hence, one might state that there is indeed a strong link between market structure and landlord conduct in the SCP of rental housing. On the

Table 4.1 Perceptions of rivalry and rivalrous interactions in Coventry and Breda

Interview group	Perceptions of rivalry	Competitive strategies	Taxonomy of rivalry
Social landlords in Coventry	<ul style="list-style-type: none"> • Perceptions of rivalry exist among some association managers • Where existent, perceptions based on additional costs when social tenants move to the PRS 	<ul style="list-style-type: none"> • Low-income segment: Offensive marketing strategies; actively promoting advantages of social housing tenancies to tenants with moving intentions • Commercial private rentals: Market-led low-pricing strategies would be pursued 	<ul style="list-style-type: none"> • Subjective notions of rivalry • Indirect and not relational – no specific strategies targeted at landlords of other sector → Weak strategic interactions • Not reciprocal – social landlords' perceptions of rivalry not shared by private landlords
Private landlords in Coventry	<ul style="list-style-type: none"> • No perceptions of rivalry • Not able to compete with housing associations in the low-income market • Thrive on what the social sector cannot accommodate 	<ul style="list-style-type: none"> • Low-income segment: Local Housing Allowance-led price setting and cooperation with local authority to prevent longer vacancies 	
Social landlords in Breda	<ul style="list-style-type: none"> • No perceptions of rivalry in regulated segment • Strong perceptions of rivalry in student and deregulated markets 	<ul style="list-style-type: none"> • Deregulated (commercial) segment: Aggressive price/quality strategy • Student market: Cooperation with management of higher-education organizations to minimize periodical vacancies 	<ul style="list-style-type: none"> • Regulated sector – no rivalrous relation, rather tacit cooperation • Deregulated sector – strong direct and relational strategic interaction (mainly between corporate investors and housing associations); reciprocal with competitive actions and reactions; subjective views prevail
Private landlords in Breda	<ul style="list-style-type: none"> • No perceptions of rivalry in low-income renting • Perceptions of rivalry exist in commercial renting and student housing; housing associations seen as a threat to viable business; unfair competition 	<ul style="list-style-type: none"> • Student market: Low-pricing strategy if necessary • Deregulated segment: selling and demolishing older, lower-quality dwellings; developing high-end rental accommodation in niche market segments 	

other hand, the findings partially contradict the main hypothesis of the research, which stated that perceptions of rivalry and rivalrous behaviour of social and private landlords should be slightly stronger in the Dutch case study, if we take the competitiveness of the rental market environment into account. However, the previous remarks have shown that this only holds true for the commercial market segment, in which social landlords and private landlords operate on market principles. In the lower-income segment, which is arguably the pure form of competition between social and private renting – here, the allocation of dwellings owned by social landlords is based on socially defined criteria, while private landlords allocate their dwellings on market principles –, rivalrous perceptions and processes seem to be stronger in Coventry. The following section takes a closer look at the structural and political barriers to agile rivalrous interactions and thus explores why the actual findings do not correspond with the stated expectations.

4.4 The drivers of and barriers to rivalry between social and private landlords

The previous two sections unfolded the questions of how social and private landlords perceive each other and how these perceptions are reflected in their decision-making on rents and investments. From a theoretical view-

point these two questions primarily deal with competitive conduct itself. Equally important in the SCP of rental housing is the link between competitive conduct of landlords and the structure of the rental market. The theoretical statements in Section 4.1 have shown that the strategy literature on interfirm rivalry does not establish a direct link with the industrial economics literature on market structure, most likely due to the different assumptions about the role of firm behaviour in a market. This is not to say that an implicit connection between structural conditions and the extent of interfirm rivalry will be absent; indeed, product similarity, spatial proximity and similar (large) firm size were found to have a positive influence on the competitive relationship between firms in this literature. Accordingly, this section aims to make the relationship between market structure and rivalry between landlords explicit, as it will integrate the findings on the structures of the two rental markets in Coventry and Breda in Chapter 3 and the findings on perceptions of rivalry and rivalrous conduct in the previous two sections of this chapter.

By and large, exploring the theoretical link between market structure and landlord conduct again relies on the interpretation of the in-depth interviews with landlords. On the one hand, the statements of the interview participants often related directly to the idea of what limits or drives competitive perceptions and actions of both landlord groups – for instance, the question of what governments could do to increase competition between the two sectors has proven to be particularly useful in this respect. On the other hand, the computer-assisted, interpretative analysis of the interviews was very useful for finding further explanations for competitive behaviour. Through this, less apparent connection between families of codes (themes), such as the landlord's business model and pricing decisions, could be highlighted and framed in a wider context.

The interpretation of the interviews suggests that the barriers to and drivers of rivalry can be subdivided into rivalry in the low-income rental sector, where a distinction between social and market led allocation needs to be made, and rivalry in the commercial rental market, in which nonprofit housing associations compete with private landlords under fully market-driven allocation models. Within this distinction it will be made explicit where (Coventry and/or Breda) such barriers have been identified.

Barriers to rivalry between social and private landlords in the low-income segment

The interviews in both case study cities propose that high demand for social housing with correspondingly long waiting lists is the single most influential barrier to rivalry between the two landlord groups in low-income renting. With 10,000 (Coventry) and 8,000 (Breda) actively searching applicants for social housing there is no need to gain a competitive edge over other landlords

and vie for each other's customers. Based on the inability of social landlords to accommodate all its potential customers, private landlords have seemingly found a niche market in which they can apply a viable and profitable business model of providing dwellings for potential social tenants, at least as long as it takes for them to get into social housing. The other way round, this means that the situation might look differently in a weak local rental market (see Bramley, 1999), in which the demand for social rental dwellings and inexpensive private rentals is low.

The demand barrier to a rivalrous relationship directly ties in with the rent/quality relation of social and private rental services. In reality, there are relatively large rent differentials for similar dwellings in both cities (see Chapter 3). Landlords are convinced that the higher the difference between social and private rents, the higher the propensity that tenants stay in a social dwelling, even if they had the desire to move to another dwelling. This might seem relatively obvious; yet in reality it plays out differently in the two housing markets, since actual rent levels have to be analysed in the context of the interplay between rent regulation and housing allowance rules. Generally, with no influence on their actual rent levels, social landlords in Coventry have no possibility to react to competitive pressures from the private rental sector by lowering rent levels for low-quality dwellings in areas of low demand. Additionally, from the tenants' viewpoint this relates to the question of who in fact pays the rent bill. In a situation where large rent differentials are fully covered by housing allowance payments¹⁰, tenants have a strong incentive to move to better private rental accommodation. If, however, rent excesses were not covered by benefit payments, private landlords would have to become more aggressive (e.g. through lower prices) in their effort to convince these people of renting accommodation with them.

"If you are paying £70 with us but can get a £110 house in a better area, [...] why wouldn't you go? If this becomes more difficult because of lower benefits and they can only leave to cheaper areas that might not be better, they might not leave us." (Coventry, social landlord)

"To stimulate competition even further is to deregulate how associations work, particularly the rent restructuring regime and the control over the amount of rent we set. To some extent you would hope they [the Government] want to do that, given their drive to reduce public expenditure. So they could start increasing competition by allowing us to use differential rents; here we have a high demand property and charge more rent for that than for a dwelling in a converted pre-war house in an area where few people want to live." (Coventry, social landlord)

¹⁰ Which was the case at the time the interviews took place.

In Breda, rent regulation seems to impede competitive interactions between landlords as well; yet, in a different way than in Coventry. The dual system of rent regulation with a highly regulated sector below €652 of rent per months and an almost completely deregulated sector provides various incentives for landlords to operate in different market segments, which severely limits the scope for competitive behaviour. In line with their social mission, social landlords often keep rents artificially low,¹¹ whereas private landlords have a strong motive to operate in the high-end market segment, particularly when investing in new dwellings, since this guarantees higher profits and lower bureaucratic burdens.

There are also some general accounts of how differences in the qualities of social housing and private renting locations and dwellings impede a rivalrous relation in the regulated low-income segment in Breda. Firstly, both social and private landlords in Breda emphasize that the relatively high quality of existing social housing impedes investments of private landlords in the deregulated sector. Even if the latter decided to invest in new dwellings in the deregulated market, they would have to build relatively expensive dwellings that could match the dwelling standards of social landlords. In the context of the quality-led rent regulation system (see Chapter 2), the strategy of building dwellings in the lowest rent sphere is also not an option, since extremely high land prices generally thwart profitable investments in the regulated sector.

Social landlords in Coventry experience the reverse problem. They claim that due to the subsidy system they can only deliver highly standardized, minimally equipped houses when developing social housing. Accordingly, the impetus to keep investments as cheap as possible often leads to a mismatch between social dwellings and the products of private landlords, at least the newly developed ones. The possibility to offer modern facilities and furnished dwellings is seen to give private landlords an inherent competitive edge. Likewise, the competitive behaviour of social landlords in Coventry is highly constrained by their existing stock portfolio. The poor quality of a substantial share of social dwellings, as well as a large proportion of relatively undesired dwelling types, such as bedsits and one-bedroom apartments, is seen as a possible motive for tenants to prefer a private rental dwelling. However, there are also various statements conveying the importance of property rights for tenants as an important factor of a competitive relationship between social and private renting. Housing association managers in Coventry claim that higher security of tenure for social tenants gives them an inherent competitive advantage over private landlords. It does not directly restrict landlords in behaving as rivals, but for tenants who are considering a trade-off between higher rents

¹¹ In business reality, many dwellings that given their quality could be provided in the deregulated segment are provided in the private rental sector (IVBN, 2010).

and less security of tenure for a more desirable dwelling, the excess of property rights in the social housing sector gives tenants an incentive to stay.

Another category of barriers to rivalry directly relates to the supply structure of rental housing. In neoclassical economics deconcentrated supply is a sign of a competitive market. However, from a rivalry viewpoint it seems that the small-scale is a limiting factor. Firstly, in both rental markets all types of landlords claim that it is difficult for individual landlords to operate in the low-income sector, as they are more vulnerable to dealing with problematic customers. They might not have the expertise to deal with anti-social behaviour and most likely they are struck harder by rent arrears. As a result, small-scale landlords often refrain from becoming active in the low-income segment. Secondly and in relation to this, the limited supply of low-income rentals by private landlords in Coventry is also based on prevailing negative views on low-income households and in particular social tenants. If the perceptions of more private landlords were destigmatized and if they saw the same business opportunities as some incumbent private landlords, it might be the case that more private landlords would seek to operate in this segment and thus further increase the competitive pressures on social landlords. Thirdly, the deconcentrated supply structure in the PRS makes it difficult for social housing landlords to target them as their rivals in the rental market. Unlike in an oligopoly, social landlords do not recognize specific providers as their rivals, making targeted moves of competitive behaviour inherently difficult. This directly relates to the fact that housing association managers in Breda only mention corporate investors as their competitors but not small-scale individual landlords in the deregulated market segment, even though official data from the municipality shows that the latter provide a substantial number of dwellings in this segment. Finally, it was shown in Chapter 2 that private landlords are often part-time landlords, where rental income is only a minor source of the total income. Such landlords might simply not find the time to expand their rental housing business, irrespective of whether they provide housing in the lower-income segment, the student market, or the market for professionals.

“In the past I have provided housing for those who are a bit outside of the mainstream society¹² but I have to say that this has gone wrong every single time. For me it is really difficult to make such a tenancy work. I think that this is better handled by the housing associations.” (Breda, private landlord)

Another recurring theme in the interviews was the way the allocation sys-

¹² Arguably, the interviewee wants to describe a group of tenants which in practice do have problems with maintaining the tenancy due to various problems, such as mental health issues, financial troubles, etc.,

tems in the two sectors generally limit a competitive relation between landlords. Surely, all types of landlords share the notion that the needs-based allocation in social housing and the ability-to-pay based allocation in private renting generally undermine the idea of competition when looked at from a tenants' choice perspective. However, managers of housing associations in Coventry note that the needs-based foundation of the choice-based letting scheme (CBL) particularly adds to the limited possibilities of rivalrous behaviour. In practice, the CBL in Coventry stipulates that when a sitting household expresses the desire to move, housing associations do not have the possibility to offer them a bigger dwelling in a better location since the letting system does not allow them to provide a vacant dwelling for a household with no housing need – which would be the case for a sitting tenant. Consequently, these households either have to stay or have to move to private accommodation, which is what they often do in practice.

“For us as a business it [a more flexible letting system] would make it easier, and give us the possibility to keep our customers much more happy [sic!]. There is no way we can keep it [a vacant dwelling] for the person that we want it to have. We might have a customer for ten to twenty years who is really happy with us and with whom we are really happy. Suppose they get a child and need a bigger property. Circumstances mean that they'd have to go back into the system, whereas in the PRS they can look for it themselves. We have to let them go.” (Coventry, social landlord)

A final barrier seems to be the policy of local authorities towards the development of new dwellings in low-income housing. On the one hand, private landlords in Breda identify the problem that the local authority tends to ask the maximum market price for building sites. This ties in with their view that the absence of direct and indirect subsidies (e.g. cheap land) for private landlords to develop low-income housing further limits the chances that they will (re-) enter this market segment. On the other hand, the local authority in Coventry is considered to have a policy that favours nonprofit housing associations as developers of new social housing – which is called a preferred partner policy (see Chapter 3). Nonetheless, in both cities local authorities have come to implement the policy that at least 30 per cent of all dwellings in each new development scheme need to be social housing. Interestingly, this supports cooperation between social and private parties in the development process, but creates more scope for competition between landlords as spatial proximity is increased on a general level.

Types of barriers to competition in the lower-income segment

Figure 4.1 gives an overview of all the themes that have been identified as barriers, or understood the other way round as drivers of a rivalrous relationship in the low-income rental sector. What the figure illustrates is that these

Figure 4.1 Different types of barriers to rivalry in low-income renting**Policy and regulation-related barriers**

- Different allocation mechanisms of the two sectors (CV & BR)
- Fixed social rents (CV)
- Dual system of rent regulation (BR)
- Inflexibility of needs-based allocation in CBL scheme (CV)
- Different housing allowance schemes (CV)
- Different property rights for social and private tenants (CV)
- Restrictions on sales of social stock (CV & BR)
- Local authority policy on social housing development (CV)
- Lack of indirect subsidies for private landlords (BR)

Market structural barriers

- Long social housing waiting lists (CV & BR)
- Large rent differentials (CV & BR)
- Limited supply of private landlords (BR)
- High quality of existing social stock (BR)
- Low standards of social dwellings (CV)
- Low spatial proximity (CV & BR)

Business-related barriers

- Stigmatization of social tenants (CV)
- Small portfolio sizes in the PRS (CV)
- Shrink strategy institutional investors (BR)
- Nonprofit/for-profit cleavage (CV & BR)

Barriers to rivalry in low-income renting

SH = social housing, BR = Breda, CV = Coventry, PRS = private renting

barriers can be divided into three main categories: Firstly, as pronounced by the industrial economics literature, market structural aspects, such as supply and demand conditions, have a strong impact on how social and private landlords see and mediate their competitive relation. Secondly, there are several accounts of how regulatory and policy related issues – i.e. institutional constraints – drive the extent to which competition and rivalrous behaviour is possible. These two aspects generally reflect the findings of the business literature that product similarity (here including structural as well as regulatory aspects) and similarly large firm size are the main drivers of interfirm rivalry. Additionally, there seem to be strong barriers to rivalry that are directly related to the business strategies and goals of both landlord groups. Here, the ‘nonprofit/for-profit cleavage’ plays an essential role. The interviews imply that even if social and private landlords serve similar customers and own similar dwellings, the social objectives of housing associations symbolize that the two rental sectors must still be seen as dissimilar business areas – simply said, if not every provider is in it for the money, then desire to outperform other landlords is not as strong as in a fully commercial market.

Barriers to rivalry in commercial rental housing

The discussion on barriers to rivalry in the commercial sector generally has a different tenor than the one in low-income renting where two different allocation principles exist. Since the provision of either landlord group is bound to identical regulatory conditions in both markets, rivalry becomes more or

less a matter of the aims and scope of housing associations in commercial rental housing. Barriers to rivalry can therefore be basically equated with the idea of barriers for housing associations to enter commercial private rental sector.

In business practice, social landlords in both case study cities see the current property slump as a major limitation to increasing their commercial renting operations. The development of private rental dwellings strongly aims at both continuous rental income streams and capital appreciation. In times of unstable or even negative house price developments, social landlords regard this market segment as too risky. Social landlords in Coventry add that even if they wished to grow in the high- and middle-income market segment, they could not do it in current times due to constraints in borrowing private capital for such projects.

Moreover, statements from various social landlords in both cities indicate that their social business paradigm forms a barrier to new investment in commercial renting. Entering the PRS on a larger scale requires substantial capital investments that might be no longer available for their social housing activities. To put it in the words of one social landlord in Coventry, “commercial renting activities may dry up the cash flow that is necessary for running and investing in the social housing business”. Since social housing is their very reason for existence, many housing associations, particularly those in Coventry thus generally abstain from private rental operations. This also ties in with the notion that there are conflicting strategies of commercial housing operations. The fact that private renting requires long-term capital investments is an incentive for some associations to look for other commercial housing opportunities, such as developing houses for sale, since it guarantees short-term capital appreciation. On the contrary, commercial renting has become a more popular business strategy in the Dutch case. One reason might be that it has primarily been a highly profitable business where rental incomes alone suffice the targets of social landlords.

Finally, in both cities one can observe differences between traditional housing associations and those that run the former council stock. In practice, the large-scale stock transfer has brought these two associations in a weak position, since potential monetary resources for the development of commercial renting are instead bound to paying off long-term debts and to expensive maintenance investments into current housing stock. On a long-term basis they are thus in a weak competitive position compared to the other housing associations in the two markets.

4.5 Conclusion

The main aim of this chapter was to shed light on the competitive relationship between social and private renting from the viewpoint of the landlords in each sector. Here, three sets of key questions guided the research. Firstly, how competitive conduct of landlords in mixed rental markets can be defined and analysed. Secondly, whether social and private landlords perceive each other as competitors, and whether we can observe competitive strategies that are targeted at landlords from the other sector. Thirdly, how the structure of the two rental markets in Coventry and Breda influences the competitive conduct.

Based on a literature review it was argued that a modified concept of interfirm rivalry is a useful model for analysing competitive conduct in mixed rental markets. More specifically, the review of the business economics and management literature led to the definition of conduct as a relational, direct, subjective, and non-reciprocal form of conscious interfirm rivalry.

The analysis of the in-depth interviews with landlords and other practitioners in the rental market showed that although there are some signs of a rivalrous relationship between social and private landlords, they are relatively weak when compared against the 'ideal' state of interfirm rivalry. Here, the analysis shows that there are differences between the two main market segments, the lower-income rental segment, which is the core business of social landlords in both case study cities, and the commercial rental segment, which includes lettings for students, professional households and more affluent renters in general.

The first general finding is that perceptions of rivalry and rivalrous interactions are stronger in the commercial market, most likely because the modes of operations, strategies and particularly products of both landlord groups are more similar than in the low-income segment. Specifically the Dutch case has shown that interfirm rivalry in the commercial segment is indeed signified by directed and relational competitive actions, which are likely to result in competitive reactions of the other landlord group. In the low-income segment, rivalry tends to be generally restricted by the fact that social and private landlords do not have the need to drive each other out of the market. Nonetheless some interesting differences between the two cases exist. Where managers of housing associations in the Netherlands see themselves as the exclusive providers of affordable rental housing for households in need – somehow they have come to a tacit arrangement with private landlords in which they can coexist with each other –, a majority of social landlords in Coventry experience competitive pressures from private landlords. On the other hand, private providers of low-income rental accommodation predominantly regard their products as complementary to the ones of the social housing industry. Consequently, the strategic interactions between the two landlord

groups are more implicit than direct, and where perceptions of rivalry exist they are highly subjective – the interviews showed that managers even within the same housing associations did not always hold similar views – and they are not necessarily shared by both landlord groups at the same time; accordingly, competitive actions do not necessarily result in competitive reactions in mixed rental markets.

The final topic of this chapter was a discussion of the theoretical and empirical links between market structure and conduct in the SCP of rental housing. With the relatively broad definition of market structure in this framework, comprising the structure of supply and demand, institutional elements, as well as public policy factors, there seems to be indeed a strong link going from structure to conduct. Here, the cross-case study comparison suggests that all five factors of market structure (product similarity, barriers to access, barriers to entry, supply concentration, spatial concentration) are major barriers to competitive conduct; yet, there are strong differences between the two cases in which factors are dominant. In the rental market of Coventry it seems that dissimilar policy and regulatory approaches (e.g. with regard to housing allowance schemes and rent regulation) to the two sectors are the main barrier to a stronger rivalrous relationship between social and private landlords in the low-income segment, while structural issues (e.g. low levels of supply from private actors in the regulated market segment) prevail in the Dutch case. Given that perceptions of rivalry and rivalrous actions are slightly stronger in the English case, we can conclude that product similarity with regard to absolute rent and quality levels, and with it the degree of substitutability from the consumers' viewpoint, seems to be the primary driver of the existence of rivalrous interactions. In the commercial market segment, landlords' different business models rather than structural and political aspects largely inhibit the existence of stronger competition between the two landlord groups. There are housing associations in both case study cities that completely refrain from the provision of market-allocated rental dwellings, primarily because this might disturb the primacy of their social mission in the rental housing markets.

5 Market performance

The possible effects of competition in mixed rental markets

The central questions in this chapter are the following: (1) *What is the meaning of performance in mixed rental housing markets?* and (2) *What are the possible effects of competition between social and private landlords on the performance of mixed rental markets?*

In the previous two chapters a conceptual distinction was being made between structural elements of competition in mixed rental markets (Chapter 3) and behavioural processes of a competitive relationship (Chapter 4). Therefore, an argument could be made that two different forms of competition exist in rental housing market realities – a more indirect one, in which competition is shaped through structural contingencies and political decisions, and a more direct occurrence of competition, which is shaped through the perceptions, actions, and reactions of actors in the rental market –, where the two forms of competition are, however, empirically and also conceptually related. In this chapter, the subject is a different one, as it moves away from the question of what competition involves in mixed rental market practices, but instead focuses on the ends of more or less competition between the two rental sectors. Here, two considerations are important: Firstly, the question is what the possible effects of competition are with regard to what. Hence, the first research question of what the meaning of performance in mixed rental housing markets is. This chapter presents a critique of why it is meaningful to make a distinction between the effects of competition on the performance of social and private landlords themselves and its effects on the performance of the wider rental market. The second central concern is with the empirical and conceptual relation of the different performance concepts with the competitive conduct of landlords and the structure of the rental market.

The careful reader will notice that rather than analysing the actual effects of competition between social and private landlords, this thesis tries to unfold the possible effects or outcomes of more or less competition in mixed rental markets. It was noted on several occasions that within the neoclassical view of the traditional SCP a direct causal link running from market structure to performance is presumed. From a methodological viewpoint, a popular and arguably simplistic approach of quantifying the effects of competition has been to use a measure of industry performance (for instance a measure of profitability, such as the rate of return on capital or assets) and regress this against a measure of market structure (most often the degree of market concentration), while controlling for aspects concerning the providers' internal operations.¹ In contrast to this, the analysis of performance in the 'SCP of rental housing' does not engage in the practice of actually testing the structure to performance hypothesis empirically. Instead, it applies a more qualita-

¹ For an overview see Nickell (1996). Often these studies are concerned with the question of whether the SCP paradigm or the efficiency-structure hypothesis (see Chapter 2) fares better.

tive approach, in which a meticulous review on the meaning, measurement, and determinants of performance in the economics, nonprofit and housing literatures is used as a means to discuss the possible outcomes of competition in mixed rental markets.

More specifically, the next section of this chapter discusses the meaning of performance in the SCP of rental housing. How has performance been defined in the economics, nonprofit and housing literatures, and which aspects should be looked at in the context of performance in mixed rental markets? Simultaneously, these literatures are reviewed with the question in mind of what the findings on the effects of competition are. Here, a distinction is being made between effects on the providing firms themselves and the effects on the wider market, i.e. the question of how beneficial competition is for consumers. Hereafter, Section 5.2 discusses some findings from the empirical analysis in the previous two chapters as well as related research results from housing studies in England and the Netherlands to exemplify the possible effects of mixed rental market competition. This aims to shed light on the relation between market structure and conduct on the one hand, and performance on the other hand. Since this will remain on a mainly descriptive and qualitatively analytical level, Section 5.3 seeks to elaborate on what kind of data would be necessary and which methodological approach would be meaningful, if one wanted to quantify the effects of competition and sought to test the main hypothesis of the traditional SCP – a causal link from structure to performance – within the SCP of rental housing. The chapter concludes on its main points in Section 5.4.

5.1 The concept of performance in the literature

The aim of this section is to present a concept of performance in the SCP of rental housing that can assess the effects of competition in rental markets, i.e. the question of what the meaning of performance in mixed rental markets is. For this a closer look will be taken at the different concepts of performance in the economics, nonprofit, and housing literature. Two aspects are discussed simultaneously within each of the three perspectives. How is performance being defined and what are the findings of empirical studies on the effects of competition on the given performance concepts. We begin with a brief review of the industrial organizations literature. This highlights the use of the concept of performance in the context of the SCP paradigm. Secondly, it was shown in the previous chapter on rivalrous conduct that the existence of both nonprofit and for-profit business models in a mixed market alters the conditions under which competition takes place. The contention here is that where competition follows such differing premises, the concept of market performance changes as well. Finally, the meaning and measure-

ment of performance has received increasing attention in the rental housing literature, particularly with respect to the performance of the social housing sector. Here, special attention is given to the role of governments in shaping market outcomes. In the final subsection, the different approaches to performance are integrated to one coherent possible perspective on performance in mixed rental markets, and the various findings on the effects of competition are summarized.

5.1.1 Performance as a mainstream economic concept

In the economics literature and specifically in studies of industrial organization, performance covers numerous aspects, which is testified by the existence of such diverging terms as ‘firm performance’, ‘industry performance’, and ‘market performance’. Accordingly, the main goal of the structure-conduct-performance paradigm, to explain differences in performance based on diverging market structures, was often approached in different, yet complementary ways. Central in defining performance has been the use of various concepts of efficiency.

Here, a firm-centred perspective is the question of the productive efficiency of the individual supplier and consequently of the aggregate industry. When firms produce a given level of output with the least possible amount of input they are technically efficient, or in simpler terms, they are not wasting any resources. Equally, if the same firm uses a combination of input factors that minimises the cost of producing the given output, it is also cost efficient (Farrel, 1957). Other researchers have focused on the social welfare aspects of the efficient allocation of resources (Barr, 2004). This is given when firms in an industry use the available resources in such a way that they only produce the right amount of goods that are most desired by consumers. If this were the case, allocative efficiency would be maximised. One important observation is that there is no coercive relationship between productive efficiency and the best possible resource allocations. After all, an industry could produce a certain good very efficiently; yet, this good might be of little use to a majority of society.

Again other studies have dealt with the subject of dynamic efficiency. Here, one can distinguish between process innovations, which are about producing the same amount of goods at lower prices through technical production advancements, and product innovations, which are about the introduction of new goods and services or the improvement of existing ones (Stiglitz & Walsh, 2006). In a narrow perspective one might argue that the two forms of dynamic efficiency are only subtypes of a better productivity (process innovation) and a better allocation of resources (product innovation). Finally, some economists have related performance to the question of whether the market outcome is socially efficient, taking into account the external costs and bene-

fits of the distribution of resources. Distributive efficiency occurs when goods are allocated to those who are in greatest need and not to those that are able to pay the highest price (Motta, 2004; Caves, 1986).

From a measurement point of view, the various concepts of efficiency are primarily theoretical and merely give a technical meaning to the term performance. Consequently, the actual measurement of performance in research practice mainly relies on more assessable performance indicators from which it can be deduced how market structure can explain efficiency outcomes in the whole market. Among these are the return on equity (ROE), return on assets (ROA), or the ratio of operating expenses to gross income (or cost-income ratio) as measures of profitability, which are in turn used as a proxy for the measurement of allocative efficiency – after all, abnormal profits are a sign of monopoly power, which in turn signify an inefficient allocation of resources (Martin, 2010). The measurement of productive efficiency and dynamic efficiency equally rely on proxy measures. A popular method in measuring productivity has been the use of Total Factor Productivity, which is defined as the portion of output not explained by the amount of inputs used in production (van Reenen, 2011). Here, output and input measures vary between the sectors and industries researchers have been looking at: For instance, in health research output might be defined as health gains of individual patients (e.g. Hollingworth, 2008), while in manufacturing industries it might be the total number of sales (e.g. Nickell, 1996). Similarly, in innovation research such various measures as the number of patents and R&D investments in the manufacturing industries, or investment in management and skills training in service industries have been used (Holmes & Schmitz, 2010).

Considering the effects of competition, it was pointed out before that the SCP paradigm predicts that in the state of perfect competition – i.e. products are indistinguishable, barriers to entry do not exist, supply is deconcentrated – the output of the industry is at a feasible maximum, while selling prices are at a feasible minimum, i.e. the price equals the marginal costs of production. The result of this is that resources are optimally allocated, producers do not waste resources and as a means to stay competitive, producers seek to lower their production costs and improve the quality of their products. In other words, in a state of perfect competition productive, allocative and dynamic efficiency is maximised. The key factor in achieving allocative efficiency is the profit that firms can make. If a market in which firms make a normal profit experiences an increase in demand, prices will rise, leading to abnormal profits in the short run. If barriers to entry are absent, such high profits will attract new firms bringing more resources into the market where consumer preferences are yet unsatisfied. In the long run, profits will return to a normal level which guarantees that production will stay at an output level that is regarded by society as optimal (Martin, 2010).

It is unsurprising that much of the industrial organization literature has

sought to test these assumptions through measuring performance. To quote but few examples, Nickell (1996), points out that the allocative efficiency effect of competition as well as the consumer satisfaction aspect have seen few opposition in the empirical literature, while it has remained far more unclear whether competitive pressures actually lead to higher productive efficiency on the firm level. Although, the empirical work of the author suggests that competition also has a positive effect on the production costs of firms, mainly through process innovations (Vives, 2008; Holmes & Schmitz, 2010; Aghion *et al.*, 2008) and the improvement of management quality by reducing slack (van Reenen, 2011), Nickell concedes that “competition [might work] not by forcing efficiency on individual firms but by letting many flowers bloom and ensuring that only the best survive [...]. If there are lots of ways of doing things, competition allows many to be tried and then selects the best, something a monopoly finds hard to replicate.” Such a finding would be in line with the notion of Hayek (1948) that competition is a process of discovery to determine which way of production leads to the best market outcomes.

5.1.2 The nonprofit view on performance

Throughout the thesis it has been argued that the SCP of rental housing does not analyse an ordinary commercial market. Primarily in the lower-income rental sector the existence of nonprofit and profit-driven business models implies that the basic mechanism of low profits as a transmitter of efficient resource allocation does not hold. Therefore, it seems helpful to take a closer look at the nonprofit literature and how the firm level and wider market effects of competition in mixed markets have been described here.

A general caveat is mentioned by Lakdawalla and Philippon (2006), who note that there is ample research on the behavioural aspects of competition between different types of providers in mixed markets, meaning that we have a relatively good understanding of how a nonprofit firm will react to competitive pressures from its for-profit rivals and vice versa (for an overview see Brown & Sivilinski, 2006; some of these aspects have been discussed in Chapter 4). However, little seems to be understood about how competition between nonprofits and for-profits affects aggregate industry and market performance. In brief, research on the effects of competition on performance is still in its infancy. There are however some notable exceptions, particularly in studies on the health sectors, where nonprofit and for-profit business models have competitively coexisted for a long time. These exceptions will be discussed in the following.

Productivity and profits

Partially, these studies rely on the same theoretical concepts of performance as the industrial organization literature in that they seek to unfold the ef-

fects of competition on the productive, allocative, dynamic efficiency of individual providers and the aggregate industry. Firstly, Liu and Weinberg (2004; see also Pires, 1985) provide evidence that whereas the production efficiency effect of mixed market competition on for-profit providers is only marginal – which means that it largely corresponds to the overall level of competition in the market it has – there is a productivity increasing impact on nonprofit firms. Particularly when nonprofit providers operate in fully commercial markets without government support, a positive influence on the overall efficiency of nonprofit organizations can be observed. The reason is that if they want to do well in such markets they need to make optimal use of the resources they have. Operating in markets where costs are likely to be higher does lead to new insights for nonprofit managers on how to run the mission-related business more efficiently. Bennett *et al.* (2003) add to this that in markets where nonprofits receive government subsidies, they can be punished for bad performance through for instance contract terminations. They specify that in social markets that are dominated by nonprofit providers, governments tend to have few alternatives, which means that nonprofits might become entrenched in relying on subsidies without having an incentive to perform well. However, if such a market sees the strong entry of for-profit providers, the risks to lose government support becomes more genuine and nonprofits are likely to perform better if they want to continue to be publicly subsidised.

Cooper *et al.* (2012) present contrasting findings in their study on the effect of private hospital competition on the productive efficiency of public nonprofit hospitals in England. They show that although patients' average length of stay in public hospitals – which is used as a proxy for productivity – decreases significantly in more competitive local markets, this cannot be ascribed to competitive pressures from private hospitals but only to more competition within the public hospital sector. Even more significantly, they find evidence that the productivity of nonprofit hospitals decreases in more mixed markets. Where for-profit firms enter nonprofit dominated markets they will seek to serve patients with better recovery prospects. This will leave nonprofit organizations that want to stay true to their social mission with a poorer customer base. Aggregate productivity losses might thus not be the result of worse individual performance, but can be influenced by inherent competitive disadvantages.

Addressing the allocative efficiency aspect of competition in mixed market, various researchers have chosen a similar approach as mainstream industrial economics studies in that they examine the nonprofits' and for-profits' profitability levels in mixed markets. Among others, Liu and Weinberg (2004) show that from a dominant for-profit provider's viewpoint being in competition with a nonprofit can make an otherwise profitable market unprofitable. Using the example of a duopoly with one nonprofit and one for-profit, the

authors show that it is not increasing competition per se that has the biggest negative effect on profits, but it is more the organizational status of one's rival. This holds true even in the absence of government support for the non-profit firm, a situation in which nonprofits lose their inherent cost advantage. The authors conclude that regulatory advantages for the nonprofit are neither decisive nor necessary to induce losses for the for-profit provider. This result is supported by an empirical study of Horwitz and Nichols (2009) on the effects of competition on the profit margins of nonprofit and for-profit hospitals in the United States. On the other hand, a literature review by Koning *et al.* (2007) finds the reverse effect. They conclude that the most important factor for profitability levels of the for-profit firm is the structure of the market, rather than different organizational statuses. Similarly, Brhlíková (2006) as well as Harrison and Lybecker (2005) argue that competition with a nonprofit might be advantageous for the profit-oriented firm in comparison to competition with another fully commercial provider, the reason being that if the nonprofit delivers a significantly different product than the for-profit, sufficient manoeuvring space for the for-profit to increase its profits remains present.

Aggregate prices, quality and quantity

In addition to these more 'classical' outcome measures, the nonprofit literature also focuses on firm behaviour with regard to prices, quality, and output, from which aggregate market effects are inferred. Here, a general problem is that there seems to be no simple way of deducing the movements of prices, quality and output in mixed markets from the processes of competition, since more factors are influential. For instance, prices might be prescribed by administrative decisions and output might be based on the availability of government funding or the amount of donations that a nonprofit is able to collect. Nonetheless, different scenarios of how aggregate behaviour leads to specific outcomes exist.

To give but few examples, Harrison and Lybecker (2005) present a model with three possible alternatives of nonprofit behaviour in mixed markets: (1) The nonprofit firm maximises a combination of profit and quantity; (2) it combines a profit model with an output model that maximises the quantity of the mission-related service; (3) it opts for strategy that maximises profit and quality. Their empirical research shows that the effect of the first scenario is that the price of the nonprofit provider is lower and overall prices will fall, whereas in the second case the prices of the nonprofit are relatively higher, since the maximisation of cross-subsidization – from commercial to mission-related activities – is costly. Eventually, the for-profit provider will take advantage of the relatively higher prices and will increase prices as well. The main outcome of the third scenario is that prices of the nonprofit services will increase alongside its quality levels, which is difficult to sustain for for-profits as well. Here, the for-profit sector is likely to compete against this

strategy with lower prices and lower quality services. As a result, the aggregate benefits for consumers are relatively high only in the first scenario.

In addition to this, Brekke *et al.* (2011) contend that the level of altruism in the nonprofit sector determines the wider outcomes of competition in mixed markets. If nonprofit firms are sufficiently altruistic they offer higher quality and lower prices. It is, however, the other way round for nonprofit industries in which altruism plays an inferior role, which means that the existence of nonprofit firms in a market can have positive or negative effects on social welfare as a whole, and is not necessarily a guarantor for higher consumer satisfaction (see also Malani & David, 2004 and Koning *et al.*, 2007).

Notwithstanding this more sceptical theoretical view on the effects of mixed market competition on market outcomes, empirical health care and education research tends to show a positive impact of competition on the aggregate market. For instance, examining the quality performance of high schools in the United States, Dee (1998) shows that there is a positive and statistically significant impact of the presence of private schools on graduation rates among nonprofit public schools, while Agasisti (2011) provides evidence for a positive impact of mixed school competition on the test results of public school students. In the health care sector recent research (Cooper *et al.*, 2012; Gaynor & Town, 2011) demonstrates the positive effect of private hospital competition on the quality of private nonprofit and public hospitals with regard to mortality rates.

The social mission of nonprofits

A third perspective in the nonprofit literature – and arguably the most important and obvious aspect – is the effect of competition on the social mission of the providers. Young *et al.* (2010) specify that private nonprofit businesses are stronger affected by strong tensions between their social mission and their market activities than for-profit firm and governmental organizations. As a result, in markets in which they compete with solely profit-oriented providers, nonprofits are not only more inclined to behave differently in the market, but they should ultimately judge their economic performance in terms of fulfilling the social mission rather than only in economic efficiency terms. In line with this, James (1998) argues that there are three possible effects of fully profit-oriented activities on the core social mission. A positive utility means that such activities are consistent with the mission, whereas negative utility implies the detraction from the main task. Thirdly, commercial activities could just generate net revenue and have no direct impact on the provision of the mission-related service. These are generally the markets (or market segments) in which nonprofits should seek to maximize profits, as this gives them the ability to maximize cross-subsidization and thus improve the overall outcome of their services and products. Services with a negative utility have the characteristic that there should be a distaste of nonprof-

it managers to engage in them at all, but particularly in times of tightening budgets. Usually, when external funding decreases, nonprofits often have to rely on commercial activities to guarantee the survival of their mission-related business. However, when these commercial activities have a negative utility the nonprofit management, would have to decrease the production of such services, or stop them entirely, if it aimed to retain its original task, otherwise one could label them as 'for-profits in disguise'.

Examining the strategic options of nonprofit hospices, which face competitive pressures through lower costs of rivalling for-profit providers, Froelich (2012) argues that striving for rapid cost reductions and administrative discipline might not be desirable after all. It is argued that while there could be no doubt that productive efficiency is important, trying to beat "for-profit business at its own game" (p. 4) through focussing solely on cost reduction might urge nonprofits to abandon their unique competitive advantages (e.g. a potentially better product quality, better reputation) and, more problematically, might threaten their very reason for existence in the market.

Conversely, a study by Hirth (1997) argues, "[if] nonprofits have a comparative advantage in trustworthiness or willingness to provide socially beneficial but unprofitable services, while for-profits have greater incentives for efficiency, intersectoral competition can yield better outcomes than a market consisting exclusively of one type of firm. Competition from nonprofits may exert pressure on for-profits to deliver socially beneficial services. [...]" (p. 433). The mechanism behind this is that poorly informed consumers tend to patronise nonprofit providers. As a result, for-profits are inclined to offer better quality in the market, in the sense that their services need to better match the social preferences of customers in the market.

5.1.3 Performance in the housing literature

There are various approaches to the concept of performance in the housing literature. More generally, one can distinguish the housing systems and policy perspective, which abstracts from questions of tenure and focuses on market outcomes in general. Four aspects are commonly acknowledged by governments as being important pillars of a well-functioning housing system: The price of the housing consumption deals with the question of whether housing services are affordable for tenants, while the assessment of the quality of the services aims to check whether affordability is not only achieved through low, socially undesirable rental housing standards. Furthermore, the system perspective deals with the availability of housing, i.e. the question of whether there are enough dwellings to cover the demand from households who cannot gain access to the commercial rental sector (Haffner *et al.*, 2012; Kemp, 1995) Another dimension of system outcomes, which arguably touches on price, quality, and quantity aspects, is the level of housing satisfaction

(Stephens, 2007). Hence, one can say that the housing literature is in line with the idea of the nonprofit literature that aggregate market effects on prices, quality, and quantity should be part of an examination of performance.

In research practice only few housing studies have explicitly, conceptually or empirically analysed the effects of competitive relation between social and private rental housing on market outcomes. The only exception is the work of Kemeny (1995) on dual and integrated rental markets, in which he makes the argument that the lower rents of nonprofit landlords in the social rental sector should have a dampening effect on market rents in the private sector, where the necessary conditions are an excess of supply and a large market share of these nonprofit organisations – or in other words, they need to be the dominant providers in the market. Kemeny himself does not provide empirical evidence for this claim; however, as stated in Chapter 1, Atterhög and Lind (2004) test this hypothesis and show that in the context of the Swedish rental housing market there is indeed a dampening effect on PRS rent levels through the provision of nonprofit social landlords. Similarly, there is little empirical research on the performance of the private rental industry. Existing studies deal with selected aspects of efficiency such as an allegedly inherent lack of the productive inefficiency of small-scale amateur landlords (see Scanlon & Kochan, 2011), the lack of dynamic efficiency in connection with investments of private landlords for achieving a better energy efficiency in their dwellings (Kemp, 2011), or the profitability of the sector in terms of vacancy rates and rent revenues (La Grange & Pretorius 2002).

On the other hand, ample research exists on the performance of the social housing sector. Much of the housing economics literature has focused on the economic efficiency of public housing companies – and thus remained close to the terminology of the industrial economics literature (for an overview see Maclennan & More 1997; Gibb & Maclennan, 2006). Here, different perspectives on performance are discussed. A first issue is the allocative efficiency of public housing provision, where a common assumption is that a lack of information and the absence of market signals result in a public housing stock that does not match consumer preferences (see also Green & Malpezzi, 2003). Secondly, questions are asked about the costs of public housing provision. The argument is that as a monopoly, or at least dominant supplier of low-income rental dwellings, the incentives for public nonprofit landlords to reduce the costs of both production and service provision are low. As a result, there has been an increasing interest in the commercialization of the nonprofit housing association and the introduction of new regulatory mechanisms through governments as a way to implement external efficiency pressures on the modern social housing sector (Maclennan & More, 1997). Particularly, the role of public authorities in shaping the performance of the (social) rental housing is a specific trait of the housing literature and needs some more mentioning.

Social housing performance and the role of the regulator

A review of the housing literature suggests that there are two main key mechanisms by which governments have sought to increase external efficiency pressures: Performance measurement and the implementation of competitive pressures. In the following, some examples of these two policy approaches in England and the Netherlands highlight how they function in rental market practices.

In general, performance measurement seeks to hold housing associations accountable to acquire resources that are necessary for the production of the service at the lowest possible costs, to use resources efficiently and to achieve the intended objectives effectively (Maclennan & More, 1997; Kemp, 1995). In line with the argument of the nonprofit literature, Mullins *et al.* (2011) argue that a measure of social housing performance should aim to give governments an indication of not only whether public money is spent efficiently, but also signal a justification for the existence of the sector to the public. From a landlord's viewpoint, including both identifiable social and economic² performance measures can help to see if the association is on the 'right path' as a whole.

The practices of performance measurement have been very diverse in England and the Netherlands, which is arguably the result of diverging regulation approaches (van Overmeeren *et al.*, 2010). It might be true that in both countries reforms were introduced that aimed to increase the self-reliance of the social housing sector, mainly through the means of increasing private finance. However, the regulatory framework in the Netherlands is not as prescriptive as in England, resulting in a more decentralized and independent manner of business operation, and a higher level of self-regulation in the sector. Giving Dutch housing associations a more independent status through the Social Housing Management Order (see Chapter 2) means that performance measurement is primarily related to ensuring the financial stability of the associations and the sector as a whole. Accordingly, there are some unresolved issues about the measurement of other performance dimensions and how these can be used to inform policy-making processes and to guarantee the achievement of the social mission of the housing association sector. In business reality, the desired outcomes are determined at the local level through voluntary performance agreements between local authorities and associations, defining the new output and investments of all housing associations operating in the municipality for a certain period. Given that these local performance agreements are voluntary, their effectiveness, and with it the effectiveness of the entire association sector, is questioned (Priemus, 2003b;

² Here, Gibb and Nygaard (2006) propose the application of such various productivity measures as rent arrears, responsiveness to repair services, vacancy levels and turnover rates.

Koning & van Leuvensteijn, 2010). Arguably, the only genuine threat is that if a housing association gets into serious financial turmoil, the management powers will move to the Central Fund for Housing (Elsinga *et al.*, 2009).

The consequences of the more explicit regulatory framework in England is that performance indicators play an important role in shaping the relation between public authorities, especially the Homes and Communities Agency, and individual housing associations. The focus on an efficient use of public funds has created a culture in which performance indicators are actively used and promoted by the providers of social housing to position themselves in the contest for government funding and public contracts (van Bortel *et al.*, 2010). As indicated by regular performance reports of the Central Housing Fund and the design and implementation of diverse performance indicators³, such benchmarking has become popular in the Netherlands as well. Nevertheless, the difference is that, so far, these inter-landlord comparisons seem to have no significant consequences for the position of individual housing associations, other than standing and reputation of its managers in the public domain (Priemus, 2003b).

Secondly, in contrast to the Netherlands, there has been an intensive public discourse between scholars and practitioners on the promotion of competition as a mechanism to increase the efficiency of the social housing sector in England. Arguably the most prominent and discussed document from this period is the Cave Review (2007) 'Every tenant matters: a review of social housing regulation', in which it is argued that the aims of social housing regulation should be threefold: to enhance consumer power, in the sense that tenants should have the ability to exert real choice even in a market that is by definition providing a scarce good which ultimately minimizes the existence of bad quality services; to guarantee an efficient and effective use of public resources; to stimulate the external benefits of social housing, as a reaction to the negative externalities of purely privately supplied housing. Generally, the Cave review relies on the idea that competition is not a regulatory goal in itself, but is a mechanism through which specific outcomes in the social rental market can be achieved. Here, it is made clear that competition is just one tool among many, and it should only be used where its purposes are clear and the performance of the whole sector can be improved.

The Cave report refers to competition as a means to achieving regulatory goals in several aspects: Firstly, as a mechanism to ensure the continuing provision of high quality social housing. The argument here is that funding for the development of new social dwellings should be granted in a competition

3 The so-called Raeflex and the KWH visitations are examples for early performance assessment that sought to compare housing associations (van Overmeeren *et al.*, 2010), while the Aedex is a measure of the social and economic return on investment in the association sector.

on the basis of an applicant's performance (see also Maclennan & More, 1997). In such a tendering procedure regulators should encourage all types of providers to participate, since the existence of different business models might guarantee that possible applicants optimally combine both financial and social aims. Secondly, with this multiplicity of providers, governments should seek to disintegrate development, ownership, and management, since this would guarantee a greater variety and number of potential competitors for public funds (Cave, p. 19). More specifically, making it easier to separate management from ownership could benefit tenants in the way that owners could contract management to other providers, including specialised management firms, with a larger local presence and could introduce performance measurement also at the level of management services.

In the Netherlands an explicit discussion on the benefits of competition and how governments can intervene in the market to increase competitive forces has not taken place yet. Quite conversely, here the public discourse has focused on the issues of a level playing field between social and private landlords in the rental market. More precisely, the state aid for Dutch housing associations comprises state guarantees for borrowings from the Social Housing Guarantee Fund, support from the Central Housing Fund – which was set up and is run by the state to help financially troubled associations –, the sale of developing sites by municipalities at prices below the market level, and the right to borrow from the Dutch Municipality Bank. These indirect government subsidies are available only to registered nonprofit housing associations (Priemus & Gruis, 2011). Given the risk that these subsidies can leak into the commercial activities of housing associations and the fact that private investors do not endeavour similar government support, there have been concerns about an unlevel playing field between nonprofit and for-profit landlords in both the deregulated and regulated market segments. With the introduction of the new rules of the social housing allocation system (see Chapter 2) and an arguably better monitoring system, the Dutch government in cooperation with the European Commission competition authority has equalled the level playing field in the commercial sector, but decreased the scope for competition. Arguably, where social landlords are prescribed to operate in a more residualized segment, the overlap of customer groups is smaller by definition.

5.2 An analytical framework of performance in mixed rental markets

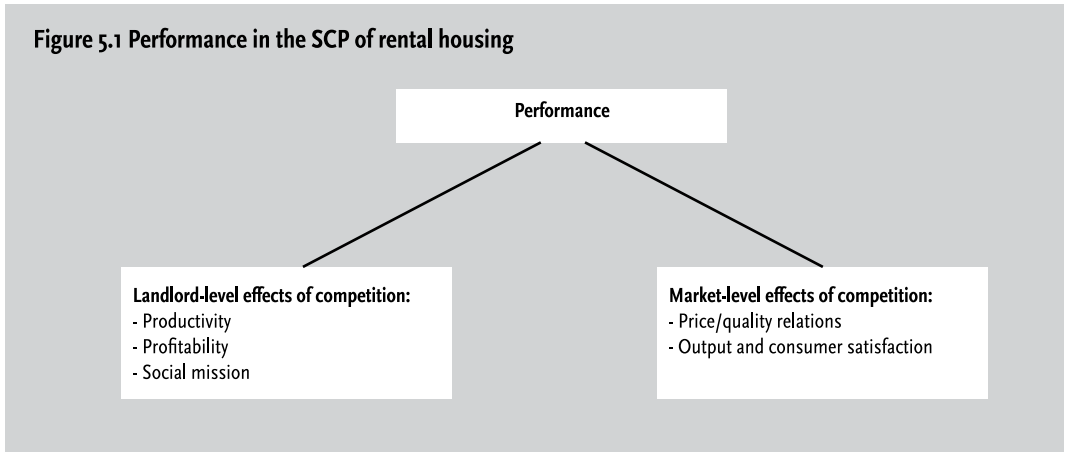
The three discussed literatures are meaningful in the following ways. First of all, there are mixed, sometimes even contrasting findings in the industrial economics and particularly the nonprofit literatures on the possible effects of competition on both market outcomes and firm performance. Some studies

find a positive effect on the productivity of individual suppliers, while others state that the productivity might even decrease. Equally, positive as well as negative effects are reported with regard to social outcomes, aggregate quality, and profitability. Given these inconclusive findings it is not meaningful to take specific effects of competition as given and reflect from the finding of other studies on the outcomes of competition in mixed rental markets.

Nevertheless, inconclusive findings or not, the previous remarks can provide a guideline on how to think about performance and its relation to competition when analysing the relationship between social and private rental housing. Following the economics literature in general and applied studies of the SCP paradigm in specific, performance in the SCP of rental housing is divided into firm-level and market-level (or societal) effects. From an economic viewpoint the landlord-level performance effects are primarily about the question of whether competitive interactions between the two landlord groups leads to a more productive use of resources in the delivery of rental housing services. As said, neoclassical theory contends that increasing competitive pressures provoke managers of firms to find innovative ways of providing their products at lower costs since the profitability of the whole industry decreases with an increasing number of competitors. The analysis of firm-level performance should examine whether such mechanisms exist in mixed rental market realities. Furthermore, performance in the SCP of rental housing should examine whether competition between the two landlord groups leads to decreasing levels of profitability as is assumed by the SCP paradigm. Profitability could be seen as a proxy measure for an optimal allocation of resources in the rental market; however, since in mixed markets the logic of profitability appears to be less clear as in fully commercial, profitability in the context of rental housing is mainly seen as having an effect on landlords themselves rather than a direct effect on the wider market and consumer satisfaction through better resource allocation.

From the nonprofit and the housing literature it is taken that firm-level performance should consider the effects of competition on the social mission of social landlords in the rental housing market. Again, housing associations and nonprofit organizations have a mission that is of general public interest, which means that in contrast to for-profit providers there is a larger multiplicity of stakeholders with different, maybe even opposing aims: governments, who might require social landlords to provide affordable housing; granting agencies, who support the building activities of housing associations; the entrepreneurs who run the enterprise; and consumers who are often better integrated into decision making processes as they are the supposed beneficiaries of the nonprofit policies. The existence of dominant nonprofit provisional structure, particularly in the low-income rental sector, is thus the reason why the definition of firm-level performance should exceed the profitability and productivity tenets.

Figure 5.1 Performance in the SCP of rental housing



Secondly, the definition of market-level effects largely follows the nonprofit and housing literatures in that it focuses on aggregate quality, quantity and price effects. In other words, market level performance is about the impact of competition in mixed rental markets on the consumers. A competitive rental housing market, in which the two sectors offer housing units that are good substitutes, means that tenants have more choice. If tenants have more choice and if they make use of the choice in their housing consumption decisions, one can assume that the outcome of rental housing allocation satisfies tenants' housing preferences. Equally, if competitive pressures in mixed rental markets induce landlords to lower their prices or increase the quality of their products as a strategy to thrive in the market and if tenants can choose between all kinds of products effectively, allocative efficiency as well as consumer satisfaction might increase. From a government's viewpoint this has important implications of how and when they should intervene in the market. If the desirable effects of competition surpass the negative effects, one might argue that public authorities might want to regulate rental markets in a way that increases competitive interaction between social and private landlords.

A general caveat is that the two perspectives on performance are, of course, not entirely separable; If prices fall and quality remains the same, then the profitability of landlords would fall as well. Or the other way round, if landlords perform worse with regard to their social mission, we could assume that consumer satisfaction decreases as well (see Figure 5.1). However, for reasons of simplicity they are treated separately in this study.

5.3 The possible effects of competition in the mixed rental markets of Coventry and Breda

As outlined in the introduction to this chapter, the main aim of this section is to give the reader an idea of the landlord-level and market-level effects of competition by discussing the different performance aspects in the context of rental housing in Coventry/England and Breda/the Netherlands. As such, this section seeks to provide some answers to the main research question: What are the possible outcomes of competition in mixed rental markets with

regard to the performance of the various rental housing providers, on the one hand, and the benefits for consumers of rental housing and regulating authorities, on the other hand? Since, this study does not employ a systematic testing of the effects of competition, but rather uses a more descriptive and qualitative approach, the following statements should be considered as a first attempt to take a comprehensive look at the outcomes of competition in mixed rental markets.

5.3.1 Landlord-level effects

Productivity

For the social housing sector in England, Gibb and Maclennan (2006), as well as Gibb and Nygaard (2006) show that the introduction of a more pluralistic provision structure – that is the existence of private nonprofit housing associations, nonprofit public providers, as well as privately managed Arms-Length Management organisations – may induce housing association managers to operate more efficiently, mainly because they face hard budgets, as they become more dependent on private finance and a decreasing security of public funding. Similarly, in the Netherlands the elimination of direct object subsidies for the management and production of social rental dwellings, and the introduction of the revolving fund financing system (see Chapter 2), has induced social housing managers to reduce the waste of resources (Priemus, 2003b). These findings by other authors are supported by the interviews with social landlords in Coventry and Breda. Here, managers state that tight firm budgets and external pressures from local and national stakeholders demand from them to use available resources to their most productive use in the sense that they have to develop and redevelop social housing estates at minimum costs given a required minimum quality of the dwellings themselves but also their management services. Most managers note that they see the risk to lose public support and also the support from internal supervisory boards if they do not minimise the costs of development and service production.

These observations link to the question of how the entrance of numerous profit-oriented landlords to the low-income rental sector can enforce these productivity pressures. On the one hand, one could speculate that the entrance of private developing companies could have some kind of learning effect for housing associations. It can be assumed that specialized developers have a competitive advantage above more traditional housing associations with regard to the expertise on building techniques and building standards, since their profit-oriented business models will see to a minimization building costs. If housing associations are able to mimic building practices from specialised developers, the attached process and product innovation mechanisms are likely to increase the productivity of the developing arms of social

landlords as a whole. However, here it should be noted that this is a question of the period we are looking at. Both in Coventry and Breda, as well as in the two countries, many housing associations have become large-scale developers of not only social housing estates but also of commercial real estate. Arguably, their expertise on modern production methods standards is on par with that of private developers, which means that the learning effect has long been completed. A similar thought is that social landlords in the two case study cities are confident that the activities in the commercial market segments can lead to experiences on how to run the social housing business at lower costs and giving them the knowledge to perform more successfully in the market as a whole. Yet, the context from where housing associations are coming from should not be neglected. They were established as social landlords and often started as public organizations, or at least have a background as organizations relying on public funding in the last decades. Therefore, it can be assumed that in the phase of entering commercial segments the knowledge on how to run a fully commercial business was relatively little. This implies that a long-term learning process on how to achieve an optimal balance between mission-related and profit-seeking rental activities, and thus optimize overall production modes in the rental market.

On the other hand, a maybe more evident effect of the entrance of private developers is that there are more genuine risks for social landlords to lose or not receive public subsidies.⁴ In the previous chapters it was described that in England all kinds of organizations can apply for social housing grants, while in practice local governments only have the choice between – and often prefer – few locally operating housing associations when deciding which organization should receive public grants. This means that the incentives to deliver a maximum amount of dwellings with a maximum quality for incumbent housing associations are relatively small. This problem becomes most apparent in the Netherlands, where the failure to comply with local performance agreements has no significant consequences. If governments however actively promoted the entrance of private sector companies by distributing direct and indirect public resources more equally, the productivity pressures on social landlords would increase.

Abstracting from such government-induced performance improvements there is a general question on the productivity effects of large-scale entrance of private landlords in the low-income rental segment. In Chapter 2 it was described that small-scale landlordism in the UK has often been labelled as being a cottage industry. If this was true and if part-time individual landlords rather than professional individuals and companies entered the market, the efficiency enhancing effect of more competition would be questioned severe-

⁴ See the reference to Bennett et al. (2003) in Section 5.1.2.

ly. A particular issue here is the role of housing allowances as the determinant of the pricing decisions of private landlords. The interviews with social landlords in Coventry suggest that where maximum allowance payments de facto stipulate the rent level in the low-income sector, cost reducing management practices are undermined, since a high level of returns is guaranteed. In other words, the efficiency improvements of the social housing sector might be mitigated by a lower efficiency in the private landlord segment, depending on which types of landlords enter the market.

A final argument is that if we follow the assumption that one reaction to increasing competition is an accelerating merger activity among housing associations⁵, the remaining question is how these mergers affect the performance of individual associations and the industry as a whole. In a recent paper, van Bortel *et al.* (2010) pick up this question and ask whether housing association mergers as experienced in the Netherlands and in England are a 'change for the better' with regard to service delivery, operating costs and housing production. Based on a literature review they conclude the increased scale in the association sector leads to mixed results. Large housing associations often benefit from economies of scale and economies of scope in the production and provision of social rental services, as well as services that complement these, as they are able to spread overhead to a larger housing stock, can operate in larger geographical areas, and can get favourable terms from lenders and suppliers (see also Mullins, 2006). These inherent advantages mean that large landlords are able to produce relatively more homes and invest more in large-scale projects, such as the modernization of the housing stock to achieve a better energy efficiency. As a result, a more competitive market as expressed in the existence of more and smaller suppliers – irrespective of whether these are nonprofit or for-profit landlords – might decrease the productivity of the sector as a whole.

Profitability

The second element of landlord level-performance is the question of how profit levels might be influenced by competition between social and private landlords. In the low-income rental sector it seems that the profitability of housing associations is generally low and is strongly circumscribed by government policies. Indeed, both in England and the Netherlands there are no profits to be made with the provision of rental accommodation for households in need. In the English rental system, social housing rents are stipulated by the rent formula (see Chapters 2 and 3), stipulating that they are only cost covering. In the Dutch case, it is more a process of self-regulation and

⁵ Surely, competitive pressures are not the only reason why firms seek to merge and in a long-run perspective it is exactly these merger activities that lead to a less competitive market environment.

a system of moderate rent setting and increases – which are often below the allowed maximum –, as well as high production cost that lead to zero, if not negative, profits in the provision of social housing. Under these circumstances, increasing competitive pressures can aggravate the low profitability of nonprofit housing associations' operations in the low-income sector. Where housing associations are affected by the loss of tenants to private sector landlords – as can be observed in the English case – the interruption of continuous rent payments increases the costs of providing social housing, which in turn decreases financial returns in the long run. Conversely, this ties in with the notion of possible productivity improvements, since the prospect of financial losses through persistent vacancies form competitive pressures to improve practices on keeping tenancies stable and holding turnover rates low.

Equally, from a private landlord's viewpoint profitability in the low-income rental sector is also largely prescribed by government policies and regulation and whether it enables satisfying profit levels. This line of thought is generally supported by the experiences of affordable renting in England. In recent years, it was indeed an increasing number of private landlords that saw a profitable business in providing government supported low-income rental accommodation. The interviews with landlords indeed suggest that as long as housing allowances guarantee high rental yields they seek to increase their supply in this market segment. As soon as guaranteed incomes disappear or the competitive pressures from other private landlords prevail, they are prepared to leave the market. In the Netherlands one can observe the reverse effect of government regulation. Landlords claim that government regulation and the unavailability of government subsidies means that the costs of providing accommodation in the regulated sector are too high to make satisfying profits.

In the commercial, more expensive market segment, where rents are not regulated and market forces determine the allocation of resources, competition can arguably have a more direct effect on the profitability of all types of providers. Drawing on the statements of corporate investors in Breda and the published statements of their umbrella organisation in the Netherlands (IVBN, 2008) it can be noted that they regard the existence of nonprofit housing associations and their competitive strategies as a general problem for their own revenues in the deregulated market segment. Since housing associations are able to impose asking rents that do not aim to maximize profits and are thus considerably lower than the asking rents of for-profit landlords, their business model is seen as an inherent competitive advantage in the commercial market segment. From this viewpoint the call for abolishing what institutional investors consider an unlevel playing field is more of a call for diminishing competitive pressures in the deregulated market segment by keeping prices and consequently profitability levels high. This is not to say that institutional investors are not right when they say that government sup-

port for the social housing activities of housing associations is leaking into their commercial activities (see above). Nevertheless, where the nonprofit business model is seen as the general problem rather than the alleged availability of government subsidies, the claim that housing associations should operate as profit maximisers and not as profit-oriented nonprofit organisations could be interpreted as a call for the complete abolishment of the commercial activities of all social landlords.

Social mission

Throughout this chapter and the thesis in general it was pointed out that, ideally, the social mission circumscribes the activities of housing associations in the rental market. The question thus is how competition processes might affect this social mission. Generally, there is an easy case for arguing that there is no direct impact. More or less providers in the low-income rental segment, or a higher degree of product similarity between the services of social and private landlords should not have a direct effect on the social goals of the nonprofit providers. After all, the social mission is the very reason for their existence. Nevertheless, there are some unresolved issues about the effects of the increasing provision of more expensive commercial rental housing, as a reaction to increased competitive pressures and commercialization requirements, on the social business as a whole.

Generally, and this holds true in both the English and the Dutch rental system, the effects of housing associations' commercial rental activities is a question of how these are organized and what the function of commercial activities is. In other words, from a social welfare point of view the main question is whether stronger growth in commercial segments such as the construction of owner-occupied dwellings and in particular the provision of rental housing for households not in housing need has negative impacts on the main mission or task of the housing association. The empirical research in the previous chapters suggests some mixed findings. First of all, where housing associations operate in the more expensive rental market segments on a substantial scale (i.e. in Breda), their strategies aim at long-term profit making through the minimization of vacancy rates. The fact that competing private investors have substantially higher asking rents for similar accommodation implies that short-term earnings could be increased through upward price adjustments; however, the focus on continuous rent streams in the long run means that cross-subsidization to the social renting sector can be stabilized and the overall performance of the individual firm might be optimized. From this follows that when the market conditions are right, there can be a positive utility from providing commercial rental accommodation.

However, the key question is how these activities are funded. The interviews with social landlords in Coventry and Breda propose that the housing associations' reluctance to enter the commercial rental sector on a larger

scale mainly results from the concern that the provision of commercial renting could dry up the resources for the provision of social housing. Up until now, it seems that the provision of commercial rental housing has been relatively successful for housing associations in Breda in the sense that revenues were relatively high, which in turn allowed for high levels of cross-subsidization. Yet, there are also concerns that the provision of private renting in the deregulated sector is becoming a second core business rather than a complementary activity to the provision of social rental housing for low-income households. It remains to be seen how the balance between the social mission and the solely profit-oriented business segment evolves, once the latter is experiencing less flourishing times as it is doing now. Quoting a survey among housing association managers in the Netherlands, Priemus and Gruis (2011) provide some evidence that stronger budgetary constraints and worsening market environments lead to cut backs in commercial housing investments. However, given the size of the sample (40 managers), this result can only be taken as a first indication.

Another consequence of large-scale commercial activities is that the social housing activities of the housing associations might not be adequately noticed by the various stakeholders any longer; rather they might get the impression that social landlords mimic the business foci of profit-oriented landlords. As a result, a general suspicion about the effective use of government subsidies and the public role of social landlords might occur. Particularly, in the Netherlands such discussions exist and have been spurred by what is perceived as an illegitimate use of public resources for the commercial activities of housing associations (Conijn, 2005). The assessment of Brown (2010) that such an overtly strong commercial business orientation will “cause political headaches for advocates of the nonprofit sector” (p. 101), indeed seems to get momentum in the public discourse in the Netherlands.

With regard to the effects of competition on the social mission of nonprofit landlords in the low-income sector, one argument is that is that profit-oriented landlords are often depicted in the housing literature as pursuing a cherry-picking strategy, meaning that they seek to provide accommodation for the least risky households, even when they operate in the low-income sector (e.g. Priemus, 2003b). The entrance of a large number of profit-oriented landlords would thus mean that housing associations are left with an increasingly residualized and more problematic customer base. However, this argument misses the point that ‘cherry picking’ could only be a successful strategy if profit-oriented landlords offered better products in this market segment. The housing literature does, however, not provide evidence that this is the case in reality; on the contrary, it is often the services of housing associations that tenants consider to be superior, mainly due to better maintenance stand-

ards and tenancy stability.⁶ As we have seen in the previous chapter, private landlords do indeed seek to accommodate tenants from which they expect the least problems; however, this cannot be considered as a selection of 'safe' tenants because at the same time they are not actively seeking to convince social tenants to move to their accommodation, but rather accept (or do not accept) households that cannot find adequate accommodation in the social housing sector.

5.3.2 Wider market effects

Price/quality relation

A first observation is that in the low-income market segments, where absolute rent levels as well as rent increases are stipulated, as in the English case, or at least regulated, as in the Dutch case, more or less competition between social and private landlords does not have a direct impact on the price of rental housing consumption. Accordingly, a better affordability of rental housing services in the low-income market is not primarily subject to competitive forces as such but to government decisions on how high rent levels should be. Theoretically, one would expect that under such conditions, competition between all types of landlords would take place on quality levels, in the sense that only those landlords who provide the highest quality of the dwelling and the best quality of management/maintenance services, succeed in the market. This in turn would mean that quality is increased overall. However, this assumption is only valid in markets where there is more demand than supply, or at least a balanced relation exists. Indeed the interviews with private landlords in Breda and Coventry suggest that the incentive to gain a competitive advantage by offering relatively high quality services is relatively low and one can observe quality shirking of private landlords in the low-income segment as common behaviour. This is particularly the case in England, where housing allowance payments seem to provide landlords with a satisfying return, irrespective of how they perform as a quasi-social landlord. In the Netherlands, on the other hand, a low quality strategy of profit-oriented private landlords is less obvious. It was said in the previous chapter that housing associations are increasingly pursuing a strategy in which relatively high quality dwellings are priced below the deregulation threshold, even though they could be offered in the deregulated segment. Against the background that the system of quality-based rent regulation makes low rent / low quality strategies for private landlords very unattractive, if not unfeasible, one can argue that private landlords are required to provide accommodation and rent-

⁶ This is a question that will be dealt with in the following chapter on tenants' perceptions and moving intentions.

al services that can match those of housing associations. However, given the higher costs of rental housing provision and production of private landlords – they are required to make profits and do not receive any government subsidies – the number of potential entrants to the deregulated sector remains very low.

A second line of thought concerns the commercial rental sector. It was said before that the nonprofit business model has allowed housing associations in Breda to enter the deregulated rental market segment with a comparably low rent strategy. Social landlords in Breda claim that even though their prices are lower, they do not shirk on quality at the same time, but apply the same management and service standards that are common in the social housing segment. As a result, their relatively lower rent levels put high pressure on profit-oriented corporate investors to provide high quality accommodation and high quality services at lower rents as well. From this we can conclude, that where genuine competitive processes take place – which is the case in the commercial private rental segment – consumer surplus in the market is increased. Conversely, where competitive forces are largely circumscribed by government decisions – i.e. in the low-income segment – the effect on aggregate price and quality levels is less apparent.

Output and consumer satisfaction

Arguably, the most obvious effect of increasing competition between social and private landlords is the increasing choice for the consumers of rental housing services. In recent years, the association sector together with the regulators of social housing in England and the Netherlands have sought to introduce elements of choice in the what was a fully needs-based allocation system (see Chapters 2 and 3). The main idea is that introducing an element of choice in the allocation of social dwellings, gives tenants the possibility to select a dwelling that reflects their housing preferences best. This in turn leads to an optimal allocation of resources, since undesirable services are neglected. However, it is questionable to what extent the element of choice is really effective in allocating the scarce social housing good in a more efficient way. It was explained in the previous chapter that in England and the Netherlands the prioritisation of households in need means that it is almost impossible for them to move within the social housing sector and find accommodation that satisfies their preferences better when personal situations change. Here, the expansion of the provision of private profit-oriented landlords in the low-income sector could actually introduce an element of effective choice, since it gives dissatisfied tenants the possibility to exit the social housing sector. A necessary condition for this is, of course, that these tenants are able to cover the additional rent that is to be expected when moving to the private rental sector, which again signifies the importance of housing allowance payments in making such a strategy of more choice in low-income

rental housing work.

Another perspective on the topic is that in a purely choice-based allocation model, social rental housing would not only become the playfield of competition between providers but also between consumers, since those with the greatest need would not be prioritized any longer and the alternative would most likely be a first-come, first-serve model, putting households in need in an inferior position. In the Netherlands, where new rules in choice-based allocation have tried to strike a balance between choice and need, one could indeed observe that where the key objective of social housing is the provision of housing for those who cannot pay the market price, needs must be the dominant allocation principle (Oxley *et al.*, 2008a).

In the commercial rental sector the research on landlord behaviour in the Netherlands has shown that consumer satisfaction might not be simply satisfied by more output and thus a wider array of choice in the rental market. It is rather the output of improved or new dwellings that comes to the benefit of consumers. In the interviews for this thesis, corporate investors stated that the entrance of housing associations with their relatively cheap and high quality housing stock has made the older parts of their housing portfolios, mainly the multi-family units from the 1960s and 1970s, relatively undesirable. As a result, many investors have decided to either dispose of these dwellings through sales and demolition or by investing in them to make them more desirable again. This means that in contrast to what might be expected when one looks at the number of added dwellings by housing associations, mixed market competition in the commercial rental sector does not necessarily lead to a change in the total number of provided dwellings. Hence, it is rather the increasing quality than the sheer quantity that adds to the benefit of the consumer.

5.4 Quantifying the competition-performance relation

Up until now, the effects of competition on the performance of mixed rental markets have been explored from a merely qualitative viewpoint. In other words, rather than examining the actual effects of mixed market competition, some possible effects have been analysed. Here, a reference was made to findings of other housing studies on the performance of the rental sector on the one hand, and the findings of the empirical material on landlord conduct on the other hand. It can be argued that by choosing such a qualitative approach, the primary research focus was on the relation between the concept of conscious rivalry and the performance of the rental market as a whole, while the explicit references to the role of the government in shaping market outcomes has provided a first indication of the link running from market per-

formance to market structure in the SCP of rental housing. Mainly due to data unavailability reasons, this study cannot provide a well-developed quantitative analysis on how a more or less competitive market structure influences the performance of the market and individual suppliers directly. Accordingly, a test of the structure to performance hypothesis is not done here. Nonetheless, it seems meaningful to discuss how this question might be approached in research practice.

It was pointed out in the introduction to this chapter that a simple way of analysing the competitive market-performance relation is to regress a proxy measure of the latter against a proxy measure of the former. In research practice, most studies have used a measure of profitability such as the total return on investment and compared this to the levels of supply concentration across different industries or across different geographic areas within the same industry. If one considered such an approach to be meaningful, a similar research design could be applied to the SCP of rental housing. Assume that we were interested in the effects of supply concentration on the profitability levels of dominant housing associations in various local rental markets in one country. In line with the definition of supply concentration in Chapter 3, one would need to consider two aspects: Firstly, the concentration of supply within the social housing industry; and secondly, the position of the housing associations within the whole rental market. For both items the Herfindahl Index could be calculated, where the two items should be included separately in an applied statistical model. One could then look at the effects of the second item on a selective measure of profitability, while holding other structural (e.g. the overall demand pressure on the rental market) and behavioural aspects (e.g. a measure of the degree of internal managerial efficiency) constant.

Similarly, depending on which aspect of performance a researcher is interested in, this approach could also be used for, i.a., a measure of productivity, aggregate price levels in the whole rental market⁷, or even the impact of market concentration on the social efficiency of housing associations. However, as simple as this sounds, there are apart from the question of data availability various problems with such a research design.

First and foremost, one might argue that it is relatively easy to find a useful indicator for measuring the economic performance of individual suppliers. For instance, profits could be measured by total rates of return, while productivity could be measured by individual vacancy rates. However, it seems inherently more difficult to find useful measures for assessing the social performance of landlords, let alone a measure that can assess economic and social performance simultaneously. Indeed, Mullins et al. (2011) point out that

⁷ For an example see Atterhög and Lind (2004).

the search for such indicators is a continuous and unfinished endeavour. It can thus be doubted that any existing performance measure could be simply applied to such a research, but some tailor-made indicator would be necessary.

Secondly, as interesting as the question of the linear relation between mixed market supply concentration and specific performance levels seems to be, it can, of course, only partially reproduce the relation between structure and performance in the SCP of rental housing. It was argued throughout this thesis that a perfectly competitive mixed market has different facets, where supply concentration is only one out of five aspects of market structure. Ideally, a quantitative model of market performance would include all these five aspects (supply concentration, spatial concentration within a local market, barriers to entry, barriers to access, and the price/quality relation) as independent variables; however, this would evoke further measurement problems. Both concentration measures, rent differentials, quality measure, and the demand/supply relation in the whole rental market are based on relative or absolute quantitative measures. In contrast, other aspects of market structure are qualitative by definition (e.g. policy-induced barriers to access consumption and entry supply) and it seems to be inherently difficult to quantify them in a statistical sense.

Thirdly, if one wanted to go as far as to assess the aggregate effect of the competitiveness of the rental market on an aggregate performance measure, the integration of individual quantitative indicators – assuming that this is possible – into one composite competitiveness indicator would be necessary. However, it has been pointed out that these composites have their own weaknesses. Among other things, they tend to oversimplify complex relationships, it is not self-evident how each underlying indicator should be evaluated and weighted, and the individual effects of single indicators on single performance items cannot be reproduced and interpreted (Freudenberg, 2002).

To conclude, in theory it does not seem to be very difficult to excogitate possible ways of quantifying the structure to performance relationship, thereby giving a more comprehensive picture of the effects of competition in mixed rental markets. However, in applied research there are various unresolved issues about the feasibility of a comprehensive quantitative approach, which are mainly grounded in the design and integration of workable performance and competition indicators.

5.5 Conclusions

In this chapter two key questions were explored. A first step was to give meaning to the term performance in the SCP of rental housing. By reviewing the industrial organization, housing, and nonprofit literatures, the argu-

ment was made that two different perspectives of performance need consideration. On the one hand, firm-level effects are about the impact of competition between social and private landlords on the productivity and profitability of both types of providers, as well as its impacts on the social mission of social landlords. On the other hand, market effects of competition are defined as the impact of competitive processes on the price/quality relation of the services traded in the market and the level of consumer satisfaction, which is a proxy for allocative efficiency. Furthermore, the nonprofit literature proposed a distinction between the possible effects of competition in the low-income market segment, which is normally dominated by incumbent nonprofit social landlords, and the commercial rental market segment, in which nonprofit housing associations principally are new entrants.

Utilizing the empirical findings of the previous chapter on landlord conduct and adding some insights from related housing research, the analytical framework of performance was then used to provide some first findings on the effects of competition on the performance of mixed rental markets. Unsurprisingly, the main finding is that depending on the specific circumstances competition can have positive as well as negative effects. It is beneficial if competitive pressures from private landlords lead to higher productivity levels of housing associations. It was shown that in Coventry, but not in Breda, the competitive pressures from the low-income PRS induce social landlords to improve tenancy management and to keep turnover rates at a minimum level. Furthermore, the inclusion of a larger multiplicity of landlords and thus business approaches can lead to more consumer satisfaction, if tenants get more choices and opportunities in the market and can make those choices effectively. However, unfettered competition in the low-income rental segment can lead to the failure of housing associations, which would not be in the public interest if their role in the housing market exceeded the pure provision of rental housing in that they are major actors in community building and urban renewal processes – a role which would most likely not be adopted by for-profit private landlords. From a government's viewpoint, effective competition could mean that competitive forces will see to a decrease in management slack and might result in a more efficient use of public subsidies – most importantly, the mechanism of punishing bad performance through contract terminations or non-renewals could be identified here. The Dutch case is a good counterexample for this. Where local authorities do not have strong enforcing powers and cannot effectively penalise housing associations' failure to act in accordance with the local performance agreements, because they cannot turn to other, better providers, landlord-level performance is likely to have suboptimal outcomes.

In the commercial rental sector it was shown that the sheer existence of nonprofit housing associations in the commercial rental sector in the Netherlands puts strong downward pressures on rent levels or upward pressures

on the quality levels of private profit-oriented investors. As a result, competition between nonprofit and for-profit landlords in the commercial segment can increase social welfare overall as it comes to the direct benefit of the consumers. A condition that has to be met, however, is that competition takes place on a level playing field. The inherent cost advantage of the housing association seems to have a positive effect on the aggregate performance of the commercial rental industry; nonetheless, if housing associations are at the same time able to use public subsidies for their commercial activities, cost pressures on profit-seeking private landlords might become overwhelming. Consequently, corporate investors and individual landlords might opt for exit strategies, with the result of a smaller or unchanged commercial rental housing stock overall, rather than trying to improve their price/quality bundles in a growing market. Finally, it was argued that increasing competition in the commercial rental sector could have a negative effect on the social mission of the housing association sector. Succeeding in this market is a resource-demanding endeavour, which might divert funding from the social business to the commercial market segment. Some housing association in the Netherlands, including one case in Breda, seem to be taking this game to the extreme, through which they are in danger of losing sight of what their obligations in the rental market actually are.

6 Tenants' willingness to substitute social and private rental services

In the previous chapters of this thesis, the different facets of a competitive relationship between social and private rented housing were explored with the original supply-side view of the Structure-Conduct-Performance paradigm in mind. Chapter 3 devised an analytical framework of the competitiveness of mixed rental housing markets and applied this framework to the case study cities of Coventry and Breda. In the previous two sections it was i.a. analysed how market structural aspects impact the actual competitive actions of social and private landlords (Chapter 4) and what the outcomes of more or less competitive markets might be (Chapter 5). It was shown that the degree of substitutability between the two rental services is a key aspect of a competitive rental market and thus competitive interactions and market outcomes.

The aim of this chapter is to add another perspective to the question of substitutability, because so far it has only been defined through observable product characteristics, such as absolute rent levels, quality characteristics, attached property rights, regulation aspects. This does not mean, however, that this chapter seeks to refute the structural view on rental markets and its relevance for the relation between the two sectors. Yet, the argument here is that such a view needs to be conceptually broadened, since it neglects tenants' willingness and ability to actually substitute social and private rental accommodation. Accordingly, this chapter is a deviation from the original SCP framework in that it gives special attention to the demand side in a market, where, again, the main argument is that substitutability is an endogenous concept, because it is not evident that social and private renting are homogeneous products. In terms of the overall theoretical framework, in this chapter the study moves to a meta-analytical level (see Figure 1.2), thereby giving this research on competition in mixed rental markets a more robust and far-reaching perspective.

If the behavioural, or better, psychological notion is added to the concept of substitutability, two additional aspects become relevant: Firstly, to get a better understanding of whether the structural perspective on product similarity actually matches the consumers' perspective, tenants' perceptions of the observable product characteristics should be examined. Secondly, it is not clear whether tenants, even if they consider social and private rental services to be substitutes, are willing and, maybe more importantly, able to consume either rental service. Accordingly, two research questions will guide the analysis in this chapter: (1) *What are tenants' perceptions of and attitudes towards social and private renting?, How can these perceptions and attitudes be explained?* and (2) *How do these attitudes and perceptions, as well as personal circumstances influence tenants' willingness to consume social and/or private rental services?*

Generally, substitutability is an abstract concept in the sense that it is hardly imaginable that when households decide about which housing service to consume they will be thinking in terms of the degree of substitutability. However, much of what seems to be relevant when reconsidering the decision pro-

cesses underlying the consumption of the two rental products relates to the concepts of tenure preferences and residential mobility. Where the former seeks to explain which factors determine a household's decision on which kind of housing service they want to consume, the latter seeks to unfold the conditions under which a residential move takes and can take place, where the preferences a household holds is one defining factor of a decision to move. Consequently, in order to make the concept of substitutability more graspable and frame it in the context of decision-making in real rental markets, tenants' tenure preferences and their intentions to move are used as proxy measures.

The research approach that has been chosen for this chapter is a cross-sectional quantitative survey among rental households in Breda and social renters in Coventry (for information on the sampling procedures and data see Appendix C). A larger sample of respondents was seen as a better research strategy to explore and explain the perceptions of tenants on the two rental sectors and their moving intentions within mixed rental markets. However, the explanatory analysis is solely based on the survey among 825 social and private tenants the Dutch case study city, while a case study city comparison of the views and moving intentions of social renters in Coventry (162 respondents) and Breda (519) is added in a second research step.¹ Accordingly, the structure of the chapter is as follows. In the next chapter the analytical framework for the analysis of perceptions and moving intentions will be devised. Hereafter, Sections 6.2 and 6.3 will present the research result from testing this analytical framework through the survey among rental households in Breda. Section 6.4 will present the comparison between the social tenant samples in Coventry and Breda. The last section will present a brief summary of all research findings.

6.1 An analytical framework of tenants' moving intentions in mixed rental markets

A decision to move, if it is by choice and not by force, helps households to meet their (changing) housing needs and preferences (Clark & Huang, 2004). Before a household moves it will be engaged in prolonged decision-making processes about, i.a., whether they should or should not move, to which kind of dwelling they should move, and where they should move. Generally, residential mobility can be regarded as a two-stage process, first the formation of an intention to move and second the accomplishment of the move, or the actual moving behaviour (Kley & Mulder, 2010). The pre-move thought does

¹ The reasoning for this approach is given in the beginning of Section 6.4.

not necessarily coincide with considerations about changing the housing tenure since households, due to specific circumstances in their socio-economic and/or demographic predispositions, might just seek to move to another neighbourhood or a bigger dwelling, but then within the same tenure form (Mulder, 1996). However, particularly when a decision to move overlaps with tenure change things start to get complicated, because each of the main three tenures is characterized by different attributes and functionalities, which appeal to different groups of housing consumers and to the same individuals in different stages of their life (Di Salvo & Ermisch, 1997).²

One aspect of the formation of a moving intention thus is the decision on which type of housing to consume. A simplified account of the tenure choice³ literature is the division into two main theoretical perspectives. On the one hand, formal economic models have focused on financial aspects of owning and renting, such as the relative costs of ownership versus rent payments, as explanatory factors of tenure preferences. The main assumption is that households choose the tenure that maximizes the household's utility within a given budget constraint. Demographic factors (e.g. household composition) affect tenure choice through changing socioeconomic status only and not through life cycle per se (Clark & Huang, 2004). On the other hand, sociologists, demographers, and geographers argue that tenure preference, and consequently tenure choice, is not a simple investment and consumption decision but is linked with changes in the household situation and the housing market. Here, the importance of socioeconomic factors is recognized, but also demographic characteristics and trigger events occurring during the life-course (e.g. a couple having a child) are significant factors for predicting tenure choice (Andersen, 2011; Clark & Dieleman, 1996). Furthermore, this perspective has led to few publications that have tried to make sense of the 'psychological' aspects, such as status and risk aversion, in these decision processes (Ben-Shahar, 2007; Coolen & Hoekstra, 2001).

The main reason for why the literature on tenure preferences does not provide an adequate theoretical model for this research is that it has almost exclusively focussed on the buying/renting cleavage (as exemplified by Ioannides, 1987; Börsch-Supan & Pollakowski, 1990; Bourassa & Hoesli, 2010) and to a much lesser extent on choices and decision-making processes on renting socially or privately. Certainly, there is a plethora of studies that aim to describe the structure and functionality of social and private rental housing (Scanlon & Whitehead, 2007; Scanlon & Kochan, 2011), thereby reveal-

² Arguably, these complications are particularly pronounced with regard to tenure change between buying and renting, since rental housing from a household's viewpoint has only consumption attributes, while buying is also an investment decision (Haffner, 2003).

³ Tenure choice and tenure preferences are here used as synonyms.

ing much about the roles of the two sectors and offering some implicit explanations of which factors might lead to the choice of private renting or social renting. Yet, with few exceptions (e.g. Di Salvo & Ermisch, 1997; Kemp & Keoghan, 2001), explicit research that tries to unfold the decision-making within the rental tenure is scarce.

A second strand of the residential mobility literature, which is relevant here, is the cleavage between stated (tenure-) preferences and revealed (tenure) preferences.⁴ A question that has attracted ample research is, when people have a specific moving intention in the housing market, why is it seemingly so difficult for many people to act on these intentions. Or in other words, why does the cleavage between moving intentions and actual moving behaviour exist? Here, it has been pointed out that real opportunities in the housing market and resources play a key role (Mulder & Hooimeijer, 1999). However, only in recent years have several studies succeeded to convincingly explain the existence of this cleavage through the use large-scale longitudinal samples and logistic regression modelling (e.g. de Groot *et al.*, 2011a; de Groot *et al.*, 2011b; Coulter *et al.*, 2011; Kley & Mulder, 2010; Di Salvo & Ermisch, 1997; Kan, 1999).⁵

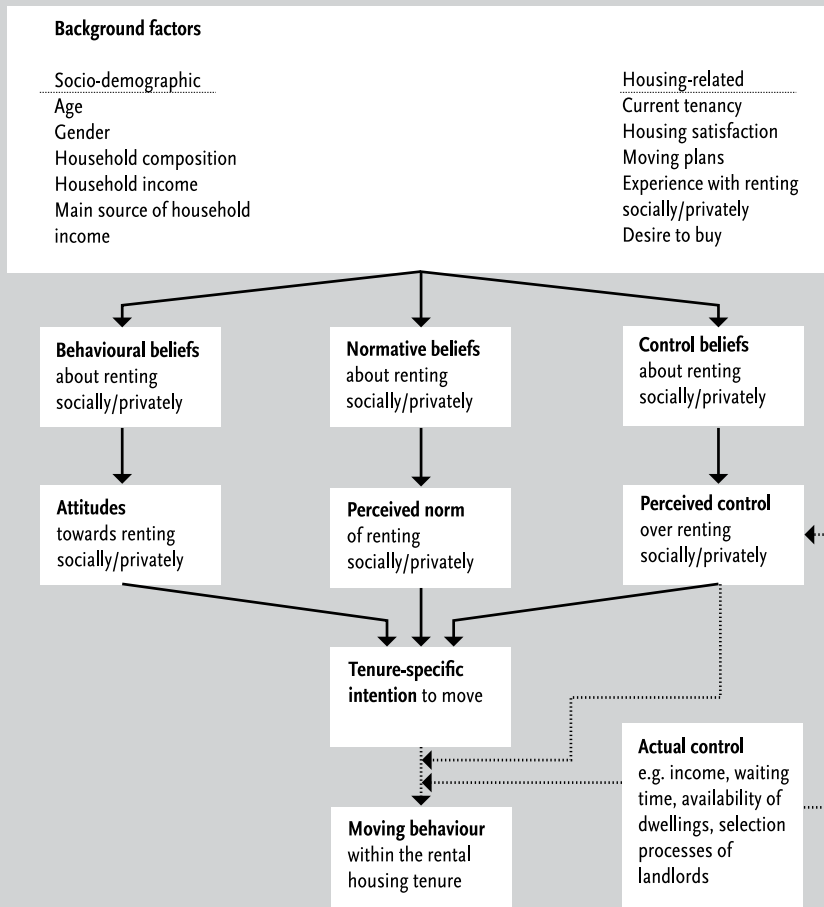
When explaining the theoretical relation between intentions and behaviour some of these studies refer to the reasoned action approach (RAA) of social psychologists Martin Fishbein and Icek Ajzen (2010, 1975)⁶, saying that behav-

4 From a methodological viewpoint the stated and revealed preference approaches have historically divided residential mobility studies into two camps, one where information on stated preferences is used to unfold households' moving intentions in the future and one where information on revealed preferences, i.e. the current housing situation, is used to understand actual moving behaviour in the past. Both approaches have their own weaknesses. The revealed preferences approach is based on the assumption that current tenure reflects the preferences of the household that existed when the moving decision was made in the first place. However, this neglects that the current dwelling might not fulfil a household's desires and needs, and might only be occupied due to the lack of other opportunities. The stated preference method, on the other hand, does not necessarily take into account the possibilities for realizing such preferences; e.g. most households indeed have a preference for owner-occupied housing, but many are not able to realize this goal (de Groot *et al.*, 2011a). As we will see, this study is in the tradition of the stated preference methodology.

5 The various studies put forward such explanations as unforeseen events/surprises, the strength of intentions, desire, and expectation, anticipated triggers of life events (e.g. new job, new education), resources and restrictions on a macro and micro level (income, current tenure – homeowners move less frequently, labour market position, household composition), local housing market opportunities (e.g. the availability of dwellings), as well as individual characteristics.

6 In the early stages of their work, Fishbein and Ajzen used the concept of Reasoned Action Approach, whereas in a later stage the model was called Theory of Planned Behavior. The main difference between the two models is that the latter predicts behavior that is not under volitional control of the person engaging in the behavior, which means that the theory of planned behavior integrates the aspects of perceived and actual control into the model (see text). However, in their most recent publication (2010) they extend their model with the person's background factor (including individual and socio-demographic criteria) and use the name 'Reasoned Action Approach' once again.

Figure 6.1 The reasoned action approach of moving behaviour within mixed-rental markets



This study only applies the model up until tenure-specific intentions to move (as indicated by solid arrow types). The explanation of actual moving behaviour and how actual control of acting on one's intentions are not considered in this study.

Adaptation of Fishbein & Ajzen, 2010

io-
 ioural intention is the best predictor of actually performing the behaviour (see also Armitage & Conner, 2001; Sheeran, 2002; Godin & Kok, 1996). Nevertheless, what these residential mobility studies are missing is that the RAA model provides a holistic framework for understanding moving behaviour in that it allows for the integration of not only the relation between behavioural intentions and actual behaviour, but – and more importantly for this study – it also presents a well-developed theoretical framework for understanding how intentions are formed (Miller, 2011). It is this part of the theory that directly connects to the two research questions on the perceptions of the two rental housing sectors and the moving intentions between them. Even though it has not directly been applied as a conceptual framework to rental, it seems to be more suitable than the existing conceptual approaches in the residential mobility and tenure choice literature.

The reasoned action approach (RAA) of moving intentions in mixed rental markets

The main assumption of the RAA is that human social behaviour follows reasonably and often spontaneously from the beliefs people possess about the behaviour under consideration – which would be in the case of this research the beliefs about renting a social or a private rental dwelling (see Figure 6.1). Generally speaking, beliefs are defined as the subjective probability that an object (renting socially, renting privately) has a certain attribute (e.g. is expensive, is secure, socially accepted, etc.). An example would be that a person might believe that living in a social dwelling (the object) increases the security to stay in their dwelling on a long-term basis. Beliefs originate in a variety of sources, including individual traits (personality, general attitudes, values, past behaviour) and social backgrounds (income, age, gender, etc.). Beliefs are not innate to an individual, but they are formed and changed through activities in the real world. There are a large number of potentially relevant background factors, and it depends on the behaviour in question, which factors are relevant and which not. Relying on the cited literature on tenure preferences and mobility decisions, one can argue that the notion of moving resources and restrictions in these literatures, closely relates to what is called background factors in the reasoned action model: age, gender, income, household composition, economic activity, current tenure, desire to buy, moving plans, housing satisfaction. These are all factors that have been described as good predictors of tenure preferences and moving behaviour (e.g. Clark & Huang, 2002; van Ham & Clark, 2009; de Groot et al., 2011).

Irrespective of how beliefs are acquired, they serve to guide the decision to perform or not perform the behaviour in question. Three kinds of beliefs are distinguished. Behavioural beliefs are about the assumed positive or negative consequences of engaging in the behaviour. These outcome beliefs are assumed to determine the person's general attitude towards the behaviour. Following Fishbein and Ajzen (2010, p. 76), attitude in this study is understood as “a latent disposition or tendency to respond with some degree of favorableness to a psychological object.” It is important to note the bipolar evaluative dimension of attitude, ranging from a negative through a neutral to a positive disposition. Also, it might not be helpful to understand attitude as the evaluative response in itself, but it is more of a hypothetical disposition, which can be inferred from other evaluative responses (Eagly & Chaiken, 1993). This simply means that individuals mainly do not think in terms of attitudes (such as “my attitude towards this is like that”) but intermediate constructs are present (“I do not like this, because of that”).

People also form beliefs about whether important individuals, groups, or members of society would approve of their behaviour (i.e. injunctive norm) and whether these people engage in similar behaviour and can thus serve as a positive or negative example (descriptive norms). Together these normative

beliefs determine the perceived norms of a person to engage in the behaviour. In the context of rental housing a descriptive norm would mean that a tenant would perceive social pressure to live or not to live in a social/private rental accommodation, because his friends, family, and other influential people live in social/private rental accommodation as well. Injunctive norms, on the other hand, concern the question of whether a friend, family member, or other influential people would support the individual in his decision to rent socially or privately.

Finally, people hold beliefs about their personal dispositions and environmental factors that facilitate or inhibit them in engaging in the behaviour. In their aggregate, these control beliefs form a high or low level of perceived behavioural control, which can be understood as a concept measuring the influence of such different aspects as choice, autonomy, and self-efficacy⁷, which is a person's belief to succeed in a given situation (Bandura, 1997). The contention here is that the concept of perceived behavioural control incorporates resources/restrictions as well as environmental opportunities and constraints into the prediction of behavioural intentions, which are presented as important factors in the tenure preference and residential mobility literatures. In the reasoned action approach in general but in our context in particular, perceived control seems to have a crucial position. It is reasonable to assume that if people do not think they have control over moving to either social or private renting, they may not form the intention to do so in the first place, even if they hold positive attitudes towards either rental sector and perceive equal societal pressure to rent a social or private rental dwelling.

Once attitudes towards, perceived norms of and perceived control over engaging in certain behaviour have been formed they can lead to the formation of a behavioural intention – the readiness to perform the behaviour. The general rule is that the more positive attitudes, and the stronger perceived norms and perceived control, the more likely a person is to hold the behavioural intention in question. From a statistical viewpoint, various studies have shown that the three determinants of intentions almost never carry similar statistical weights. However, Fishbein and Ajzen (2010) convincingly argue that this does not challenge the theory as a whole, but just emphasizes that the relative importance of each item depends on the behaviour and populations that are analysed.

The intentions formed in this fashion can then be used to predict whether a person engages in the behaviour; again, the stronger the intention the more likely the performance of the behaviour. There is, however, no contingent link between the two factors, since there might be a lack of resources (including

⁷ Some authors argue that there are specific differences between the concepts of perceived behavioural control and self-efficacy. For an extensive discussion on this issue the reader is referred to Armitage and Conner (2001).

skills, financial resource) or the presence of environmental constraints that can impede a person from acting on their intentions. This means that individuals may lack actual control over the performance of behaviour. Volitional (actual) control is assumed to moderate the intention-behaviour relation, i.e. if they have enough actual control, intention should be a good predictor of actual behaviour⁸.

Deviations from the original RAA theory

In general, the reasoned action approach serves as a theoretical framework for analysing the perceptions of social and private renting – including attitudes, perceived norms, and perceived control – and moving intentions of tenants within rental markets. Nevertheless, there are some aspects that should be seen as a deviation from the original model, which means that in the end there is no possibility to make all-encompassing conclusions on the validity of the RAA theory in rental housing markets.

First and foremost, as this study relies on cross-sectional data, this chapter actually focuses solely on tenure-specific moving intentions rather than on actual moving behaviour. This means that the study cannot exactly predict tenure-specific moving behaviour from intentions, since we lack information on whether a move is performed, which in turn implies that the analysis of actual control would remain speculative. Therefore, it should be clear that the exclusive focus on behavioural intentions falls short of understanding the whole process of actual tenure change within rental housing. Nonetheless, given the main aim of this chapter – i.e. to achieve a better understanding of the conditions under which tenants are willing to substitute social and private rental services – a lack of data on actual moves is relatively unproblematic. Also, using the concept of perceived behavioural control arguably covers many aspects of whether a household could actually move between the two sectors, or more precisely whether a household can consume both rental services.⁹

Secondly, intentions and behaviour relate to the process of moving within the rental market, whereas beliefs relate to the notion of consuming either rental service (i.e. living in a social or private rental dwelling). Arguably this deviates from the original theory in that beliefs, perceptions, intentions and behaviour should measure the exact same aspect. However, it seems reason-

⁸ In most cases of applied research there is however a lack of information about all internal and external factors that might inhibit or support the effectuation of a given behaviour. In this case, perceived control can be used as a proxy, since often, but certainly not always a person's perception of their control is a relatively realistic reflection of actual control (Armitage & Conner, 2001).

⁹ The remaining question then is how realistic perceived control is in relation to actual control. However, this question cannot be answered in the context of this research.

able to integrate the concepts of consumption of a rental service and the tenure-specific intention to move into one framework, since measuring beliefs about actual moves might distort the outcomes. Moving to other accommodation is normally not a goal in itself; it is rather the action that is performed to achieve a desired or preferred living condition (Goetgeluk, 1997). Therefore, moving behaviour is a synonym for tenure change, where beliefs and perceptions focus on the consumption aspect and thus remain on a high level of generality, rather than examining the specific moving event.

Thirdly, in contrast to the original model in which an individual can take a decision between engaging in the behaviour in question or not engaging in it, this study uses the RAA to analyse whether an individual intends to engage in one behaviour (moving to a social rental dwelling) or the other (moving to a private rental dwelling). This has two implications: On the one hand, different beliefs, attitudes, norms and control always relate to one of the two objects – e.g. beliefs about the quality of social rented dwellings as well as beliefs about the quality of PRS dwellings, which arguably adds a higher level of complexity to the research. On the other hand, it is generally not helpful to regard rental housing markets as closed systems, and it is, of course, true that many renters rather than holding a preference for rental housing would prefer to move to an owner-occupied dwelling in reality or do not intend to move at all. Equally, decisions about moving do not necessarily relate to tenure choice, but they might be mainly about, i.a., preferred neighbourhoods, the type of dwelling. However this thesis is primarily interested in the relation between social and private renting and thus seeks to understand tenure-specific mobility decisions and choices within the rental sector. Consequently, the research abstracts from certain complexities and thus presents a simplified model of tenure-specific moving intentions.

That being said, the following three sections present the research results on tenants' attitudes towards and perceptions of social and private renting in Breda (Section 6.2), tenants' moving intentions within the rental market in Breda (Section 6.3), the descriptive comparison of social renters' attitudes towards and perceptions of the two rental sectors and their tenure-specific moving intentions in the case study cities. The conclusions will then reflect on the implications of the theoretical and methodological deviations from the original RAA model.

6.2 Tenants' perceptions of and attitudes towards social and private renting in Breda

This section deals with the first set of research questions: *What are tenants' perceptions of social and private renting? How can these perceptions be explained?* For this the survey among social and private tenants in Breda is analysed.

Generally, the theoretical and methodological approach in this section is close to the original RAA model in that it seeks to describe behavioural, normative, and control beliefs – i.e. tenants' views on the alleged attributes of social and private rental housing, and how the separate belief types together with an individuals' background characteristics can predict attitudes towards, perceived norms of, and perceived control over social and private renting (see Figure 6.1). The section begins with a description of which independent and dependent variables were used and how they were composed. Secondly, the statistical approach is explained. Hereafter, the results of the survey analysis are presented and the some conclusive remarks on the research questions are given.

6.2.1 Dependent and independent variables

Background factors (independent variables)

Based on the findings of the housing literature on tenure preferences and tenure-specific moving behaviour, the following socio-demographic and housing related-background factors are used as predictors in the various models (see top box in Figure 6.1): Age (continuous), gender (categorical dummy), income (three categories: below €1,850; between €1,850 and €2,650; more than €2,650 of net household income per month), main source of income (two categories: from employment; not from employment), household composition (three categories: single-person household; multi-person without children; multi-person with children) are used as socio-demographic criteria. Current tenure (four categories – social tenant; private tenant renting with a private landlord in the deregulated sector; private tenant renting with a housing association in the deregulated sector; private tenant renting with a private landlord in the regulated sector), experience with social renting/experience with private renting (two categories: yes; no), housing satisfaction (ordinal Likert scale¹⁰ from very unsatisfied to very satisfied) are used as housing-related background factors. Further explanations for all of these variables are provided in Appendix C.

Behavioural beliefs (independent variables)

Again, behavioural beliefs are about the assumed positive or negative consequences of engaging in certain behaviour, thereby determining the person's general attitude towards the behaviour. Most studies that apply the reasoned action approach measure behavioural beliefs on seven-point graphic scales with endpoints such as disagree-agree, unlikely-likely or true-false (see Fran-

¹⁰ See Likert (1932).

cis, 2004). Which behavioural beliefs should be examined? There are several possibilities to select salient behavioural beliefs about attitudes towards a subject. Here, the idea is to make a reference to the observable product attributes of social and private rental housing as presented in Chapter 3. Accordingly, the questionnaire asked tenants about the following attributes: the quality of dwellings, the quality of location, rent levels, the availability of dwellings, variability of the housing stock, security of tenure (including security against high rent increases), maintenance standards by landlords and the service of landlords. An additional belief that was not included before is the level of social problems in the sector.¹¹ For each of these nine attributes a positively formulated proposition was given to which tenants should express how unlikely/likely they find the situation.¹² Two examples are:

The quality of social rental dwellings is high

Unlikely 1 2 3 4 5 6 7 Likely

The quality of private rental dwellings is high

Unlikely 1 2 3 4 5 6 7 Likely

Social tenants often cause social problems or disturbances

Unlikely 1 2 3 4 5 6 7 Likely

Private tenants often cause social problems or disturbances

Unlikely 1 2 3 4 5 6 7 Likely

Fishbein and Ajzen (2010) argue¹³ that rather than looking at only the probability of whether the belief that the object has a certain attribute, assessing attitudes should include the evaluation of these attributes as well. For example, in addition to measuring the strength of respondents' approval to the proposition that a social rental dwelling is of high quality, it should have been asked whether tenants think that living in a dwelling with a high quality is good or bad for them. Additionally, other authors (e.g. van Harreveld et al., 2000) have proposed that that some beliefs are more important than others for attitude. Accordingly, each attribute should be related to its importance. This would have required a question about the importance of quality when selecting a new rental dwelling. Ideally, all three aspects should be included in the statistical model.

11 The idea here was to include a subjective belief that can reveal the levels of discrimination shown by the respondent.

12 See Appendix C (questionnaire design) for a more comprehensible overview.

13 Actually, the RAA theory contends that only when examining behavioural belief strength and the corresponding outcome evaluation, we are able understand the attitudes of people towards a given object of behaviour, an argument that is supported by ample research on the topic (see e.g. Armitage & Conner, 2001).

However, this study deviates from the practice of the RAA model in the way that respondents were not asked to evaluate the outcome of the belief, but only to evaluate how important each of the nine attributes is to them on a one to seven scale with the endpoints very unimportant (= 1) and very important (= 7). The rationale for using importance of an attribute but not the outcome evaluation of the same attribute in explaining attitudes had mainly pragmatic reasons. The questionnaire was already relatively long and complex. Accordingly a choice needed to be made between the two. In the end, importance was chosen since it was assumed to be more informative. The assumption here was that if, for instance, respondents state that security of tenure is very important for their decision of renting or not renting a certain dwelling, and given that the same respondent ascribe higher security of tenure to social renting, then we can expect that this respondent has a more positive attitude towards social renting than private renting and all else being equal¹⁴ ultimately has stronger intention to move to a social rental dwelling. However, during the statistical examination it turned out that using belief strength alone led to better regression results with regard to parsimony and the explained variance (for similar outcomes see Gagné & Godin, 2000). Accordingly, the results that include the importance of attributes are not presented here.

Attitudes towards social and private renting (dependent variable)

If one accepts the notion that attitudes have a bipolar evaluation dimension, the main challenge when measuring such attitudes is to obtain a score that represents a person's position on a bipolar scale. Here, a widely used approach is the semantic differential method by Osgood *et al.* (1957), in which respondents of a questionnaire are asked to rate the attitude object through different labels on several seven-point evaluative semantic differential scales. In this study respondents were asked to evaluate the following aspects of social and private renting on bipolar seven places scales with four as a neutral value.

I find living in a social rental dwelling

bad	1	2	3	4	5	6	7	good
unpleasant	1	2	3	4	5	6	7	pleasant
disadvantageous	1	2	3	4	5	6	7	advantageous
boring	1	2	3	4	5	6	7	fun
negative	1	2	3	4	5	6	7	positive

14 The value of the beta coefficients of individual predictors in the regression models is always only valid under the assumption that every other predictor is held constant. This is meant when using the terms 'all else being equal' or '*ceteris paribus*'. These terms will not be used when describing all predictors in all models, but they should be understood as being present.

The same design was then applied to measure a respondent's general attitude towards private renting.

The internal consistency of the five items was tested with Cronbach's coefficient alpha (Cronbach, 1951) for attitudes towards social and attitudes towards private renting respectively. Based on the very high coefficient alphas (.944 for social renting and .955 for private renting), it can be said that the five separate items together form reliable scales.¹⁵

For both sectors the mean across the five items was then taken as a measure of the person's attitudes. Due to the very high inter-item correlations, it was decided that cases were excluded only when all five items were missing.¹⁶ The general attitudes of a person towards private renting and social renting, including all five items, will be labelled as positive (the average of the items is above 4.0), neutral (equals 4.0) or negative (below 4.0), primarily because the positive/negative dichotomy is arguably the broadest semantic concept of the five items.

Normative beliefs (independent variables)

Similar to the relation between attitudes and salient behavioural beliefs, the RAA model assumes a positive link between salient normative beliefs and perceived norms (or perceived social pressure). To repeat, a distinction is made between injunctive norms, which are beliefs about whether important individuals, groups, or members of society would approve of a given behaviour, and descriptive norms, which determine whether these people engage in similar behaviour and can thus serve as a positive or negative example. In this study, only injunctive norms are considered, mainly because the assumption that a person rents a social dwelling or a private dwelling because important others do so as well is not plausible.

15 It should be mentioned that the label disadvantageous and advantageous in the private rental category deviated stronger from the other labels than every other. The inter-correlation value was with 0.75 lower than the .85 to .95 values of the other items, where the deletion of the disadvantageous/advantageous item would have increased the α coefficient to 0.966. In non-statistical terms, respondents less often see private renting as an advantageous housing option than as, for instance, a good or positive option. Nonetheless, the approach here was to leave all five items in the total scale, mainly because the increase of α was only marginal.

16 For attitudes about the social rented sector, 83 per cent of all respondents filled in all five items, while 11.8 per cent did not supply an answer at all. Three per cent of all respondents supplied an answer for only one of the five items. With regard to the PRS the missing cases rate was higher (20.4 per cent), while the 'one-item response' was about the same as in the social rental sector (4.6 per cent). The group that gave an answer to all five items was by far the largest with 71.5 per cent. To increase the reliability of this approach, Cronbach's alpha was also calculated for those respondents who provided answers to all five answers only. Here, we could see that the alpha scores were very similar for both cases – in the PRS a difference of -.008 and in the social rented sector a difference of -.005.

Moreover, injunctive normative beliefs only differ from perceived norms in that they define specific referent persons or groups rather than using a general social agent. Since the questionnaire did not ask for the influence of specific individuals, such as parents, siblings, friends or colleagues, on the respondent's decision-making processes, this study only applies a direct measure of perceived norms rather than measuring injunctive normative beliefs. As a result, the statistical examination of possible explanations for perceived norms of social and private renting do not include beliefs as independent variables but only the various background factors.

Finally, in line with the measurement of behavioural beliefs and outcome evaluation, Fishbein and Ajzen (2010) argue that it is equally important to consider an individual's motivation to comply with the views of these groups. This suggests that the researcher should look at the interaction of normative belief strength and motivation to comply. Accordingly, it was tested in the statistical examination whether the addition of the opinions of influential others is considered as important when selecting a new dwelling. However, the addition of motivation to comply did not lead to better results with regard to parsimony and the explained variance and was thus omitted from the analysis.

Perceived norms of social and private renting (dependent variable)

The scale variables perceived norm of social renting and perceived norm of private renting were constructed from the mean of the following two survey questions:

As a social tenant you are afflicted with a negative and discriminating reputation

Disagree 1 2 3 4 5 6 7 Agree

As a private tenant you are afflicted with a negative and discriminating reputation

Disagree 1 2 3 4 5 6 7 Agree

People who are important to me would think it is fine if I lived in a social rental dwelling

Disagree 1 2 3 4 5 6 7 Agree

People who are important to me would think it is fine if I lived in a social rental dwelling

Disagree 1 2 3 4 5 6 7 Agree

Again the internal consistency of the two items was investigated with Cronbach's alpha. Relatively low scores in both sectors led to the decision to not include cases where one of the two items was missing. Furthermore, to be able to combine the two items in a meaningful way, the results of the first item were reversed. Accordingly, for both items higher numbers meant positive answers of the respondent.

Control beliefs (independent variables)

Control beliefs can generally be subdivided into internal and external factors, where the former correspond with the personal resources of the respondent and the latter to the environmental opportunities. Three salient control beliefs are used in the models of perceived control over renting socially and renting privately. Firstly, the influence of landlords' allocation policies on tenants' abilities to move to the sector is primarily an external factor, since the allocation system is not in the hands of tenants. However, for the social renting model internal resources play a role as well, since tenants can or cannot have enough waiting time to access a specific dwelling. Secondly, respondents were asked whether they perceive the transaction costs that they face when moving to a social or private rental dwelling is seen as a barrier to move. Arguably this is mainly about the internal (financial) resources of the tenant; however the level of transaction costs is defined by suppliers and can thus also be seen as an environmental constraint. Finally, respondents' perception of whether they have the financial means to enter the private or social rental sector is clearly an internal resource or restriction to move to social or private renting. Interestingly, and arguably a specific trait of this research is that financial resources can have different meanings in the two rental sectors. Where the proposition 'my financial resources allow me rent privately' (seven-places scale, disagree/agree as endpoints) clearly asks for ability to cover the rent, the same proposition in the social rental sector can also imply that the respondent's income is possibly too high to access the social rented sector.

The RAA model stipulates that a researcher interested in control beliefs should measure both the belief strength of the factor as well as the power of the factor (Fishbein & Ajzen, 2010). In practice, this was done for all control beliefs, by asking the respondent, for instance, how important additional costs (e.g. deposits or a letting agent fee) are when renting a new dwelling. However, similar to behavioural beliefs and normative beliefs, including the power of control beliefs did not increase the explanatory power of the model, neither as individual variables nor as an interaction term with the corresponding control belief. Therefore they are not presented in the models below.

Perceived control (dependent variable)

The distinction between perceived control and control beliefs is that the former applies a direct measure of perceived control over engaging in the behaviour, whereas the latter examine specific aspects of the direct control measure. Measuring perceived control should therefore aim to probe for one concept that can comprise the variety of specific aspects. In the questionnaire, respondents were thus asked to evaluate their agreement with the following proposition.

It is easy for me to move to a social rental dwelling if I wanted to
 Unlikely 1 2 3 4 5 6 7 Likely

It is easy for me to move to a private rental dwelling if I wanted to
 Unlikely 1 2 3 4 5 6 7 Likely

6.2.2 Statistical methods

The empirical analysis contained a descriptive part and a multivariate analysis. To answer the first research question on the differences between the views of tenants on social rented housing and their views on private renting, the two sectors are compared for behavioural beliefs, injunctive normative beliefs and control beliefs (see Table 6.1), as well as general attitudes, perceived norms and perceived control (see Table 6.2) through a paired-samples t-test analysis (Sirkin, 1995).

To be able to explain differing attitudes towards and the perceptions of the two rental sectors, multiple linear regression modelling (Cohen, 1968) was applied. For both social and private renting, attitudes were regressed on background factors and the nine behavioural beliefs (Models 1 and 2 in the next section; see Table 6.3). Perceived norms were regressed only on background factors – as explained, norms were only measured directly (Models 3 and 4 in Table 6.4). Perceived control over social renting and private renting were regressed against all background factors and the three control beliefs (Models 5 and 6 in Table 6.5). This led to a total of six linear multivariate regression models. Hierarchical regression was applied in order to control for the separate effects of background factors and beliefs on the three independent variables. Step 1 included all background factors, while Step 2 added the tenure-specific beliefs. This was done to be able to measure the separate effect of behavioural beliefs. All variables were included with the entry method. For most questions, tenants were provided with a ‘don’t know’ category. Given the complexity of the questions/propositions regarding perceptions and attitudes (as well as moving intentions in the next step), it is unsurprising that particularly here the ‘don’t know’ category was used quite frequently. For all dependent and independent variables, the ‘don’t know’ category was treated as a missing case in the regression models. As a result, (including logistic regression on tenure specific moving intentions – see below) N was smaller in the regression models than the overall sample size of 825 participants. Nevertheless, the relatively high number of missing cases appears to be unproblematic, since bivariate analysis of comparing respondents and missing cases on all relevant socio-demographic and housing-related characteristics (not shown here) suggests that the regression sample reflects the overall sample well.

From the reasoned action approach the following hypotheses are derived: The nine behavioural beliefs about social (private) renting have a strong pos-

itive effect on general attitudes towards social (private) renting. The way the propositions were put in the questionnaire means that for the three attributes rent levels, low availability, and presumptions about antisocial behaviour, a negative correlation coefficient is hypothesised. Furthermore it is hypothesized that there is a positive effect of control beliefs on perceived control, both in the private and in the social rented sector. Due to the wording of the propositions a negative correlation coefficient is assumed for the allocation rules of landlords as a barrier to consuming private or social rental services and the additional costs when moving to a social or private rented dwelling. For the various background factors no hypotheses were made, but an exploratory approach was used. However, it could be argued that a positive effect of current tenure on attitudes and perceptions seems intuitive.

6.2.3 Results

Descriptive results

The following subsection presents the descriptive and multivariate results of tenants' attitudes towards and perceptions of social and private renting. Table 6.1 shows the test statistics (paired samples t-test) for the nine behavioural, the two injunctive normative beliefs, and the three control beliefs. Generally, it can be seen that the attributes that tenants ascribe to the two rental sectors differ significantly in their strength, where the quality of social and private rental dwellings and the acceptance of important others of the two rental tenures are the exceptions. There are, however, certain aspects where the mean of differences is particularly high. Firstly, tenants ascribe high absolute rent levels to the private rental sector and comparably low rent levels to social renting. Secondly, respondents expect that it takes long before they could get a social dwelling (i.e. low availability), where the opposite is true for private renting. These two items largely confirm the ascribed roles of social and private renting in the literature (Scanlon & Whitehead, 2008; Scanlon & Kochan, 2011). Thirdly, tenants expect less choice in the social than in the private rental sector. Fourthly and interestingly, social landlords are perceived to have both better maintenance standards and landlord services. On the other hand, respondents expect social tenants more often to show antisocial behaviour and they see the quality of private renting locations as higher. The fact that security of tenure is perceived to be relatively high with little differences between the two tenures, most likely reflects the strong property rights tenants savour in both the regulated and deregulated rental market segments in the Netherlands (see Elsinga *et al.*, 2009).

Comparing normative beliefs about the two rental sectors suggests that stigmatization from relatives and friends, as well as wider society seems to be relatively weak, with a slightly more negative image of the social sector though. The strength of control beliefs differ substantially, particularly with

Table 6.1 Test statistics for tenants' beliefs about renting a social or a private rental dwelling

	Mean	N	SD	Mean of difference
Behavioural beliefs				
High quality of social dwellings	4.76	519	1.42	-0.03
High quality of private dwellings	4.79	519	1.44	
High quality of social housing locations	4.30	544	1.48	-0.81***
High quality of private renting locations	5.11	544	1.19	
High rent level of social dwellings	3.91	624	1.79	-2.44***
High rent level of private dwellings	6.35	624	1.01	
Low availability of social dwellings	6.19	529	1.28	2.32***
Low availability of private dwellings	3.87	529	1.79	
High variability of SH offer	3.52	522	1.79	-1.39***
High variability of PR offer	4.91	522	1.57	
High security of tenure in social housing	5.06	512	1.73	0.31***
High security of tenure in private renting	4.75	512	1.63	
Good maintenance by social landlords	5.23	484	1.40	0.88***
Good maintenance by private landlords	4.35	484	1.53	
Good service of social landlords	5.28	451	1.38	1.06***
Good service of private landlords	4.23	451	1.54	
Often antisocial behaviour of social tenants	4.45	512	1.76	0.89***
Often antisocial behaviour of private tenants	3.56	512	1.44	
Normative beliefs				
Strong stigmatization of social tenants	3.57	512	1.83	0.84***
Strong stigmatization of private tenants	2.73	512	1.46	
High acceptance of renting in social housing by important others	5.97	602	1.60	0.10
High acceptance of renting in private renting by important others	5.87	602	1.66	
Control beliefs				
Allocation procedures by landlords might impede access to SH	4.76	468	2.07	0.71***
Allocation procedures by landlords might impede access to PRS	4.06	468	2.07	
Income situation allows for renting a social dwelling	5.94	656	1.75	2.33***
Income situation allows for renting a private dwelling	3.61	656	2.20	
Transaction costs when moving to social housing as a barrier	3.02	608	2.01	-1.24***
Transaction costs when moving to private renting as a barrier	4.26	608	2.29	

Notes: Cases were excluded analysis by analysis. Listwise exclusion (N=249) led to similar results, where the only difference was the insignificance of mean of difference of security of tenure belief.

***p<0.01 (level of significance for t-test).

regard to the self-efficacy of being in a situation in which households can afford living in a social or a private rental dwelling. Finally, it could be said that there is a surprisingly small gap between the perceived effects of landlords' allocation procedures on one's own control to rent a social or private dwelling. We would have expected the perceived allocation barrier to be much stronger in social than in private renting.

Considering that the mean of differences between the two sectors is relatively small for many belief items, one might presume that the difference between general attitudes, perceived norms and perceived control are not strongly pronounced. However, as one can see in Table 6.2, this only holds true for perceived norms; here, respondents indeed ascribe only a slightly better image to private renting. The differences for perceived control are not strongly pronounced as well (mean of difference is 0.61), but overall it can be seen that perceived control over renting socially is positive on average, whereas it is slightly negative in the private rental sector. This pattern can also be observed for attitudes towards social and private renting. There are large differences between the two sectors, where general attitudes towards

Table 6.2 Test statistics for attitudes towards and perceptions of renting socially and privately

	Mean	N	SD	Mean of difference
Attitude towards renting socially	5.41	606	1.49	
Attitude towards renting privately	3.72	606	1.83	1.68***
Perceived norm of renting socially	5.26	645	1.50	
Perceived norm of renting privately	5.59	645	1.35	-0.34***
Perceived control over renting socially	4.49	693	2.13	
Perceived control over renting privately	3.89	693	2.09	0.61***

Notes: Cases were excluded analysis by analysis; listwise exclusion (N=514) led to similar results.
 *** $p < 0.01$ (level of significance for t-test).

social renting are highly positive, but slightly negative for private renting – it should be noted again that the dichotomous grade scale from 1.0 to 7.0 means that 4.0 can be regarded as a cut point.

Multivariate analysis

The following step was to analyse the influence of background factors and beliefs on each of the six outcome variables (attitudes towards social/private renting, perceived norm of social/private renting, perceived control over social/private renting) through multiple linear regression. Tables 6.3 to 6.5 show the beta coefficients, the standard error and the standardized coefficients of each parameter, as well as the R^2 – i.e. how much of the variance of the outcome variable is explained by the predictors – value including the improvement of the model when adding beliefs (ΔR^2). Each model was controlled for multicollinearity among predictors as well as the patterns and influence of standardized residuals (Hutcheson & Sofroniou, 1999). For attitudes towards social housing and attitudes towards private renting models, collinearity statistics suggest that there is multicollinearity¹⁷ between behavioural beliefs about maintenance and service of landlords¹⁸. There are some outliers with regard to standardized residuals in the attitudes towards social housing model – 2.2 per cent of the cases have a Standard Residual of > 2.5 , 8 outliers with a Standard Residual of > 3 . However, Cook's distance¹⁹ for these cases was well below 1, thus none of the cases had a disproportionate influence on the model.

Attitudes

Model 1 in Table 6.3 shows the results for attitudes towards social renting. Background factors alone can explain a moderate 17.1 per cent of the outcome variable. Among all parameters, four are found to be significant. Every other variable held constant, increasing income (as measured by income groups) has a negative relation with the attitudes towards social renting.

¹⁷ Multicollinearity is a situation in which two or more variables are closely linearly related.

¹⁸ This assessment is based on high (> 50) variance decomposition proportions for both variables on the same eigenvalue (for an explanation see Kallaghan & Chen, 2008). The meaning of this is that the outcome of either one of the two variables is influenced by the other and that their influence in the model is smaller than if only one had been included.

¹⁹ Cook's distance is a measure of the overall influence of a case on the model. It is suggested that a value of greater than 1 may be a case for concern.

Table 6.3 Multivariate linear regression of attitudes towards social and private renting

Variables	Model 1 - attitudes towards renting socially			Model 2 - attitudes towards renting privately		
	B	SE	β	B	SE	β
Step 1						
Constant	3.73***	0.46		1.78***	0.61	
Age	0.01	0.00	0.10	0.00	0.01	0.01
Gender (ref. male)	0.13	0.13	0.05	0.23	0.17	0.07
Household income > €2,650 (ref. < €1,850)	-0.49**	0.23	-0.12	0.90***	0.27	0.22
Household income €1,850 - €2,650	-0.29	0.15	-0.10	0.48**	0.21	0.14
Main income not from employment (ref. from employment)	-0.17	0.14	-0.06	0.19	0.19	0.06
Private tenant – deregulated sector (ref. social tenant)	-1.29***	0.26	-0.23	1.34***	0.27	0.27
Housing association tenant – deregulated sector	-0.81***	0.21	-0.19	1.16***	0.24	0.28
Private tenant – regulated sector	-0.41	0.25	-0.08	1.02***	0.27	0.19
Housing satisfaction	0.47***	0.07	0.29	0.23**	0.10	0.12
Multi-person household with children (ref. single-person household)	0.03	0.17	0.01	-0.19	0.25	-0.04
Multi-person household without children	0.10	0.16	0.04	-0.25	0.21	-0.08
No experience with renting socially (ref. experience)	-0.06	0.12	-0.02			
No experience with renting privately				0.00	0.16	0.00
Step 2						
Constant	2.42***	0.58		1.61**	0.81	
Age	0.01	0.00	0.07	0.00	0.01	-0.04
Gender (ref. male)	0.19	0.12	0.07	0.14	0.16	0.04
Household income > €2,650 (ref. < €1,850)	-0.29	0.21	-0.07	0.85***	0.26	0.21
Household income €1,850 - €2,650	-0.15	0.14	-0.05	0.46**	0.20	0.13
Main income not from employment (ref. from employment)	-0.26	0.13	-0.09	0.20	0.18	0.06
Private tenant – deregulated sector (ref. social tenant)	-0.92***	0.25	-0.16	1.17***	0.26	0.23
Housing association tenant – deregulated sector	-0.50**	0.20	-0.11	1.00***	0.23	0.24
Private tenant – regulated sector	-0.39	0.23	-0.07	1.01***	0.26	0.19
Housing satisfaction	0.25***	0.07	0.16	0.08	0.09	0.04
Multi-person household with children (ref. single-person household)	-0.10	0.16	-0.03	-0.21	0.24	-0.04
Multi-person household without children	0.06	0.15	0.02	-0.24	0.20	-0.07
No experience with renting socially (ref. experience)	-0.04	0.11	-0.01			
No experience with renting privately				-0.06	0.15	-0.02
<i>Tenure-specific behavioural beliefs</i>						
Quality of dwelling	0.17***	0.06	0.17	0.25***	0.09	0.21
Quality of location	0.08	0.06	0.08	-0.02	0.10	-0.01
Rent levels	-0.05	0.03	-0.06	-0.09	0.07	-0.06
Availability	0.05	0.05	0.05	0.02	0.05	0.02
Variability	-0.06	0.04	-0.08	0.04	0.06	0.04
Security of tenure	-0.01	0.04	-0.01	0.08	0.05	0.08
Maintenance by landlords	0.12**	0.06	0.12	-0.03	0.08	-0.03
Service of landlords	0.16***	0.06	0.16	0.14	0.08	0.13
Antisocial behaviour	-0.07**	0.03	-0.09	-0.12**	0.06	-0.10
	R ² = .171*** for Step 1, Δ R ² = .156*** for Step 2 N = 451			R ² = .256*** for Step 1, Δ R ² = .101*** for Step 2 N = 344		

p<0.05, *p<0.01; separate listwise exclusion for each regression.

Housing satisfaction has a positive effect, which could signify that if tenants are satisfied with their current living situation, they are generally positive towards social renting. The strongest effect on attitudes towards social renting is with current tenure. The effect is strongest for private tenants who rent with a private landlord in the deregulated sector, saying that all else being equal and when compared to social tenants, the attitude of these tenants to-

wards social renting is 1.29 points lower. For private tenants renting with a housing association in the deregulated sector there is a comparable pattern, but the influence is less strong. There is a small negative effect for private tenants in the regulated sector as well; yet it is found to be not statistically significant.

When adding behavioural beliefs about social renting in Step 2, the model can predict 32.7 per cent of the variance of the outcome variable. The effects of background factors get smaller, or lose their entire significance as is true for income. This conforms to the theory of the reasoned action model that there is a strong link between background factors and beliefs. Out of the nine behavioural beliefs only quality of social dwellings, maintenance by landlords, service by landlords, and antisocial behaviour of social tenants are significant predictors of attitudes. The beta coefficients for all beliefs measures confirm the hypotheses of Section 6.2.2, yet they are relatively small, particularly when compared with several background factors, such as income and current tenure.

Model 2 uses the same approach for private renting. The main difference we can find here is that background factors alone explain more of the variance in attitudes towards private renting than in social renting (+ 8.5 percentage points), and that the added effect of behavioural beliefs is smaller; however, the overall explanatory power of the two models is similar. Income, current tenure and housing satisfaction are significant positive predictors, confirming the hypothesised relationships. In comparison to Model 1, current tenure has an even stronger effect on the outcome variable, meaning that besides all tenants in the deregulated rental sector, also being a private tenant in the regulated sector has a strong positive effect when compared with the social tenants reference group – their attitudes towards private renting are one point higher (*ceteris paribus*). In Step 2, single background factors lose some explanatory power, with the exception of high household income compared to low household income. However, only beliefs about the quality of private dwellings ($p < 0.01$) and assumptions about antisocial behaviour of private tenants ($p < 0.05$) are significant predictors of attitudes towards private renting, where an increase of one unit in the strength of the belief about quality leads to an increase of 0.25 on the general attitude scale, and an increase of one point on the ‘antisocial behaviour scale’ to a decrease of 0.12 points on the attitude scale.

Perceived norms

Table 6.4 shows the regression results for perceived norms. As explained above, only background factors were used as predictors in the model. The reason is that adding the two normative beliefs to the model in a second step would be useless, because there is almost perfect collinearity between perceived norm and normative beliefs. In general, we can see that both Model 3

Table 6.4 Multivariate linear regression of perceived norm

Variables	Model 3 – perceived norm of social renting			Model 4 – perceived norm of private renting		
	B	SE	β	B	SE	β
Constant	5.37***	0.41		5.22***	0.40	
Age	-0.01**	0.00	-0.10	-0.01***	0.00	-0.13
Gender (ref. male)	0.33***	0.11	0.11	0.41***	0.11	0.15
Household income > €2,650 (ref. < €1,850)	-0.39**	0.19	-0.10	0.22	0.18	0.06
Household income €1,850 - €2,650	-0.17	0.14	-0.05	0.02	0.14	0.01
Main income not from employment (ref. from employment)	-0.23	0.13	-0.08	-0.08	0.13	-0.03
Private tenant – deregulated sector (ref. social tenant)	-0.33	0.20	-0.06	0.26	0.19	0.06
Housing association tenant – deregulated sector	-0.72***	0.18	-0.17	0.11	0.17	0.03
Private tenant – regulated sector	-0.10	0.21	-0.02	0.11	0.20	0.02
Housing satisfaction	0.19***	0.07	0.11	0.09	0.07	0.05
Multi-person household with children (ref single-person household)	-0.29	0.16	-0.08	-0.23	0.16	-0.06
Multi-person household without children	-0.08	0.14	-0.03	-0.03	0.14	-0.01
No experience with renting socially (ref. experience)	-0.22**	0.11	-0.07			
No experience with renting privately				-0.08	0.10	-0.03
	R ² = .114***			R ² = .058***		
	N = 705			N = 647		

*p<0.1, **p<0.05, ***p<0.01; separate listwise exclusion for each regression.

and Model 4 explain the variance in the outcome variables only weakly, 11.4 per cent for social renting and 5.8 per cent for private renting.

Model 3 provides evidence that being female is found to have a positive impact, age a very small but significant impact, being a high-income household rather than a low-income household has a relatively large negative influence impact, and housing satisfaction has a moderate positive impact. Interestingly, having no experience with renting socially has a moderate negative effect on perceived norms of social renting. This could mean that when a person has previously lived in a social rental dwelling it positively contributes to decreasing stigmatization of social rental housing by important others. The single best predictor of perceived norm of social renting is, however, being a housing association tenant in the deregulated sector. This finding is rather surprising, since one would expect tenants of private landlords to be more negative about the social rented sector.

For perceived norms of private renting, only gender and age are significant predictors, with age having only a marginal effect. Given that gender has a positive effect on perceived norms of both social and private renting, it could be speculated that in comparison to male respondents, females perceive less social pressure on owning a dwelling, rather than renting one. For them renting either a social or a private rental dwelling might be more socially accepted than for their male counterpart; or the other way round, owning a dwelling is more often regarded as a status symbol amongst men, making renting a dwelling less desirable (see also Madigan, et al., 1990). In line with the descriptive finding that there is only little difference between perceived norms of private renting, there is no significant effect and similar beta coefficients for all tenant groups. Similarly, income has no effect, meaning that the whole social stratum seems to accept private renting as a form of housing.

Table 6.5 Multivariate linear regression of perceived control

Variables	Model 5 – perceived control over social renting			Model 6 – perceived control over private		
	B	SE	β	B	SE	β
Step 1						
Constant	3.48***	0.62		4.84***	0.60	
Age	0.01	0.01	0.08	-0.01**	0.01	-0.10
Gender (ref. male)	0.07	0.17	0.02	-0.60***	0.17	-0.15
Household income > €2,650 (ref. < €1,850)	-0.97***	0.29	-0.17	1.41***	0.27	0.28
Household income €1,850 - €2,650	-0.45**	0.21	-0.10	0.83***	0.21	0.19
Main income not from employment (ref. from employment)	0.15	0.20	0.03	-0.09	0.20	-0.02
Private tenant – deregulated sector (ref. social tenant)	-2.42***	0.31	-0.33	1.83***	0.29	0.29
Housing association tenant – deregulated sector	-1.80***	0.26	-0.30	1.27***	0.24	0.24
Private tenant – regulated sector	-1.57***	0.32	-0.20	1.16***	0.30	0.17
Housing satisfaction	0.34***	0.10	0.13	0.09	0.10	0.04
Multi-person household with children (ref. single-person household)	0.34	0.23	0.06	-0.56**	0.23	-0.11
Multi-person household without children	0.19	0.21	0.04	-0.34	0.20	-0.08
No experience with renting socially (ref. experience)	-0.19	0.17	-0.04			
No experience with renting privately				-0.27	0.16	-0.07
Step 2						
Constant	1.13	0.71		3.60***	0.58	
Age	0.01	0.01	0.08	-0.01	0.00	-0.06
Gender (ref. male)	0.10	0.17	0.02	-0.43**	0.15	-0.11
Household income > €2,650 (ref. < €1,850)	-0.65**	0.29	-0.11	0.31	0.25	0.06
Household income €1,850 - €2,650	-0.32	0.21	-0.07	0.24	0.19	0.06
Main income not from employment (ref. from employment)	0.09	0.19	0.02	0.05	0.17	0.01
Private tenant – deregulated sector (ref. social tenant)	-2.04***	0.30	-0.28	0.80***	0.26	0.13
Housing association tenant – deregulated sector	-1.43***	0.26	-0.24	0.43**	0.22	0.08
Private tenant – regulated sector	-1.41***	0.30	-0.18	0.46	0.26	0.07
Housing satisfaction	0.34***	0.09	0.13	0.02	0.08	0.01
Multi-person household with children (ref. single-person household)	0.19	0.22	0.04	-0.12	0.20	-0.02
Multi-person household without children	0.12	0.21	0.03	-0.02	0.18	-0.01
No experience with renting socially (ref. experience)	-0.26	0.16	-0.06			
No experience with renting privately				-0.25	0.14	-0.06
Tenure-specific control beliefs						
Influence of landlords' selection procedure	0.01	0.04	0.01	-0.08**	0.04	-0.09
Income situation allows for renting in the sector	0.32***	0.05	0.26	0.47***	0.04	0.52
Transaction costs impedes moving to the sector	0.13***	0.04	0.12	-0.03	0.04	-0.04
	R ² = .268*** for Step 1, ΔR ² = .070*** for Step 2 N = 525			R ² = .313*** for Step 1, ΔR ² = .192*** for Step 2 N = 454		

*p<0.1, **p<0.05, ***p<0.01; separate listwise exclusion for each regression.

Perceived control

The two multivariate regression models of perceived control show the following results (see Table 6.5). For Model 5, background factors alone explain about one-fourth of the outcome variable perceived control over renting socially, while control beliefs only add a moderately 7.0 per cent. Being a private renter has a strong negative impact on perceived control over entering the social rental sector, *ceteris paribus*. There are, however, differences between the three subgroup of private renting: The strongest negative effect is with private tenants who rent with a private landlord in the deregulated market segment and the weakest effect is with private tenants in the regulated segment – which still has a very high beta coefficient of -1.57. Equally, belonging to the higher- and, to a lesser extent, the middle-income group decreases perceived control.

This suggests that higher income groups are aware of the political mandate of social renting as serving primarily lower-income households. Finally, there is a significant positive effect of housing satisfaction on perceived control, for which no explanation can be given.

When adding control beliefs in Step 2, the separate effects of single background factors get smaller – again this supports the thesis that they are mediated by or are at least reflected in beliefs. Specifically household income loses some explanatory power for the highest income group and all of its explanatory power for the middle-income group. Among control beliefs, the perceived effect of whether a respondent thinks that his income situation allows for renting socially and the existence of transaction costs as a barrier to renting socially are found to be significant, with a stronger effect of perceived affordability; however, the direction of the transaction cost effect is in opposition to we had expected. It is most surprising that landlords' allocation procedures have no negative and significant effect on perceived control over accessing the social rented sector. This could mean two things: Either the respondents did not understand that existence of waiting is part of this allocation procedure, or the respondents significantly underestimate how strongly having enough waiting time influences the actual access to the sector.

For Model 6, background factors alone explain already 31.3 per cent of the outcome variable, while private renting specific control beliefs add another 19.2 per cent. Increasing income and being a private tenant already have strong and significant effects on perceived control over private renting. Additionally being male, being a multi-person household and being older (only a marginal effect) have significant negative impacts. After adding control beliefs, it can be seen that there is a strong positive effect of the perception of being able to pay for private rental accommodation on general perceived control. Furthermore, there is a small negative but significant effect of the allocation procedures of landlords on perceived control. Both factors are in line with the assumptions for the mode

6.3 Tenants' moving intentions in the mixed rental market of Breda

The second step in the application of the RAA model was then the measurement of tenure-specific moving intentions of social and private tenants in Breda. This relates to the second research question: *How do these attitudes and perceptions, as well as personal circumstances influence tenants' willingness to consume social and/or private rental services?* Before explaining how the dependent variable was constructed, explaining the statistical model itself, and presenting the results of the statistical examination, two possible issues with the concept of tenure-specific moving intentions need some clarification first.

Firstly, the term tenure-specific raises the questions if tenants are really aware of the tenure they might intend to move to and whether their notion of what social and private renting matches the definition of this study. In the previous section it was proposed that a meaningful distinction between the categories of current tenure is not only a dichotomization of social and private renting, but additionally a subdivision of the private category based on type of landlord and net rent level should be made – which led to the construction of the categorical variable of current tenure with four categories. Therefore, one could argue that when asking tenants about their intentions on which rental service to consume in the future, the distinction between the three private rental categories should be maintained, since tenants intentions to move to either sector will not only be based on the way they can access it – and if they can access it – but also, and probably more so, by the attributes that the rental service has. This would in turn mean that respondents would have had to be asked whether they intend to move to a social dwelling, a private dwelling owned by a private landlord in the deregulated sector, the same in the regulated sector, or a private dwelling with a rent level of more than €652 per calendar month that is owned by a housing associations.²⁰ However, the proposition here is that this would not clarify the definition problem, but rather contrarily, would enforce it because tenants would not be confronted with two hypothetical options but with four, making the analysis much more complex and also less reliable. Primarily for reasons of simplicity, it was therefore decided to treat the three private renting options as one again.²¹

Secondly, it should be clarified what moving intentions actually means. Although such concepts are often used interchangeably in social research, a behavioural intention is neither the same as a behavioural expectation, nor as a desire to perform a given behaviour. The necessity to differentiate between various pre-behavioural thoughts has been proposed in numerous studies on residential mobility (Coulter *et al.*, 2011; Kley & Mulder, 2010; Kan, 1999) and other research subjects in the social science field (e.g. Miller, 2011; Warshaw & Davis, 1985). Here, it is often argued that there is a cognitive hierarchy between the three concepts. Desires can simply be defined as an individual's preferences of engaging or not engaging in the behaviour. As such,

20 This also holds true with regard to the propositions on tenure-specific beliefs, attitudes and perceptions in the questionnaire.

21 This was also clarified in the questionnaire itself, explaining to participants what constitutes a private rented dwelling and what a social rented dwelling several times. Literally, it was highlighted three times (in translation): A social rented dwelling is a dwelling with a net rent level of less than €652 per month, which is owned by a housing association. Such a dwelling is only accessible through the social housing waiting list. A private rented dwelling is a dwelling that is owned by a private individual or a private company. Also, a dwelling with a net rent level of €652 per month that is owned by a housing association is a private rented dwelling.

desire reflects an individual's wish to achieve a goal through performing the behaviour. In contrast, intentions involve a specific decision to pursue this goal. If the behavioural intention is present, the individual is usually committed to the decision and also has a plan for implementing the decision (Miller, 2011). Expectations, on the other hand, are more of a self-prediction of future behaviour. Arguably, they present a more 'realistic' idea of whether an individual will perform the behaviour. In contrast to intention, the construct of expectation presumes that individuals are capable of appraising the existence of additional determinants or impediments (Warshaw & Davis, 1985; Coulter *et al.*, 2011). Ajzen and Fishbein (2010) note that these conceptual differences certainly exist; nonetheless, in their work they use the term intention that refers to the readiness to engage in the behaviour, incorporating concepts as willingness, desire, expectation and trying.

6.3.1 Dependent and independent and variables

Tenure-specific moving intentions (dependent variable)

To do justice to the existence of different concepts of behavioural intentions, including desire, intention, and expectation, respondents were asked to answer the following propositions in the questionnaire:

I expect my next dwelling to be a social rental dwelling

Very unlikely 1 2 3 4 5 6 7 very likely

I want my next dwelling to be a social rental dwelling

Strongly disagree 1 2 3 4 5 6 7 strongly agree

I intend to move to a social rental dwelling

Strongly disagree 1 2 3 4 5 6 7 strongly agree

I expect my next dwelling to be a private rental dwelling

Very unlikely 1 2 3 4 5 6 7 very likely

I want my next dwelling to be a private rental dwelling

Strongly disagree 1 2 3 4 5 6 7 strongly agree

I intend to move to a private rental dwelling

Strongly disagree 1 2 3 4 5 6 7 strongly agree

In a first analytical step, Cronbach's coefficient α was used to measure the degree to which the items on the scales are internally consistent within each rental sector. In this study Cronbach's α for social housing was .861 and for private renting .857. Similar to the calculation of the attitudes score, the mean for these three scores was calculated for what is called 'combined moving intention' (see Table 6.6). To increase the reliability of this approach, all statistical models were tested for both the combined variable and all separate items. It is beyond the scope of this chapter to present the results are in full,

but it can be said that the combination variable reflects the data in the sample better than each single individual construct. Another reason for the integration of the different pre-move thoughts is that using the three mean values leads to a more precise scale than the use of a single variable with only seven categories. This means that there is more possible variance in the data, thus more variance to explain.

A final step was the dichotomization of the scale variable into a numerical variable with the outcomes 'tenure-specific moving intention' and 'no tenure-specific moving intention'.²² More precisely, on a scale from one to seven, all values under 4.0 were coded into 'no intention', whereas all values above and including 4.0 were coded into 'intention exists'. This was done for both social and private renting, which means that we could assess the moving intention to social housing and the moving intention to private renting simultaneously. More precisely, using the categorical outcome variable, it is possible to analyse under which circumstances tenants move to a social rented dwelling and under which circumstances they are likely to move to a private rented dwelling. Such a categorization also implies that, for instance, if a respondent does not have a moving intention to a social rented dwelling, this does not mean that she holds an intention to move to a private rented dwelling at the same time. Rather, it could be the case that the respondent prefers to stay in the current dwelling and cannot imagine to move in a realistic time frame, or the respondent might have an intention to move to an owner-occupied dwelling. There is thus no coercive relation between the two outcome variables.

Independent variables

The statistical models of tenure-specific moving intentions used the same background factors as the linear regression models of measuring attitudes and perceptions in the previous section with the following exceptions: Experience with renting socially and experience renting privately were omitted from the model, because with it included some predictors showed very high and probably unreliable values. The variable in itself was an insignificant and small predictor in all models. Instead two other housing-related predictors were added. Firstly, desire to buy sought to account for the fact that ten-

²² Usually, the categorization of a continuous variable is problematic since information on the real distances between respondents' answers gets lost (see Freudenberg, 2002). Nonetheless, considering the research questions of this research, categorizing moving intentions is necessary, as we are interested in the conditions of making a decision for renting socially or renting privately. Furthermore, from a statistical viewpoint the categorization of data is less problematic in this research, because both general intention scales are not normally distributed but are heavily skewed, meaning that respondents most often selected the extreme values 1 and 7. The problem that there is a serious underestimation in the variation of outcome between groups (respondents close to the cut-point 4.0 are more alike than different) is thus smaller seems to be negligible.

Table 6.6 Descriptive statistics of tenure-specific moving desires, intentions, and expectations

	N	Mean of score (1=minimum; 7=maximum)	SD
Moving desire to social housing	750	4.54	2.40
Moving intention to social housing	750	3.75	2.45
Moving expectation to social housing	750	4.47	2.50
Combined moving intention to social housing	750	4.26	2.17
Moving desire to private rental sector	750	2.26	1.79
Moving intention to private rental sector	750	2.09	1.66
Moving expectation to private rental sector	750	2.49	2.03
Combined moving intention to private rental sector	750	2.28	1.61

ants do not necessarily stay within the rental tenure when they move. It was constructed as a categorical variable with no desire and desire as outcome possibilities. Secondly, general moving intentions within the next two years was constructed as a categorical variable in the questionnaire, as respondents were asked to express whether they 'surely do not want to move', 'maybe want to move', 'surely want to move', or 'whether they had already found new accommodation'. The variable was recoded into a bivariate variable with the latter three categories as a 'moving plans exist' category (the approach is similar to Kleinhans, 2009). Most importantly, in line with the notion that beliefs measures are moderated through attitudes and perceptions (Fishbein & Ajzen, 2010), they are not used in the statistical model; rather, the three direct measures general attitudes towards each sector, perceived norms of social and private renting, and perceived control over social and private renting were included as separate predictors.

6.3.2 Statistical approach

The analysis of tenure-specific moving intentions consists of two parts. Cross-tabulation and data exploration was applied to examine the bivariate relations between the outcome variable and its predictors, while logistic regression was used for the multivariate analysis (Lemeshow & Hosmer, 2000)²³.

Here, two models were used for each sector. Firstly, intentions were only regressed on background factors. At first, desire to buy was included in the multivariate analysis as well; however, its presence led to extremely high confidence intervals for other predictors (up to 30), and it was thus decided to only use in the descriptive analysis. Secondly, attitude and the two perception variables were added in a second set of models in order to test for their

²³ To be able to analyse the moving intentions to either sector for the same respondent, an application of multinomial regression would have been necessary (through a combination of the two categorical variables). Such a model with a four-way categorical dependent variable (with the categories: moving intention to social housing only, moving intention to private renting only, moving intention to both, moving intention to neither) was devised and tested. However, the size of the sample was too small to guarantee reliable and valid results, as exemplified by extremely high confidence intervals for some independent variables, mostly income and current tenure. The separate logistic regression models for the two rental sectors should thus be considered as a second-best solution.

influence on tenure-specific moving intentions (see Models 1 to 4 in Table 6.9, Section 6.3.3).

To be able to better understand under which circumstances tenure change is likely, i.e. from social to private renting and from private renting to social renting, for a third and fourth group of statistical models (Models 5 to 8 in Table 6.10, Section 6.3.3) the dataset was split into social and private tenants. Ideally, logistic regression would have been done for all three private tenant groups. However, the number of the respective groups was too small to run reliable and valid regression models. As a second best solution, private renters were considered as one homogeneous group in these models.

The hypothesised effects of the independent variables on the likelihood to move to a social or a private rented dwelling are presented in Table 6.7. They refer to the models in which all respondents are included; yet it is assumed that the 'tenure-change models' follow these hypothesised effects as well. Most importantly, in line with the theoretical notions of the RAA model, the assumption is made that tenure-specific attitudes and perceptions have a positive effect on tenure-specific moving intentions in the same sector. Conversely, a negative link between attitudes and perceptions of one rental sector is supposed to increase the likelihood of having an intention to move to the other rental sector.

Furthermore, national and supranational databases suggest that private rental housing is often the most obvious housing choice for younger households and starters, mainly because it is easily accessible (Scanlon & Kochan, 2011). It is thus hypothesized that there is a negative relation between increasing age and an intention to move to the PRS. The social rented sector in the Netherlands, on the other hand, provides accommodation primarily and increasingly for middle-aged and older households (Elsinga & Wassenberg, 2007). Hence, a positive relation between age and moving intentions can be hypothesized; however, such an effect might be weakened by older households' low propensity to move at all (de Groot et al., 2011a; Kleinhans, 2009).

Increasing income, the main source of income is employment, and being a private tenant rather than a social tenant is hypothesised to have a positive relation with moving intentions to private renting and a negative relation with an intention to move to a social rented dwelling. A positive effect of having a general moving intention within the next two years is assumed for both tenure-specific moving intentions. Although tenure-specific moving intentions were measured without mentioning a time frame in the questionnaire, it is expected that respondent who have no intention to move at all within the next two years are likely to end up in the no tenure-specific intention to move group nonetheless. Finally, a strong negative effect of desire to buy on the moving intentions in both rental sectors is predicted.

There are no hypotheses about the impacts of gender, household composition, and housing satisfaction. With regard to the latter, one could argue that

Table 6.7 Hypothesised effects of independent variables on the combinations of moving intentions within the rental tenure

Variables	Moving intention to a social rented dwelling	Moving intention to a PRS dwelling
Socio-demographic and housing-related		
Age	+	-
Male (ref. female)	0	0
Income middle (ref. lower income group)	-	+
Income high	-	+
Main income from employment (ref. from employment)	-	+
Multi-person household without children (ref. single-person household)	0	0
Multi-person household with children	0	0
Private tenant – deregulated sector (ref. social tenant)	-	+
Housing association tenant - deregulated sector	-	+
Private tenant – regulated sector	-	+
Desire to buy (only in descriptive part)	-	-
No intention to move (ref. intention to move exists)	-	-
Housing satisfaction	0	0
Reasoned Action model		
Attitude towards social housing	+	-
Attitude towards private sector	-	+
Perceived norm social housing	+	-
Perceived norm private sector	-	+
Perceived control social housing	+	-
Perceived control private sector	-	+
+ = positive effect		
- = negative effect		
0 = no effect hypothesised		

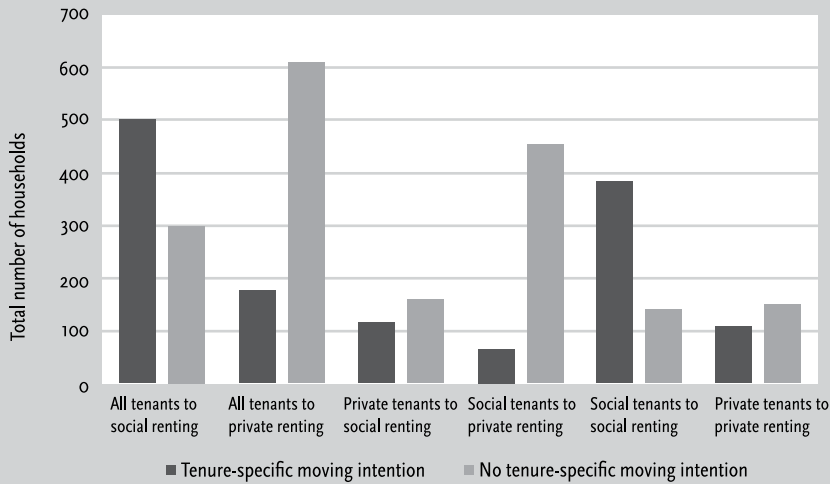
the higher the satisfaction with the current housing situation the less likely a person is to move at all (see Mulder & Hooimeijer, 1999); however, it could also be true that high housing satisfaction increases the likelihood of renting a dwelling in the same rental sector again once people (need to) move.

6.3.3 Results

Descriptive results

The following subsection presents the results of the bivariate analysis and subsequently the logistic regression results of tenure-specific moving intentions. Figure 6.2 shows the distribution of existing tenure-specific intentions to move (the outcome variables) for the different samples that are used in the models. It can be seen that when looking at the moving intentions of all tenants there is a majority of people who say that they have an intention to move to a social rented dwelling (62 per cent) and a strong majority of people who say that they do not have an intention to move to a private rented dwelling (77 per cent). Interestingly, we can also see that there is a only a relatively small majority of private tenants with no intention move to a social rented dwelling, while there is an overwhelming majority of social tenants with no intention to move to a private rented dwelling. Finally, that most social tenants intend to stay in the sector once they move, whereas private tenants are more inclined to move out of the sector or do not move at all.

Table 6.8 presents the distribution of the categorical independent variables, as well as the values of the mean for all continuous variables with

Figure 6.2 Distribution of tenure-specific moving intentions across different samples

regard to existing moving intentions to social renting and to private renting. With respect to intentions to move to a social rented dwelling, it shows that approximately 77 per cent of all respondents who are in the lowest income group have an intention to move to a social rented dwelling the next time they move. Conversely, only a fourth of all tenants in the high-income group have the same intention. Compared with single-person households and multi-person households with children, individuals living in other forms of multi-person households are less often inclined to move to a social rented dwelling. Most interestingly, an intention to move to a social rented dwelling strongly differs between tenant groups. Whereas social tenants strongly seek to stay in the social sector, private renters living in the deregulated segment most often do not have such an intention. On the other hand, private tenants in the regulated market segment more often intend to move to a social dwelling than not, and even more interestingly, they more often intend to move to a social dwelling than to a private rented dwelling. This is another indication that social renting is widely regarded as the superior alternative in the lower rental market segment, by both social and private tenants. Another strong relation seems to be between the desire to buy and the intention to move to (other) social rented accommodation. Those respondents who want to buy a dwelling in an unspecified future overwhelmingly do not seek to move to a social dwelling. On the contrary, those who do not have such a desire most often have the intention to move into the social rented sector.

Considering intentions to move to a private rented dwelling it can be said that for all independent variables the number of respondents who have such an intention is smaller than the number of people who do not have this intention. Furthermore, compared with the social rented sector, the only variables that have a larger share of moving intenders to private renting are the two private renter groups in the deregulated sector, high-income and desire to buy. More precisely, we can see that increasing income seems to have a positive effect on the intention to move to the private rented sector. Within the pri-

Table 6.8 Bivariate analysis of the relation between moving intentions and individual predictors

	Moving intention to a social rental dwelling		Moving intention to a social rental dwelling	
	%	N	%	N
Categorical variables				
Male	58.7	361	25.5	353
Female	65.8	441	20.2	435
Income group < €1,850	76.7	429	15.4	416
Income group between €1,850 and €2,650	56.2	242	23.3	236
Income group > €2,650	25.0	124	45.7	129
Single-person household	68.9	354	19.1	351
Multi-person household no children	51.9	297	30.4	286
Multi-person household with children	68.0	147	15.6	147
Main source of income from work	56.4	452	20.0	451
Main source of income not from work	70.7	348	25.7	334
Social tenant	73.1	527	13.4	524
Private tenant – deregulated sector	32.9	82	46.2	78
Housing Association tenant – deregulated sector	37.9	116	41.5	118
Private tenant – regulated sector	58.7	75	33.8	68
Moving plans within two years	64.3	443	23.8	437
No moving plans within two years	59.7	305	19.1	298
Desire to buy	16.7	150	17.3	150
No desire to buy	80.0	534	21.8	522
Continuous variables (mean values)				
	No moving intention to social housing	Moving intention to social housing	No moving intention to private renting	Moving intention to private renting
Age	45.5	47.7	46.1	48.6
Housing satisfaction	4.16	4.07	4.07	4.20
General attitude towards social housing	4.90	5.85	5.70	4.77
General attitude towards private renting	4.42	3.40	3.39	5.06
Perceived norm of social housing	5.00	5.52	5.48	4.83
Perceived norm of private renting	5.64	5.59	5.62	5.60
Perceived control social housing	3.68	5.24	5.03	3.39
Perceived control private renting	4.73	3.37	3.55	5.13

vate tenant category, private tenants in the deregulated segment often intend such a move; yet not moving at all, buying a dwelling and moving to the social rented sector are more frequent. Finally, if we compare gender for both tenure-specific moving intentions it seems that men and women are more inclined to move to a social rented dwelling; yet, men less often intend to do so than women, while they more often intend to move to a private rented dwelling.

A quick glance at the distribution of the continuous variables across the various outcome variables suggests that the effects of age and housing satisfaction on moving intentions to the PRS are relatively small. On the other hand, we can see that positive attitude towards the same rental sector and a negative attitude towards the other sector coincide with an increasing score in tenure-specific intentions to move. The mean scores of perceived norms are almost equally distributed across the four outcome variables, with the exception of the relation between perceived norm of social housing and the moving intention to the private rented sector. Similar to the pattern of attitudes and intentions, perceived control over accessing social renting/private renting coincides with a stronger moving intention to a social rented dwelling/ a private rented dwelling.

Logistic regression results

The logistic regression models estimating the probability of having an intention to move to a social/private rented dwelling for all respondents are reported in Table 6.9.

Models 1 and 2 show the regression results for the social rented sector. A first finding is that, as indicated by the Nagelkerke Pseudo R^2 , socio-demographic and housing-related predictors alone (Model 1) can explain about 28 per cent of the variance. Adding tenure-specific attitudes and perceptions to the model increases the predictive power of the model (Nagelkerke $R^2 = 37.8$ per cent). This provides supportive evidence for the main hypotheses that attitudes and perceptions do significantly influence tenure-specific moving intentions.

A number of predictors included in Model 1 are found to be statistically significant: Age has a marginal positive effect on the probability to intend to move to a social dwelling. The direction of this relation supports our hypothesis; i.e. those older respondents are more likely to intend to move to a social rented dwelling. In comparison to being female, being male strongly decreases the likelihood of intending to move to a social dwelling ($1/0.62 = 1.6$ times less likely, as expressed by the odds ratio). One explanation here could be that men, more than women, might regard owning a house or living in a more expensive dwelling as a status symbol and thus see particularly social renting as a less attractive housing alternative. With regard to the composition of households, being a multi-person household with children rather than a single-person household increases the likelihood of intending to enter or staying in the social rented sector the next time an individual moves.

The single most influential independent variable is household income. The odds ratio suggests that respondents who live in a household with a net income of less than €1,850 per month are 5.5 times more likely to intend to move to a social rented dwelling as a respondent from the higher-income group and 2.7 times more likely than a member of the middle-income group to move to the social rented sector. A similar influence and also in line with the hypothesised effect can be observed for current tenure. Private tenants of all sorts are less likely than social tenants to intend to move to social dwelling, with decreasing beta coefficients from private tenant renting from a private landlord in the deregulated sector, over housing association in the deregulated sector, to private tenant in the regulated sector. The significance of the latter is, however, only marginal ($p < 0.1$ rather than the widely accepted $p < 0.05$ criterion). Consistent with the hypothesised effect in Table 6.4, if a respondent's main household income is from employment rather than from another source (i.e. pension, social benefits, student loans/grants), the probability of intending to move to a social rented dwelling decreases substantially, all else being equal. Although the beta coefficient is only marginally significant, this might suggest that social renting – even though it is designed to be

Table 6.9 Logistic regression of tenants' moving intentions to social and private rented housing in Breda

	People with an intention to move to a social rental dwelling					
	Model 1			Model 2		
	B	SE	Exp (B)	B	SE	Exp (B)
Socio-demographic and housing-related						
Age	0.03***	0.01	1.03	0.03***	0.01	1.03
Gender (ref. female)	-0.49**	0.23	0.62	-0.42*	0.25	0.66
Household income group (ref. < €1,850)						
Household income > €2,650	-1.73***	0.38	0.18	-1.24***	0.40	0.29
Household income €1,850 - €2,650	-0.99***	0.28	0.37	-0.75**	0.30	0.47
Main income from employment (ref. other source)	-0.51*	0.26	0.60	-0.71**	0.28	0.49
Household composition (ref. single-person household)						
Multi-person household without children	0.05	0.28	1.05	-0.01	0.29	0.99
Multi-person household with children	0.65**	0.33	1.92	0.47	0.35	1.60
Type of tenancy (ref. social tenant)						
Private tenant – deregulated sector	-1.43***	0.40	0.24	-0.35	0.47	0.71
Housing association tenant – deregulated sector	-0.85**	0.33	0.43	-0.13	0.38	0.88
Private tenant – regulated sector	-0.69*	0.38	0.50	-0.01	0.44	0.99
Housing satisfaction	-0.18	0.14	0.84	-0.37	0.16	0.69
No intention to move within next two years (ref. intentions to move exist)	-0.27	0.26	0.76	-0.36	0.28	0.70
Attitudes and perceptions						
General attitude towards social housing				0.34***	0.09	1.41
General attitude towards private renting				-0.04	0.08	0.96
Perceived norm of social housing				0.06	0.10	1.06
Perceived norm of private renting				0.03	0.10	1.03
Perceived control social housing				0.23***	0.06	1.26
Perceived control private renting				-0.10	0.07	0.90
Constant	1.41**	0.70	4.08	-0.73	0.97	0.48
Initial -2 Log Likelihood				637.134		
χ ² improvement				111.775*** (df = 12)		156.077*** (df = 18)
Nagelkerke R ²	.281			.378		
N	479			479		

*p<0.1, **p<0.05, ***p<0.01

socially integrative in the Netherlands – is perceived as a social safety net and as desirable housing options in less flourishing times nonetheless (see also van Kempen & Priemus, 2002). The remaining predictors, i.e. general intention to move and housing satisfaction, are not found to have a significant impact on the outcome variable.

Once attitudes and perceptions are added to the model current tenancy, household composition gender and household income lose some or all of their predictive power. This seems logical since particularly perceived control over renting socially reflects the tenants' perceptions of whether they can afford a social dwelling, etc. If we assume that these perceptions reflect their actual control realistically, there will be strong interdependence between income, current tenure and perceived control. An exception to decreasing beta coefficients is the increasing predictive power and the size of the beta coefficient of 'main income from employment'. Out of the six variables of the Reasoned Action model two are found to significantly increase the likelihood of a social housing moving intention. We can see that when the attitude towards social housing increases, the change in the odds of having such an

Table 6.9 continued

	People with an intention to move to a private rental dwelling					
	Model 3			Model 4		
	B	SE	Exp (B)	B	SE	Exp (B)
Socio-demographic and housing-related						
Age	-0.02**	0.01	0.98	-0.02*	0.01	0.98
Gender (ref. female)	0.26	0.25	1.30	0.25	0.27	1.28
Household income group (ref. < €1,850)						
Household income > €2,650	0.78*	0.39	2.17	-0.15	0.44	0.86
Household income €1,850 - €2,650	0.29	0.32	1.34	-0.27	0.36	0.76
Main income from employment (ref. other source)	-0.65**	0.28	0.52	-0.50*	0.30	0.61
Household composition (ref. single-person household)						
Multi-person household without children	0.09	0.30	1.10	0.27	0.32	1.31
Multi-person household with children	-0.37	0.37	0.69	-0.14	0.39	0.87
Type of tenancy (ref. social tenant)						
Private tenant – deregulated sector	1.53***	0.39	4.63	0.16	0.46	1.17
Housing association tenant – deregulated sector	1.07***	0.34	2.91	-0.01	0.41	0.99
Private tenant – regulated sector	0.88**	0.40	2.40	-0.01	0.46	0.99
Housing satisfaction	0.22	0.16	1.24	0.24	0.17	1.27
No intention to move within next two years (ref. intentions to move exist)	-0.55*	0.29	0.57	-0.62*	0.31	0.54
Attitudes and perceptions						
General attitude towards social housing				-0.13	0.09	0.88
General attitude towards private renting				0.44***	0.09	1.55
Perceived norm of social housing				-0.10	0.11	0.90
Perceived norm of private renting				-0.12	0.12	0.89
Perceived control social housing				-0.21***	0.07	0.81
Perceived control private renting				0.20**	0.08	1.22
Constant	-1.47*	0.75	0.23	-1.07	1.09	0.34
Initial -2 Log Likelihood	526.374			526.374		
χ^2 improvement	52.659*** (df = 12)			107.675*** (df = 18)		
Nagelkerke R ²	.157			.303		
N	476			476		

intention is 1.41. With every unit increase in the attitude towards social housing, respondents are 1.41 times more likely to intent to move to a social rented dwelling. The same holds true for the case when an individual perceives to have higher control over accessing the social rented sector; yet, the effect is somewhat less strong (odds ratio = 1.26).

Models 3 and 4 present the same approach for the intentions to move to a private rented dwelling. A first observation here is that when using socio-demographic and housing-related predictors only (Model 3), fewer independent variables are significant than is the case in Model 1 for social renting. There is a minor negative effect of age (supporting the hypothesis) and a strong negative effect of being in employment in comparison to having another main source of income. This contradicts our hypotheses. One explanation could be that moving intentions to the PRS are quite pronounced among students (not shown here), as one of the subgroups in the 'not from employment' category. As predicted in Table 6.7, being a private tenant of all sorts strongly increases the likelihood of intending to move to a private rented dwelling; supporting the descriptive analysis the beta coefficient is the

Table 6.10 Logistic regression of tenants' moving intentions to the other rental tenure in Breda – models of tenure change

	Private tenants with an intention to move to a social rental dwelling					
	Model 5			Model 6		
	B	SE	Exp (B)	B	SE	Exp (B)
Socio-demographic and housing-related						
Age	0.04***	0.02	1.04	0.05***	0.02	1.05
Gender (ref. female)	-0.55	0.42	0.58	-0.87*	0.47	0.42
Household income group (ref. < €1,850)						
Household income > €2,650	-2.24***	0.59	0.11	-0.99	0.68	0.37
Household income €1,850 - €2,650	-1.29**	0.52	0.28	-0.57	0.58	0.56
Main income from employment (ref. other source)	-0.16	0.56	0.85	-0.04	0.65	0.96
Household composition (ref. single-person household)						
Multi-person household without children	0.85*	0.48	2.33	0.77	0.53	2.17
Multi-person household with children	0.58	0.60	1.78	0.51	0.64	1.66
Housing satisfaction	0.24	0.28	1.27	0.33	0.31	1.39
No intention to move within next two years (ref. intentions to move exist)	-0.68*	0.41	0.50	-0.60	0.45	0.55
Attitudes and perceptions						
General attitude towards social housing				0.20	0.14	1.22
General attitude towards private renting				-0.22	0.16	0.80
Perceived norm of social housing				0.01	0.15	1.01
Perceived norm of private renting				0.16	0.20	1.18
Perceived control social housing				0.26***	0.10	1.30
Perceived control private renting				-0.23*	0.13	0.80
Constant	-2.18	1.67	0.11	-4.23*	2.21	0.01
Initial -2 Log Likelihood	216.474			216.474		
χ^2 improvement	35.299*** (df=9)			54.208*** (df= 15)		
Nagelkerke R ²	.268			.388		
N	159			159		

*p<0.1, **p<0.05, ***p<0.01

highest for private tenants in the deregulated sector and the weakest for private tenants in the regulated sector. Also confirming the hypotheses in Table 6.7, there is a negative effect – which is however only marginally significant – of having no intention to move within the next two years, irrespective of which tenure is preferred. If an individual has no intention to move she is two times less likely to have no intention to move to a private rented dwelling than a respondent who has a general intention to move. Most interestingly, there is a strong effect of high income compared to low income, and no effect of middle income compared to low income. The data thus provides some evidence that income is less important for having an intention to move to a private rented dwelling than for intending to move to the social housing sector, which seems to be a sound assumption given that a wider array of rent levels is present in the private rental sector.

Model 4 controls for the six individual RAA variables. We can see that all socio-demographic and housing-related variables (except for having an intention to move within the next two years) lose some or their entire explanatory power. This again suggests that there is a statistically significant relation between these variables, particularly current tenure, on the one hand, and attitudes and perceptions on the other hand. With regard to the latter, sim-

Table 6.10 continued

	Social tenants with an intention to move to a private rental dwelling					
	Model 7			Model 8		
	B	SE	Exp (B)	B	SE	Exp (B)
Socio-demographic and housing-related						
Age	-0.03**	0.01	0.97	-0.03*	0.01	0.97
Gender (ref. female)	-0.02	0.34	0.98	-0.17	0.38	0.84
Household income group (ref. < €1,850)						
Household income > €2,650	0.85	0.62	2.33	0.46	0.64	1.58
Household income €1,850 - €2,650	0.22	0.46	1.25	-0.40	0.53	0.67
Main income from employment (ref. other source)	-0.75**	0.35	0.47	-0.59	0.39	0.55
Household composition (ref. single-person household)						
Multi-person household without children	0.03	0.43	1.03	-0.02	0.46	0.98
Multi-person household with children	-0.45	0.51	0.64	-0.25	0.55	0.78
Housing satisfaction	0.30	0.20	1.34	0.35	0.23	1.42
No intention to move within next two years (ref. intentions to move exist)	-1.38***	0.49	0.25	-1.15**	0.52	0.32
Attitudes and perceptions						
General attitude towards social housing				-0.11	0.16	0.90
General attitude towards private renting				0.49***	0.13	1.63
Perceived norm of social housing				-0.10	0.17	0.90
Perceived norm of private renting				-0.16	0.17	0.85
Perceived control social housing				-0.34***	0.11	0.71
Perceived control private renting				0.26**	0.11	1.29
Constant	-0.92	0.93	0.40	-0.40	1.53	0.67
Initial -2 Log Likelihood	286.921			286.921		
χ^2 improvement	30.571*** (df = 9)			68.545*** (df = 15)		
Nagelkerke R ²	.154			.326		
N	319			319		

ilar to the social renting model (Model 2), the data suggests that perceived norms have no significant impact on tenure-specific moving intentions. Conversely, the model shows that positive attitudes towards private renting and perceived control over renting privately are good predictors of PRS-specific moving intentions, whereas higher perceived control over renting socially decreases the likelihood of such an outcome.

Arguably, the main finding of comparing the four models is that attitudes and perceived control but not social norms play a strong role in the formation of tenure-specific moving intentions. The added explanatory power of these variables is stronger for the private renting than for the social renting model. For both sectors, however, the single best predictor seems to be current tenure.

Tenure change

As explained above, the following step was to devise models of tenure change. The predictors used in these models were identical to the independent variables in Models 1 to 4. Models 5 and 6 in Table 6.10 explain under which circumstances private tenants intend to move to a social rented dwelling, while Models 7 and 8 do the same for social renters' moving intentions to a private rental dwelling. In both cases, the reference categories are thus same sector

tenants without an intention to move to the other sector. First of all, we can see that the tenure change models have almost the identical overall explanatory power as the models where all tenants are included. Due to different sample sizes the Initial -2 Log Likelihood and Chi-Square Improvement values are smaller, but Nagelkerke R^2 is almost the same for all models. For both sets of models of tenure change another general finding is that when attitudes and perceptions are added (Models 6 and 8), socio-demographic and housing-related variables, with few exceptions, lose all of their explanatory power. This is most likely due to the relatively small sample sizes. After all, it is generally the case that small-n statistical models will less often produce significant predictors than large-n samples (Royall, 1986). However, this explanation is only speculative and it might well be the case that for the specific sets of tenants in the two tenure change models the interaction between the groups of variables increases.

Examining individual predictors of private tenants' moving intention to the social rented sector, we can observe the following changes compared to the whole sample of tenants. The most important predictor of tenure change from private renting to social housing is increasing income; this is similar to the finding for the sample including all tenants, yet the effect is stronger. Private tenants living in a higher-income household are nine times less likely to intend to move to a social rented dwelling than their low-income counterparts – middle-income private renters are 3.6 times less likely to do so. In contrast to the total sample, there is evidence that being in a multi-person household without children has a marginally significant positive effect on intentions to move to a social rented dwelling. In the whole sample it is households with children that intend to do so. Age has a positive effect on intentions, and no intentions to move has a marginally significant but strong effect, meaning that if private tenants do not intend to move at all they are very unlikely to form an intention to move to social dwelling as well. Except for age all variables lose their statistical significance and have smaller beta coefficients in Model 6; gender, on the other hand, becomes a marginally significant negative predictor. The best predictors in the model are, however, perceived control over accessing social renting and perceived control over accessing private renting. When the perceived control over accessing social housing increases with one unit, the odds of intending to move into the sector is 1.30 ($p < 0.01$). Conversely, when perceived control over private renting increases the odds is 0.80 ($p < 0.1$), signifying a decreasing likelihood of forming a moving intention.

Finally, social tenants are likely to intend to change their tenure to private renting when they are younger, are not in employment and have an intention to move in the next two years (Model 7). After controlling for attitudes and perceptions, only age (marginal with $p < 0.1$) and having no intentions to move are still significant predictors. In comparison to the entire sample, social ten-

ants' intention to move to a private rented dwelling more strongly depends on their attitudes and perceptions. The single best predictor of tenure change accordingly is a positive attitude towards renting privately. Similarly, the more control social tenants perceive over accessing private renting, the more likely they have an intention to move there. Most interestingly, if individuals perceive to have increasing control over accessing the social rented sector, it seems that they are more likely to stay in the social rented sector, rather than moving to a private rented dwelling.

6.4 Social tenants' perceptions and moving intentions in Coventry – a descriptive analysis

The previous analysis of tenants' attitudes towards and perceptions of social and private renting in was based on a sample of renting households in the Dutch case study city Breda. It was said before that given the focus on various aspects of the competitive relationship between social and private rented housing, a well-developed comparative survey analysis between both case study cities would have required too much attention to achieve all goals of the thesis. More precisely, as it is generally the case in academic research, this PhD faced specific time and financial constraints. Without doubt, it would have been interesting and prolific to compare two large-N surveys, which could have helped to learn more about, i.a., the effects of national regulations and policies on the moving intentions of tenants within and between the rental housing sectors. However, the first important prerequisite for successful comparative survey research is that the respective samples are from comparative target populations (Survey Research Center, 2011). In Coventry, it was not possible to achieve either an optimal or a comparable sample design, since there was no access to the addresses of private rental households. The only possibility would have been to send many questionnaires to all households in neighbourhoods that are known to have relatively high shares of private rental households (particularly Foleshill, Radford, St Michaels, Whoberley – see Chapter 3). However, this sampling method was considered to be very inefficient and financially too risky; indeed, using such an approach always means that there is no guarantee of receiving a sufficient number of filled in questionnaires, while it is certain that the costs are relatively high.

Nonetheless, since this thesis was designed as an internationally comparative housing study and particularly aims to add a new perspective to our thinking about rental housing system in different countries, some sort of compromise needed to be made. Consequently, around the same time that the survey in Breda was administered, the three major housing associations in Coventry were asked if they wanted to participate in a study on their tenants' perceptions of rental housing and their moving intentions. One of the

three associations (Midland Heart Housing Association) agreed to administer such a survey and distribute and collect the questionnaire. Accordingly, the total social housing population was reduced from approx. 22,000 social tenants to about 2,000 Midland Heart renters. It was pointed out before that there are substantial differences between the more desirable products of traditional housing associations, such as Midland Heart, and the products of stock transfer associations. It should thus be kept in mind that this sample is not representative for the entire social housing population in Coventry, let alone in England.

6.4.1 Variables and statistical methods

The variables that were used to examine perceptions and moving intentions of social tenants in Coventry were the same as the ones used in the Dutch survey. Beliefs, attitudes, perceptions, and moving intentions were measured as seven-point graded scales, while background factors were either measured as continuous (housing satisfaction/age) or categorical variables (everything else). Two differences exist: Firstly, the classification of income groups did not use the same three-way division as in the Netherlands, mainly because such a classification has no meaning in Coventry. Generally, £500 categories were used, where small group sizes for all categories of a monthly net household income above £1,500 were pooled into one category. Secondly, the question of whether a respondent receives Housing Benefit or not and its relation with moving intentions was added to the analysis. It was said before that housing allowances are designed and calculated differently in the social housing than in the private rental sector. It is thus interesting to see if there might be an effect of the availability of housing allowances on the attitudes towards both sectors and on tenure-specific moving intentions.

Originally the aim was to devise the same multivariate regression models of explaining attitudes, perceptions, and moving intentions of social tenants as it was done for all renters in Breda (see previous sections). However, the sample size of social renters in Coventry did not allow for such an approach and the study needed to be restricted to descriptive analyses. This means that social tenants' beliefs on the various attributes of social and private renting, as well as their attitudes towards and perceptions of renting socially and privately were tested through paired-samples t-tests, while the bivariate relation between tenure-specific moving intentions and the independent variables was tested through Fisher's exact test for categorical variables and through Pearson's r for continuous variables. For the former part the results will be reported in comparison to social tenants' beliefs, attitudes and perceptions in Breda.²⁴

²⁴ Note that there is a difference between the results in Breda shown here and the results in the similar tables

6.4.2 Results

Tenure-specific beliefs, attitudes and perceptions

Table 6.11 reports the results for nine behavioural beliefs, two normative beliefs, and three control beliefs. With regard to the behavioural beliefs most of the outcomes are in line with what we would have expected from the structural analysis of social and private rented services in Chapter 3 of this study: In comparison to social renting, social tenants in Coventry ascribe higher rent levels, higher availability, more variability (with respect to which kind of dwellings are on offer), and lower security of tenure the private rented sector. Additionally, the same group believes that the maintenance standards and services of their housing association to be substantially better than the standards of private landlords (about two points on the seven-point scale). No significant differences exist between their views on how social and private tenants behave in their housing environment. Most interestingly, there are strong differences between the perceived quality of social and private rented dwellings, as well as significant differences between the locations of social and private renting, both of which are in favour of the social rented sector. One explanation for this could be that social tenants do not account for the entire spectrum of the PRS in Coventry, but mainly compare it with the lower end of the market. Another explanation could be the aforementioned selection bias in the sample, meaning that social tenants from Midland Heart live in better dwellings and, more importantly, better neighbourhoods than the average social tenant in Coventry.

Comparing these outcomes to the views of social tenants in Breda, it can generally be said that the differences between the two sectors follow similar patterns in both cities. The only exception is that the quality of location, which is considered to be more favourable in the social rental sector in Coventry, but it is the other way round in Breda. Some differences between the scores of the two rental sectors are more pronounced in one case than the other. Most evidently, the perceived differences between security of tenure in the respective sectors are more pronounced in the Coventry, where the average score of private renting is slightly negative (3.25). Equally, social tenants' views on the performance of private landlords is much worse in Breda, which might signify the perception of an existing rogue landlord class in the English case.

Secondly, the examination of normative beliefs shows that tenants perceive the social rented sector to be more socially accepted than the PRS. However, when compared with the sample in Breda, we can see that the perceived acceptance of both social and private renting by important others is much

in Section 6.2. This is due to the fact that in Section 6.2 all tenants (also private tenants) were included in the analysis.

Table 6.11 Test statistics for social tenants' beliefs about renting a social or a private rental dwelling in Coventry and Breda

	Coventry				Breda			
	Mean	N	SD	Mean of difference	Mean	N	SD	Mean of difference
Behavioural beliefs								
High quality of social dwellings	5.08	109	1.87		5.01	335	1.33	
High quality of private dwellings	3.85	109	1.89	1.23***	4.67	335	1.52	0.34***
High quality of social housing locations	4.61	104	1.79		4.54	348	1.41	
High quality of private renting locations	4.08	104	1.85	0.53***	5.03	348	1.27	-0.49***
High rent level of social dwellings	3.85	112	1.93		3.97	418	1.79	
High rent level of private dwellings	5.67	112	1.90	-1.82***	6.38	418	1.05	-2.40***
Low availability of social dwellings	5.55	105	1.76		6.16	344	1.23	
Low availability of private dwellings	3.35	105	2.07	2.20***	3.76	344	1.78	2.40***
High variability of social housing offer	3.14	95	2.06		3.84	342	1.74	
High variability of private renting offer	5.00	95	1.92	-1.86***	4.94	342	1.60	-1.10***
High security of tenure in social housing	6.09	106	1.32		5.26	340	1.65	
High security of tenure in private renting	3.25	106	3.49	2.84***	4.66	340	1.70	0.61***
Good maintenance by social landlords	5.55	107	1.74		5.38	318	1.38	
Good maintenance by private landlords	3.65	107	1.97	1.90***	4.30	318	1.53	1.08***
Good service of social landlords	5.59	100	1.73		5.48	297	1.31	
Good service of private landlords	3.19	100	1.99	2.40***	4.12	297	1.51	1.36***
Often antisocial behaviour of social tenants	4.07	107	1.79		4.25	329	1.86	
Often antisocial behaviour of private tenants	3.74	107	1.82	0.33	3.61	329	1.51	0.64***
Normative beliefs								
Strong stigmatization of social tenants	3.93	99	2.06		3.29	330	1.85	
Strong stigmatization of private tenants	3.10	99	1.82	0.83***	2.71	330	1.51	0.58***
High acceptance of social housing by important others	4.95	107	1.83		6.19	406	1.46	
High acceptance of PRS by important others	3.48	107	1.74	1.48***	5.80	406	1.78	0.39***
Control beliefs								
Allocation by landlords might impede access to social housing	4.64	89	2.19		4.50	290	2.07	
Allocation by landlords might impede access to PRS	4.47	89	2.20	0.17	4.33	290	2.03	0.18
Income situation allows for renting in social housing	6.12	116	1.42		6.33	432	1.15	
Income situation allows for renting in private renting	2.58	116	1.85	3.54***	2.85	432	1.92	3.48***
Transaction costs when moving to social housing is a barrier	3.64	107	2.06		3.24	395	2.00	
Transaction costs when moving to private renting is a barrier	5.30	107	2.11	-1.66***	4.72	395	2.19	-1.48***

*** $p < 0.01$, ** $p < 0.05$ (level of significance for t-test).

lower in Coventry – however, the absolute value is positive for social renting (4.95 on the one to seven scale). Arguably, this reflects the prevailing public opinion in the UK that renting in general is a less desirable and less accepted form of housing than owning.

Finally, social tenants perceive to have much less financial control over renting privately than over renting socially. There is a strong perception among all respondents that their current income situation would not allow them to rent a dwelling in the PRS. This seems to be unsurprising given the behavioural belief that private sector rents are very high on average. There is almost no difference with regard to their views on the impediments of landlords' allocation procedures when they try to gain access to either sector. The results on these three items are very much in line with what was found in Breda, which signifies that there might be a more universal perceived affordability problem in the PRS.

The second step in the descriptive analysis was the measurement of tenure-specific attitudes, perceived norms, and perceived control (see Table 6.12).

Table 6.12 Test statistics for attitudes towards and perceptions of renting socially and privately in Coventry and Breda

	Coventry				Breda			
	Mean	N	SD	Mean of difference	Mean	N	SD	Mean of difference
Attitude towards renting socially	5.80	5.80	1.56	2.28***	5.68	404	1.30	2.22***
Attitude towards renting privately	2.97	2.97	1.99		3.19	404	1.67	
Perceived norm of renting socially	4.41	4.41	1.35	0.75***	5.51	425	1.36	-0.05
Perceived norm of renting privately	3.35	3.35	1.54		5.56	425	1.46	
Perceived control over renting socially	4.13	4.13	1.96	-0.05	5.23	452	1.69	1.97***
Perceived control over renting privately	4.10	4.10	2.01		3.26	452	1.97	

*** $p < 0.01$ (level of significance for t-test).

A first observation is that the attitudes towards social renting are highly positive, while the opposite is true for private renting. The results are very similar for both case study cities. On the other hand, there are significant differences between the two cases with regard to perceived norms and control. Social tenants in Breda perceive social renting to be socially more accepted than their peers in Coventry – both absolute values are positive though. However, in contrast to the Breda sample, social tenants in Coventry perceive more social pressure to not rent in the PRS than to not rent a social dwelling. Even more surprising is the finding that there is a significant difference between perceived control over renting a social dwelling and renting a private dwelling. From the analysis of control beliefs one would have expected a similar outcome as in Breda, i.e. a highly positive value of perceived control over renting socially and a negative value for the PRS.

Tenure-specific moving intentions

Table 6.13 refers to the computation of moving intentions in Section 6.3.1 (see Table 6.6) as it shows the different mean values for moving desires, intentions, expectations and the combined moving intentions variable. Generally, the two samples show very similar results; nonetheless, we can see that the desire and the expectation to move to a social rented dwelling are more pronounced among social renters in Coventry than in Breda. In reverse, this means that the intention to move to a social dwelling lags behind the other two concepts of moving intentions²⁵. Looking at the distribution of tenants within the tenure-specific intention to move categories, the main finding is that a large majority of social tenants have an intention to move to a social dwelling the next time they move, while only very few respondents are inclined to move to the PRS. Notwithstanding these reservations against a move to the PRS and strong inclinations to stay in the social rented sector, the data also suggest that social tenants are generally more prone to perform a tenure-specific move than those in Breda. It can only be speculated that this is a consequence of higher levels of housing dissatisfaction, which makes people more prone to move at all, as well as it might be the result of an even less accessible owner-occupied housing sector in the English case, forming an impe-

²⁵ With 0.75, Cronbach's coefficient alpha was significantly lower than in the case of the Breda sample; however, alpha was still high enough to justify the statistical integration of the three concepts.

Table 6.13 Descriptive statistics of tenure-specific moving desires, intentions, expectations of social tenants in Coventry and Breda

	Coventry (N = 96)		Breda (N = 519)	
	Mean	SD	Mean	SD
Moving desire social housing	5.60	1.91	5.14	2.16
Moving intention social housing	4.13	2.42	4.16	2.42
Moving expectation social housing	5.68	1.91	5.10	2.28
General moving intention social housing	5.14	1.73	4.80	1.94
Moving desire private renting	2.05	1.55	1.96	1.49
Moving intention private renting	1.86	1.38	1.82	1.40
Moving expectation private renting	2.08	1.63	2.07	1.68
General moving intention private renting	2.00	1.39	1.95	1.33
Distribution general moving intention	Yes	No	Yes	No
-> Social housing	81.5%	18.5%	73.1%	26.9%
-> Private rented housing	15.1%	84.9%	13.2%	86.8%

tus to stay in the rented sector.

Lastly, Table 6.14 presents the results of the bivariate analysis of tenure-specific moving intentions and the predictors that were used in the statistical models in Section 6.3. A first remark needs to be made on the size of the sample. Even though only descriptive techniques are used here, the results should be interpreted carefully. Within each group there are only relatively few cases, with as few as 16 respondents who express a desire to buy and only 18 households that belong to the category multi-person household without children. This means that only marginal changes in the number of respondents who express an intention to move or not will lead to disproportionate changes of the relative number within the independent categorical variable. Notwithstanding this caveat several moving-intention patterns can be observed. The focus of these descriptions is on the conditions under which a tenure change from social to private renting might take place. Where meaningful, the results of the 'stayer' case will be discussed as well.

Firstly, the data suggest that male respondents are more likely to move to both a social and a private rented dwelling the next time they move. Secondly, multi-person households without children seem to be more often inclined to move to private rented accommodation and less often so to a social dwelling. This concurs with the general role of the PRS to provide housing primarily for those who are relatively mobile. Thirdly, there seems to be no link between increasing income (as measured by income groups) and the likelihood to have an intention to move to a social rented dwelling. On the other hand, it appears to be surprising that increasing income coincides with a lower propensity to intend to move to the PRS. One would have expected it to be the opposite, simply because these households might consider themselves to be able to afford both a private and a social rented dwelling in comparison to the lowest income groups. Fourthly, the less satisfied people are with their current housing situation the more likely they seem to be to intend to move to the PRS rather than staying in the social housing sector. Fifthly, there is a positive relation between a positive attitude towards private renting and the intention to move to such a dwelling, and a negative relation between perceived control over social housing and the latter. Similar to the findings in Breda, it seems that when social tenants perceive themselves to be in the state

Table 6.14 Bivariate analysis of tenure-specific moving intentions of social tenants in Coventry

	Moving intention to a social rental dwelling		Moving intention to a private rental dwelling	
	%	N	%	N
Categorical variables				
Male	90.2	41	25.0	32
Female	77.4	106	11.1	90
Single-person household	79.3	58	16.3	43
Multi-person household no children	75.0	16	25.0	12
Multi-person household with children	83.1	71	12.3	65
Income group < £500	81.3	32	13.8	29
Income group between £500 and £1,000	79.6	54	17.8	45
Income group between £1,000 and £1,500	82.1	28	8.7	23
Income group > £1,500	85.7	21	5.6	18
Main source of income from work	76.8	65	13.5	52
Main source of income not from work	85.2	81	15.4	65
Housing Benefit recipient	84.4	92	14.9	87
No Housing Benefit recipient	76.9	39	16.7	36
Experience with renting privately	88.5	78	15.2	66
No experience with renting privately	74.6	63	14.5	55
Moving plans within two years	76.6	77	8.6	58
No moving plans within two years	85.9	71	19.7	66
Desire to buy	53.3	15	25.0	16
No desire to buy	92.7	82	16.4	67
Continuous variables (mean values)				
	No moving intention to social housing	Moving intention to SH social housing	No moving intention to private renting	Moving intention to private renting
Age	42.1	46.8	43.7	45.8
Housing satisfaction	3.64	3.76	3.80	3.11
General attitude towards social housing	4.60	6.01	5.74	4.85
General attitude towards private renting	4.30	2.69	2.67	4.62
Perceived norm of social housing	4.39	4.32	4.46	4.28
Perceived norm of private renting	4.14	3.13	3.26	4.00
Perceived control social housing	4.65	4.14	4.45	3.14
Perceived control private renting	5.13	3.82	4.24	4.17

to remain in the social rented sector once they move, they will do so rather than performing a tenure change.²⁶ The descriptive data does not propose a relation between the other variables and tenure-specific moving intentions, or they just cannot be explained here, which is the case for desire to buy and existing moving plans in the next two years.

6.5 Conclusion

The primary aim of this chapter was to add the consumers' perspective to the idea of competition between the two rental tenures by examining the perceptions and intended consumption decisions of tenants in the two case study cities. The introduction argued that a solely structural view on the substitut-

²⁶ These observations are supported by significant but moderate correlation coefficients. Additional analysis, which is not presented here, shows correlation coefficients of .483 for attitudes towards the PRS and moving intentions to the PRS and -.275 for perceived social housing control and the moving intention to the PRS.

ability of social and private renting, or more broadly their degree of homogeneity, is inadequate as it misses tenants' perspectives and actions on which rental housing service they intend to consume and why that is so. Making the argument that existing research on tenure preferences and residential mobility has dealt with the relationship between the two (main) rental sectors only implicitly, the study turned to the social-psychology literature on why people form a specific behavioural intention or not and thus proposed the reasoned action approach (RAA) by Fishbein and Ajzen (2010) as the theoretical frame of reference. More precisely, it was argued that using the RAA model allows for a more holistic understanding of how and why tenants' views on social and private renting differ (research question 1), and secondly how these views influence their decisions on which services they intend to consume in the future (research question 2).

With regard to the former the quantitative survey analysis in Breda (Section 6.2) proposes that the beliefs of tenants on the similarities and dissimilarities between social and private renting reflect the more objective structural division of the two products, which was made in Chapter 3, very well. The survey analysis in Breda shows that tenants seemingly have good information on the actual disparities on what is being offered in the two rental sectors and how the two products compare, i.e. they identify strong rent differentials, much less availability as well as variability in the social rented sector, more social problems in the social rented sector (though not strongly pronounced in absolute terms), but comparable locational and particularly dwelling qualities, as well as securities of tenure. Additionally and not mentioned in Chapter 3, housing associations are perceived to be the better landlords. Both forms of renting are perceived to be socially accepted, which does, however, not mean that tenants perceive themselves in the position to consume both. Particularly the private rented sector, even though it is more accessible in terms of availability, seems to be unattainable to a large number of rental households in Breda. Here, the perceived affordability issue is a major point in explaining why that is so. The research further shows that it is less the direct impact of beliefs tenants hold about the two rental sectors, but more their personal dispositions with regard to income and above all the current tenure in which they live that can explain attitudes towards and perceptions of the two rental sectors. More precisely, the findings propose that there is an innate relationship between beliefs and individual background factors; however, based on the original theory we would have expected such beliefs to be a stronger mediating factor in the formation of attitudes and perceptions.

Consistent with the reasoned action approach, the empirical examination in Breda (Section 6.3) suggests that even when socio-demographic and housing-related background factors are held constant, tenants' intentions to move to a private or social rental dwelling are positively influenced by positive attitudes towards and higher perceived control over renting in the same sec-

tor. More interestingly for the general question of the willingness to substitute the two rental services the research also addressed the issue of under which circumstances a social tenant would intend to move to private rental accommodation, and vice versa. Here, it was shown that positive attitudes towards the other rental sector and a stronger self-efficacy of performing a tenure change do significantly increase the inclination to do so. It was shown that perceived control strongly reflects the income situation of the household, meaning that higher (lower) income is similarly a good predictor of tenure change from social (private) to private (social) renting. Nevertheless, we also saw that the occurrence of a tenure change, or better the willingness to perform such an inter-tenurial move is very low in general, where particularly social renters largely prefer to stay in their current tenure. Private renters, on the other hand, even though a majority of them seemingly intends not to move at all or buy their next dwelling, are in absolute terms more inclined to move to a social rented dwelling than to a private rented dwelling.

To give the reader a flavour on how these results in Breda compare to the English case study city Coventry, a descriptive analysis on social renters' views on the two rental sectors and their consumption decisions in the mixed rental market was added in a third step. The main findings here confirm the expectations that arise from a relatively strong structural divide between the two rental sectors as observed in Chapter 3. Most interestingly, social tenants in Coventry see a larger security of tenure gap, a smaller dwelling availability gap, and a larger dwelling variability gap between the two sectors than their peers in Breda. This also confirms the impression from the empirical research on the two rental market structures made in Chapter 3. Furthermore, social tenants in Coventry seem to be equally deterred by the thought of moving to the PRS as social tenants in Breda. The descriptive analysis suggests insecurities about whether they could meet rent payments, as well as negative expectations about a lower security of tenure and the performance of private landlords might play a role here. Conversely, if social tenants express an intention of a tenure change, a positive attitude towards the PRS is arguably a key factor. This largely supports the findings on moving intentions in Breda. A main difference between the two case study cities is that perceived control over renting in the PRS seems to be no significant factor for intended tenure change in Coventry. Unfortunately, the research does not provide evidence on why that is so.

This leads us to a general question of the sufficiency of this analysis. It was argued before that even though the formation of a behavioural intention is the best predictor of performing the behaviour – this relation is predicted by the RAA model and has been confirmed by ample research, also in the residential mobility literature –, various factors exist that could impede the realization of an intention. Most evidently, the completion of an actual move is, of course, not only about the type of tenure that an individual wants to

live in. For instance, a situation in which an individual is inclined to move to the social rented sector but cannot find the desired type of accommodation is very well possible. Again, tenure preference is just one level of housing preference, and in reality the satisfaction with the type of dwelling and the neighbourhood might be much more important for a household than the tenure in itself – although there certainly is an overlap between tenure and the characteristics of accommodation being offered. Given that the analysis for this study relied on a cross-sectional survey and thus a stated-preference approach, it cannot be said for certain to which extent moves from one rental sector to the other will take place in the future.

7 Summary and conclusions

In the introduction to this thesis it was argued that in the context of shifting provision structures of and regulatory approaches to social and private rental housing, the idea of competition between the two rental sectors has received increasing attention from both housing practitioners and researchers in recent years. However, despite its intensifying usage in official reports and scientific publications, the analysis of competition in mixed rental markets has appeared to be mainly implicit and ill-defined with regard to what it means in market realities, as well as business and political practices. Following this lack of perspicuity, the research goal of this study was twofold: (1) To develop an innovative analytical framework that can give meaning to the concept competition in contemporary rental housing systems, and (2) To apply this framework in an internationally comparative setting in order to demonstrate the variety of competition-related behavioural processes, their structural and political prerequisites, their performance-related outcomes, and the interrelations between these aspects.

Based on the contention that much of our understanding of what competition means and how it could be analysed is coming from the conventional industrial economics literature, the study proposed the Structure-Conduct-Performance (SCP) of rental housing as its ordering conceptual framework. Here, it was argued that from a supply side perspective competition has three basic dimensions: The competitiveness of the market environment in which landlords operate, the rivalrous perceptions and behaviour of the providers of rental housing, and the effects of competition on the performance of landlords themselves and on the performance of the wider rental market. In addition, the study further proposed that if one wants to fully understand competition processes in mixed markets, more attention needs to be given to the demand side; hence the argument that a fourth dimension of competition is the willingness of customers to consume both rental services.

Each of these four research foci was addressed individually in Chapters 3 to 6. Each chapter was subdivided into two main parts: Firstly, given that mainstream competition analysis builds on specific assumptions that do not hold in the context of this research, each chapter provided a theoretical discussion of how the concept of competition changes when applied to mixed rental markets and subsequently presented an adapted analytical framework of assessing structure, conduct, performance, and tenants' consumption choices respectively. Secondly, these analytical frameworks were then applied to rental housing in Coventry in England and Breda in the Netherlands. This comparative approach did not only aim to shed light on how individual concepts hold in practice, but even more importantly, it aimed to highlight the theoretical and empirical links between them.²⁷ In the following, this conclusive

²⁷ As was pointed out before, this is only partially the case for the research on tenants' consumption decision,

chapter summarizes the main findings on what competition in mixed markets means in rental market realities and practices. Hereafter, Section 7.2 specifies how behavioural processes, political and regulatory frameworks, structural conditions, and market outcomes in competitive rental markets are related. Section 7.3 reflects on the research approach of the study, thereby addressing underlying methodological problems and the general limitations of the thesis. This will be connected to the question of what kind of future research should be conducted to perpetuate this study. Based on the argument that competition between the two rental sectors is also, if not primarily, a political question, Section 7.4 deals with the policy implications of the research findings: What should and could governments do if they wanted to increase competitive interactions between the two tenures?

7.1 Exploring competition – the individual elements of the SCP of rental housing

To recapitulate, in line with the two main aims the research was broken into four sets of research questions, each addressing a different aspect of competition between social and private rental housing. This section presents a summary of the research findings on the individual concepts, which from an empirical viewpoint relate to rental housing in England and the Netherlands in the period of 2008 to 2011.

7.1.1 The competitiveness of mixed rental housing markets

Chapter 3 examined two research questions: (1) *What is a competitive structure of mixed rental housing markets?* and (2) *How competitive are the rental market environments in Breda and Coventry?*

To answer the theoretical question, the study basically relied on the idea of a perfectly competitive market structure in the traditional SCP paradigm in which the degree of product differentiation, the existence of barriers to entry in the market, and the degree of supply concentration is assessed to evaluate the business environment in which firms operate (Tirole, 1988). However, given that in mixed rental markets we have to take into account the existence of a social housing industry and a private renting industry, both of which operate along different business principles and provide by definition differentiated goods, the notion of market structure changes. As a result, by including the differing regulatory, political and business approaches to social housing and

private renting, a concept of a 'perfectly competitive rental market' was presented that included five rather than three items: A highly competitive supply structure in which the number of landlords in both rental industries is high and their individual market shares are small; a supply structure in which private and social landlords provide rental dwellings in the same locations, which would signify the absence of spatial monopolies; the possibility for all types of landlords to provide social as well as private rental services without facing any regulatory barriers; the absence of regulatory and landlord-induced barriers for all types of tenants to consume either rental service; and finally, a high degree of homogeneity of the two rental products with regard to absolute rent and quality levels, as well as their regulatory characteristics.

Under the assumption that such a situation cannot exist in rental market practice, the concept was applied as a competitiveness 'benchmark' to the two local rental markets in Coventry and Breda. Using primary and secondary quantitative data, it was found that both local rental markets are relatively uncompetitive when compared with the 'ideal' state of competition. In the English case this conclusion seemed relatively unsurprising given that the two rental sectors had been described in prior studies as being very dissimilar. Indeed, the study could provide evidence that, with the exception of barriers to entry the supply, all competitiveness items indicate a moderately to highly uncompetitive rental market. Specifically, the high barriers to access social rental housing for all renters, the high barriers for low-income households to access private renting, the dominance of either social housing or private renting in neighbourhoods, and large rent differentials were mentioned here. In the case of Breda the main finding was that a more competitive market is primarily thwarted by very high access barriers for tenants to the social rented sector, high barriers for private landlords to enter the social housing industry, and high absolute rent differentials. Nonetheless, mainly based on the finding that in comparison to the rental market in Coventry spatial monopolies are less developed in Breda, the conclusion was made that there seems to be a slightly higher degree of competitiveness in the latter case.

7.1.2 Competitive conduct of landlords in mixed rental markets

In Chapter 4 the focus of the research shifted to the behavioural aspects of competition. Three key questions were asked in the first part of the chapter: (1) *What is competitive conduct of social and private landlords in mixed rental markets?* and (2) *What are landlords' perceptions of their competitive relationship, do they perceive each other as rivals? How do these perceptions affect their strategic behaviour in the market?*

Rather than using an equilibrium model of firm behaviour as is common in mainstream neoclassical economics, the discussion of the first research ques-

tion showed that conduct in the SCP of rental housing strongly integrates with the concept of conscious rivalry as presented in the business economics and management literature (e.g. Baum & Korn, 1996). Following this approach, rivalry in mixed rental markets was defined as a relational, direct, subjective, and reciprocal form of competition between the two landlord groups. Similar to the framework of a perfectly competitive rental market, this definition of inter-landlord rivalry was used as a yardstick for the empirical investigation and was seen to describe the 'ideal' state of competition from a behavioural viewpoint.

Investigating the empirical key questions through a series of in-depth interviews with social and private landlords in Coventry and Breda showed that in both rental markets competitive forces seem to be generally limited. Arguably, this conforms to the findings on the relatively uncompetitive market environments in the two cities. However, the research findings demonstrated that a useful distinction is between the provision of rental housing services in the low-income sector, which is arguably the primary market for non-profit social landlords, and the commercial market segment, in which social landlords provide rental services along market principles. Here, it was argued that only in the former a pure form of competition between social and private rental housing could take place. The second case is more of a competitive setting within the private rental sector; yet, this is also relevant and worth examining, since the different business models and overall business goals of social and private landlords circumscribe strategic behaviour in this segment.

In contrast to Coventry, the research in Breda showed that as a result of the growing activities of nonprofit housing associations, perceptions of rivalry and rivalrous interactions are relatively strong in the commercial (deregulated) rental segment. Most social and private landlords identify each other as their direct competitors and target their strategic behaviour at each other. On the other hand, in the low-income segment the relation between the two landlord groups in Breda can be described as conniving and cooperative. Conversely, perceptions of rivalry and rivalrous interactions do exist in the English case. Social landlords – but not all of them – see the activities of private landlords in the low-income segment as a problem when they have experienced a loss of their own tenants to the PRS. Yet, this does not necessarily result in targeted competitive strategies. Rivalrous interactions remain on an implicit level. Here, the main reason seems to be that social landlords either do not have the means for implementing such strategies or they lack an understanding of which competitive strategies might be useful.

7.1.3 Landlord and market performance

Chapter 5 explored the third set of key questions: (1) *What is the meaning of performance in mixed rental markets?* and (2) *What are the possible effects of com-*

petition between social and private landlords on the performance of mixed rental markets?

To be able to address the first question, the first part of Chapter 5 contained a meticulous review of the industrial economics, nonprofit, and housing literatures on the meaning of performance and how these literatures have sought to address the question of the effects of competition. A main finding was that a general distinction should be made between the performance of the providers of rental housing themselves and the performance of the wider market as experienced by the consumers. With regard to the former the literature suggests that it should be asked whether competition between social and private landlords leads to a more productive use of resources, and how it affects aggregate profitability levels in the two industries. From housing and nonprofit studies it was further taken that competition can also have an impact on the business goals of landlords in the market. Considering the market effects, or in other words the societal effects of competition, a review of the nonprofit literature on mixed market competition proposed a research emphasis on aggregate prices, quality levels and output levels. This is based on the argument that when investigating markets in which the profit-making primacy does not prevail, analysing changing price/quality relations can provide a better indication of societal gains than the changes in profit levels, which is often used by the traditional SCP approach. Finally, and in line with the research on landlord conduct, the literature review proposed that a useful distinction when determining competition effects is between markets in which social goals prevail (in our case the low-income sector) and those where pecuniary goals dominate (arguably, the commercial rental market).

The applied research demonstrated that because social landlords in Coventry see increasing risks of losing tenants to private landlords in the low-income segment, they are forced to use more productive and effective tenancy management to keep turnover rates at a minimum. However, productivity gains in the social rental sector do not necessarily mean that aggregate productive efficiency in the rental market increases as well. If relatively high profit levels in the low-income sector primarily attract cost inefficient part-time landlords rather than professional landlords or even corporate investors, then the productivity gains of social landlords are outweighed. This connects to a general thought about the scale of providers in the rental housing markets. Since large housing associations often benefit from scale economies they are able to invest relatively more in process and product innovations. Therefore, it might be argued that more competition in the neoclassical sense of an increasing number of providers with smaller market shares might decrease the ability of the entire rental industry to finance process innovations. Furthermore, in both countries social landlords noted that they perceive strong pressures from stakeholders to minimise the costs of social housing production. It can be speculated that in a setting in which pub-

lic grants for the development of low-income rental accommodation are distributed on productivity considerations and can be genuinely accessed by all types of developers/landlords, these productivity pressures will increase.

The English case showed that a likely effect of an increasing supply of low-income rental accommodation by private landlords is that profitability levels of social landlords decrease. If rent payments are designed (by governments) to just cover costs, longer periods of vacancies that are caused by tenants' moves to the PRS mean that the returns of housing associations decrease. Nevertheless, for the consumers of low-income rental housing this development seems to be beneficial, however. If the total supply in this segment grows because private landlords enter the market on a large scale, and if tenants were willing to move to PRS accommodation, then they can experience increasing opportunities to act on dissatisfaction with their current housing situation and fulfil their housing preferences better. A main conclusion thus is that increasingly competitive markets are indeed likely to coincide with higher degrees of effective choice for consumers.

The research in Breda showed that where social landlords compete with private landlords in the commercial market segment, profitability levels are likely to decrease as well. This is primarily due to the relatively lower prices of nonprofit housing associations in this market segment. From the consumer's viewpoint increasing competition is however not only beneficial in that it results in lower aggregate prices; it might also lead to increasing levels of aggregate quality, the reason being that a common reaction of private landlords – in this case corporate investors – to competitive pressures from nonprofit housing associations is a strategy of stock modernization. An interesting finding here was that it is not only competition as such but primarily the nonprofit business model of social landlords that are considered to be the cause of decreasing profit levels of private landlords.

A last finding of the research on market performance was that competition might not only have beneficial outcomes but that there are also some substantial risks involved. On the one hand, if increased cost pressures lead to growing business risks for social landlords and might even lead to the exit of failing organizations, negative societal effects can occur if these associations are involved in community development and other social projects. On the other hand, where competitive forces lead to higher cost pressures and induce social landlords to focus stronger on operations in the commercial private rental sector, the primacy of the social housing mission might be threatened. Although the research did not present hard facts on such a development, the statements from both local stakeholders and other social landlords indicate that at least one housing association in Breda seems to be on its way to a 'for-profit in disguise' (Malani et al., 2004).

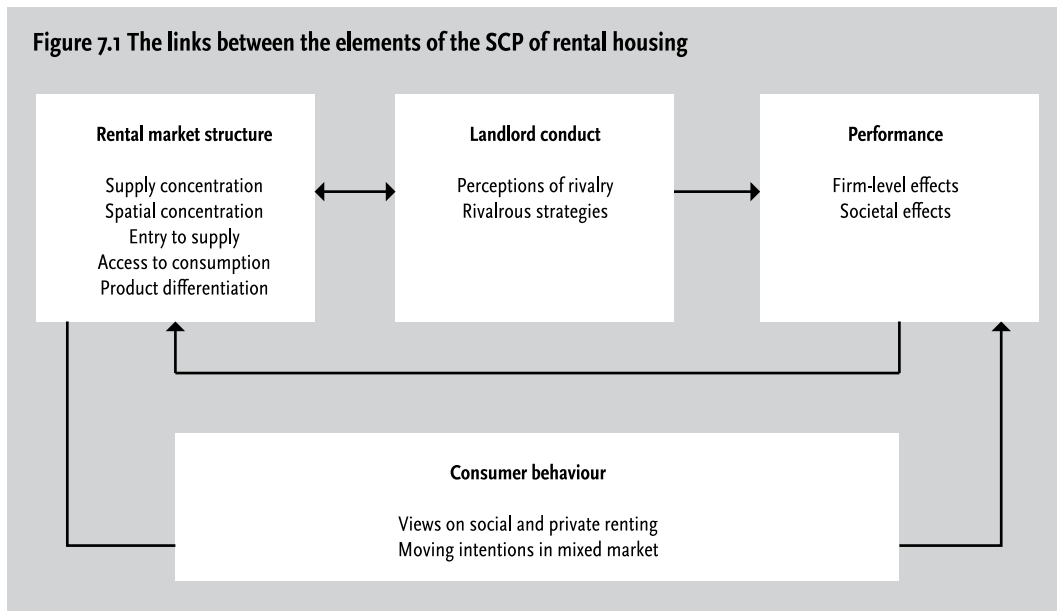
7.1.4 Consumption decisions and the willingness to substitute

In Chapter 6, the study turned away from the overtly supply-side view on competition in mixed rental markets and added a new component to the SCP framework: tenants' views on the similarity of the two rental services and their willingness to substitute these. Here, the argument was made that as long as tenants' consumption decisions are neglected the competitive market aspect of competition remains a theoretical concept with limited meaning in real markets. Hence, data from a quantitative survey among social and private renters in Breda, as well as social renters in Coventry was used to answer the following two research questions: (1) *What are tenants' perceptions of and attitudes towards social and private renting, and how can these perceptions and attitudes be explained?* and (2) *How do these attitudes and perceptions, as well as personal circumstances influence tenants' willingness to consume social and/or private rental services?*

In research practice the willingness to substitute was translated as the moving intentions of tenants within the rental housing sector. Defining substitutability like this meant that the reasoned action approach (RAA) by Fishbein and Ajzen (2010) could be used as an analytical framework for describing and understanding tenants' attitudes towards and perceptions of social and private renting and how these connect to the question of willingness to substitute (i.e. tenure-specific moving intentions).

The data showed that the perceptions of all renters in Breda and of social tenants in Coventry on the similarity of the two rental services are a good reflection of the observable objective criteria that were measured in Chapter 3. Renters in both case study cities tend to see strong rent differentials, a relatively low accessibility to the social rental, a more variable offer in the PRS with regard to dwelling types, and less security of tenure in the PRS – which particularly holds true in the Coventry case. In Breda the perceived high similarity locational and particularly dwelling qualities is a specific trait; yet, it also reflects the findings in Chapter 3. The survey analysis in Breda further revealed that the attitudes of tenants towards social and private renting, which are generally more positive towards social renting, and the perceived ability to rent in both sectors is primarily a question of the tenure in which these tenants are currently living in and the income of the household – the higher (lower) the income, the better the attitudes towards the PRS (social housing) and the higher the self-efficacy to rent in the private (social) sector. These attitudes and perceptions then in turn strongly influence the intentions to move between the two sectors. A majority of private renters does not express an intention to move to the social rental sector – however, lower income households in the private rented sector are more indifferent about tenure change than those PRS renters living in the deregulated sec-

Figure 7.1 The links between the elements of the SCP of rental housing



tor. The views of social renters are similar, yet their aversion against the PRS is much stronger than the other way around. To conclude, if we define tenure-specific intentions to move as an expression of tenants' willingness to substitute the two rental services, and if the latter concept is accepted as an important aspect of competition in mixed rental markets, then the actual degree of competition in Breda – and most likely also in Coventry – is relatively low. Therefore, the finding in Chapter 6 largely follows the findings on the strength of competition in Chapter 3 on market structure and Chapter 4 on landlord conduct.

7.2 Understanding competition – the links between the elements of the SCP of rental housing

In the introduction of this study it was said that the study does not aim to test the hypothesis of the traditional SCP of a direct causal link running from market structure to the performance of the market. Since in such a framework behaviour is merely treated as an equilibrium concept – landlords have but one option if they seek to maximise profits – it was argued that it seems to be more meaningful to explore each aspect of competition as an individual concept and try to discover the links between the elements within the research process. Particularly the comparative research methodology was considered to be meaningful in this 'discovery process'.

Based on the findings in the individual chapters some conclusions can be drawn on theoretical and empirical links in the SCP of rental housing. Figure 7.1 illustrates the findings on the links between market structure, competitive conduct of landlords, market outcomes, and the position of consumers in shaping competitive outcomes.

Firstly, the second empirical part in Chapter 4 examined the question of the possible barriers to rivalrous interactions between the two landlord groups. The research results showed that with the relatively broad definition of market structure in this framework, comprising the structure of supply and demand, institutional elements, as well as public policy factors in mind, there seems to be a strong link going from structure to conduct. More specifically, all five items of market structure (product similarity, barriers to access, barriers to entry, supply concentration, spatial concentration) were found to be major barriers to competitive conduct. However, given that perceptions of rivalry and rivalrous actions are slightly stronger in the low-income sector in the English case, while they are stronger in the commercial segment in Breda, the following main conclusion can be made about the individual importance of the five items: The existence of more homogeneous products with regard to absolute rent and quality levels, which signifies a market domain overlap at the lower end of the market, lead to an increasing competitive awareness of social landlords about private landlords having entered their market segment. This is considered to be the cornerstone of competition between social and private rental housing. A second main driver is a more balanced supply/demand relation. If landlords face genuine risks that they will have long-term vacancies, they are likely to behave more competitively. On the other hand, similar levels of regulation and access criteria are important as well, particularly from a consumer's viewpoint; however, they seem to be of relatively lower significance for landlords themselves. A particularly interesting finding was that a deconcentrated market structure signifies a more competitive market; however, the impact on the degree of conscious rivalry is negative because target competitive strategies become more difficult when the rival is small in size.

Secondly, if the SCP of rental housing model is approached from a more dynamic perspective, there surely is also a link from conduct back to market structure. The (competitive) strategies of landlords result in changing market conditions for incumbent landlords and new entrants. Supply is changed by the business growth strategies of incumbents, which includes the merger behaviour of social landlords, and the actual entries of new landlords, if they develop new housing stock rather than buying existing dwellings. Similarly, product differentiation depends on the pricing and quality setting strategies of landlords – under the condition that they can influence these. A last example is that investments in new dwellings as a competitive strategy improves the accessibility to both sectors for customers.

Thirdly, the examination on the effects of competition has shown that firm level and particularly market level performance is mediated through the conduct of landlords in the market. However, following the finding that such rivalrous behaviours is largely circumscribed and in the case of Coventry and Breda also impeded through the structural conditions under which both

social land private landlords operate, there seems to be indeed (as predicted by the SCP model) a coercive relation between the structure of the market and market outcomes.

A fourth relationship runs from performance back to market structure. The discussion in Chapter 5 showed that government's decisions on how they design rules and regulations in mixed rental markets are grounded in intended market outcomes. Arguably, the best example here is that a common policy strategy in England is to increase the productive use of public subsidies has been the cutback of barriers to enter tenders in the construction of social housing and allocate available subsidies on the basis of performance assessments. Conversely, this primacy of policy influence in shaping market conditions can be interpreted again as a testimony of an existing coercive relation between structure and performance.

Lastly, there also seems to be a link from market structure through consumer behaviour to market performance. The research in Chapter 6 showed that product differentiation, including both absolute price/quality differentials and different regulatory aspects and the existing barriers to access either rental sector shape tenants' attitudes towards and perceptions of the two rental services. In other words, the competitiveness of the market structure largely determines the consumption choices tenants can make. Given the long waiting lists in social housing and the nonetheless low willingness to substitute a social for a private rental dwelling voluntarily, we can assume that consumer preferences are not satisfied and market outcomes are not optimal.

7.3 Reflections on the research and directions for further research

The thesis proposes that competition in mixed rental markets is a complex matter. It is the interplay of contingent structural conditions, behavioural processes, personal and organisational goals, and last but not least largely depends on local and national policy-making. It is a static state and a dynamic process at the same time, meaning that the degree of competition relates to specific points in time and could change rather rapidly in the face of changing economic cycles and exogenous events, such as property slumps and credit crunches. Also, it concerns some segments of the rental market more and differently than other segments. The thesis has shown that a necessary distinction is between competition social and private rental housing in the low-income segment and inter-tenure competition in the more expensive, market-based segments. More specifically, the conditions for competition in these segments are very diverse. Where commercial principles dominate, i.e. the higher-income segment, competitive forces can unfold, leading to specif-

ic market outcomes. Where social and commercial mechanisms coexist, there is an inbuilt barrier to such competitive forces. In short, rather than speaking of competition between social and private rental housing in general, it seems to be useful to apply the concept of mixed market competition in the low-income segment on the one hand, or middle- and higher-income segment on the other hand. Similarly, competition is a question of which landlord groups we are looking at. The study has pointed out that one necessary distinction is between nonprofit and for-profit organisation. But even within these general categories there are various types of landlords, who, due their diverging business goals and focus, compete differently with landlords in the other rental sector. Particularly the distinction between corporate investors and private individuals in the Netherlands was illustrative for this argument.

Ultimately, this connects to the final argument that a clear-cut distinction between social and private rental housing services, as well as social and private landlord operating in different market segments is not always possible. Therefore, it might be said that the theoretical definitions of social and private renting as set out in the introductory chapter are useful in thinking about mixed rental markets, but they should be seen as guiding principles rather than as absolute and inductible categories.

With this in mind, the following sections seek to critically reflect on how well this study has unfolded these complexities and where it seemingly falls short – most likely, Figure 7.1, does not do justice to the intricacies, since there is no mentioning of, i.a., the link between landlord conduct and consumer behaviour or the direct effect of market performance on landlord behaviour –, which results in a research agenda of what kind of studies could build on and perpetuate this thesis.

Contribution to the literature

Generally, the study has clearly shown that the SCP of rental housing provides a useful conceptual framework for studying mixed rental markets. In the terminology of the research aims, it has proven itself to be able to unfold many complexities of the competitive relation between social and private renting by demonstrating the empirical validity of the theoretical links between the various aspects of competition and by giving meaning to the individual concepts within these interdependencies. As such, the study is decidedly analytical, as it integrates primary and secondary data for different spatial levels and ties in with various policy agendas. More precisely, the contention here is that the research presented in this thesis adds to different areas of the housing studies literature in the following ways.

Firstly, it contributes to the housing systems literature by giving a more holistic account of the competitive inter-tenorial relation than it has been achieved by prior studies. As was stated in the introduction, the works of Kemeny (1995; Kemeny et al., 2005), Haffner et al. (2009a; 2009b); Oxley et al.

(2010b) and Elsinga *et al.* (2009) merely focus on structural aspects of competition between the two rental sectors. In these works, behavioural aspects of competition are neglected or deduced from structural observations. This gap in the housing literature is partially filled by this thesis, as it provides empirical evidence on the role of market actors in filtering structural conditions and thereby shaping market outcomes. In other words, rather than only examining the extent of potential competition – as measured by for instance absolute price/quality differentials and regulatory varieties, this study has unfolded the relation between potential and actual competition – as signified by competitive interactions between landlords.

Secondly, this study adds to the same literature by moving beyond the social housing centred approaches to analysing mixed rental markets, by having given specific attention to the functionalities and structure of the PRS. On the one hand, it is shown that the choice agenda that has been discussed in the context of social housing in England (see e.g. Cave, 2007) does not only relate to the allocation of social dwellings owned by housing associations, but relates to the design of and policies for the private rental sector as well. The argument has been built that real choice in rental housing markets is only achieved when the provider itself becomes insignificant to the consumers of rental housing services. On the other hand, previous studies have treated the private rental sector as one coherent market. Yet, in line with Kemp's (2011) assessment that there is not the private rental market, the research has shown that there is a *de rigueur* distinction between different market segments when analysing the relationship between the two rental tenures. However, being found in the research process means that this key aspect of competition could not be distinguished beforehand and could thus not influence the country selection for the empirical investigation. In hindsight this then raises some concerns about the choice of the case study country selection, which aimed to compare what seemed two extreme cases rather than two cases in which competitive processes are relatively weak.

Thirdly, the thesis provides an additional perspective on the effects of government interventions and regulation practices to the housing policy literature. The rhetoric in the scientific discourse on competition in housing markets has primarily focused on social housing outcomes and the behaviour of social landlords. Yet, it has often been neglected that minor differences in social housing regime designs may have (unintended) consequences for the rental market as a whole, and the behaviour of private landlords in specific. The design of the rent regulation system in the Netherlands can stand as an example here. The existence of a highly regulated segment, which primarily aims to keep social rents at an affordable level, and a fully deregulated segment has reduced the incentives for private landlords to provide housing for lower income households as well. Hence, this book supports the claim that when researchers analyse changing social housing policies they should do so

with the wider rental market implications in mind.

Fourthly, this thesis demonstrates to the internationally comparative housing literature the merits of making qualitative comparisons between local rental markets in different countries. Surely, comparing quantitative national-level is the *sine qua non* for understanding rental housing systems and policies in different countries. However, if one wants to understand how these unfold in rental market practices, adding a local-market element may lead to specific insights and can thus address different research questions. This has been shown by this thesis, in which the examination of landlord behaviour and consumption decisions under the same structural conditions could provide the holistic research that was aimed at.

Finally, it adds a new perspective to the housing preferences and residential mobility literature in that it shows the merits of using the reasoned action approach to not only explain the possible discrepancy between actual moving behaviour and behavioural intentions, but also helps to explain where such moving intentions come from.

Limitations of the study and direction for future research

Notwithstanding these research results and their value for the housing literature, there are, of course, some unresolved issues, which suggest that more research is needed to draw more definite conclusions. These issues are primarily methodological but also theoretical in nature.

With regard to the former, an important issue is the generalisation of the research to other local rental markets in England and the Netherlands, to the two country cases themselves, and to other countries. As stated in the previous section there are certain gains when comparing local markets rather than only the national level; yet, we are dealing with two particular rental markets with specific demand/supply structures and housing problems. This means that had two other local markets been used, different research outcomes on the actual levels of competition would very likely have been found. The same holds true for the selection of countries. It was pointed out continuously that the roles and functionalities of social housing and to a certain extent of private renting are strongly influenced by the decisions of policy makers. It follows that the investigation of actual and potential levels of competition would have led to different outcomes had we used other countries. Finally, both in the qualitative research on landlord conduct and in the quantitative research on consumers of rental services the number of cases was too small to draw meaningful conclusions for all landlords and all tenants in the two countries. The aim of this research, however, is not empirical generalisation in the sense of transferring the research findings to other or general populations, but it is theoretical generalisation, which is about the “generation of theoretical concepts or propositions which are deemed to be of wider, or even universal, applications” (Ritchie & Lewis 2003, p. 264).

Nonetheless, this is not to say that it would not have been useful or interesting to replicate the research to see how the research findings hold in other case study cities and also country cases. Accordingly, one suggestion is that future research should seek to put the SCP of rental housing on a stronger empirical footing. On the one hand, this should include the comparison of a number of local rental markets within each country in order to be able to explain the influence of market structural aspects on rental market outcomes. This is in line with the previous remarks on the links between the three supply side elements in the SCP of rental housing having been tested qualitatively (see Section 5.4). Equally, more empirical support could be gained from a mixed method approach of measuring landlord's perceptions of rivalry and linking them to the structure of the market. In applied research this could mean that a questionnaire among a representative group of social and private landlords assesses such perceptions and measures the effects of, i.a., supply concentration, market domain overlap, and price/quality differentials on them. On the other hand, such a replication should include a larger number of countries and therefore a larger variety of regulatory and policy approaches. The broadening of the empirical basis and the application to more countries could ultimately lead to a typology of competition in rental housing systems.

Both a methodological and theoretical issue is with the investigation of tenants' perceived ability and willingness to substitute the two rental services as conducted in Chapter 6. Measuring tenure-specific moving intentions in the rental market presented a useful way of determining the willingness to substitute the two rental services. However, since the study made use of cross-sectional surveys and thus followed the tradition of the stated preferences approach, it could only provide a limited estimate (based on the concept of perceived control) of whether tenants actually act on their willingness to substitute, and if not, why not. Therefore, to get a better understanding of tenants' actual moves between the two sectors, and if they move, whether these moves take place on voluntary decisions, or whether they are the outcomes of constraints to satisfy actual housing preferences, a longitudinal research design would be a useful addition.

Furthermore, even though the study has relied on and made a reference to the concept of nonprofit business organizations, this has predominantly remained on a basic level, particularly with regard to the discussion on the effects of competition (Chapter 5). More insight is needed on what the plurality of business models in the provision of rental housing services for households in need involves and how governments can deal with this. One can argue that the changes in the social housing supply structure in the last twenty years from public provision to the provision of private nonprofit housing associations has been a relatively mild one given that both organizations have the primacy of a social mission. The stronger involvement of private for-

profit landlords in the low-income segment, or in the terminology of Gibb and Maclellan (2006) 'quasi social housing' might change the conditions of provision more drastically. More research is required on how possible negative effects on both incumbent nonprofit landlords and the consumers of rental housing. This thought connects to existing discussions about the design of efficient and equitable state agent models in the public administration literature (van Slyke, 2007), which could eventually inspire new and innovative research on the design of rental housing systems.

A final research recommendation is the conceptual broadening of inter-tenure competition. Primarily due to reasons of simplicity and feasibility the research has largely abstracted from aspects of intra-tenure competition as well as the role of the owner occupied sector. The latter can have an impact in at least two ways.: On the one hand, policies that are directed towards owner-occupied housing can interfere with the rental market in unintended ways. For instance, if housing policy is not tenure-neutral, but is heavily skewed towards owner-occupied housing, the strategies of private landlords might change in a way that they seek to sell parts of their portfolio in times of high house prices rather than pursuing a strategy of maximising rent revenues. On the other hand, the owner-occupied sector certainly affects consumption decisions of sitting tenants in the housing market. It was pointed out before that the rental housing sector is not a closed system, but many renters aspire to become owner-occupiers. It would thus be interesting to see in what way the results of the reasoned action approach of tenure-specific moving intentions would change if the owner-occupied sector was included conceptually and empirically. The issue of intra-tenure competition has not been neglected entirely in the research and has particularly informed the discussion on the possible effects of competition. However, more research is required on the question of how more competitive settings within each rental sector affect mixed market competition as a whole. Of particular interest is the question: If effective competition between social housing organisations alone leads to a more productive use of and a better allocation of resources, does the creation of a more competitive mixed market have an added value?

7.4 Policy implications

Based on the idea that competition between the two rental sectors is primarily a social and political construct some recommendations for policy makers and practitioners, who are interested in the design of competitive rental housing systems, can be made.

A first question that regulators and governments should address is the issue of what they want to achieve with more competition between the two rental sectors. The SCP approach has shown that mixed market competition

is not a policy goal per se, but it is only one policy measure to achieve certain goals in the housing market, such as a more productive use of public resources and a better allocation of suitable dwellings to vulnerable households. This means that they should not aim to introduce, for instance, a greater plurality of social housing providers as such. Rather they should – ideally – aim to enhance the economic and social performance of the entire rental housing sector and evaluate whether the inclusion of more types of providers, including private landlords, can achieve the desired policy outcomes.

Following this realisation, a policy debate on how much competition between the two rental sectors is desirable needs to develop. This study suggests that there is no support for the assumption that a fully deregulated rental market, in which inter-tenure competition is the only ‘regulator’ of market outcomes will lead to more economic welfare and more social justice at the same time. After all, it has been argued that competition can have a negative impact on the social mission of nonprofit housing associations, where in the worst case it could lead to the complete failure of social landlords that have an important role in society which goes beyond the provision of affordable rental services. Accordingly, governments should seek to strike a balance between the economic gains of competition and the preservation of a socially just rental sector. The thesis is not able to provide an exact answer to what this ‘optimal balance’ should look like. Nonetheless, it seems that both in England and the Netherlands, including the two case study cities of Coventry and Breda, there is ample opportunity to stimulate mixed market competition. In both cases it seems that governments can implement various policy measures to make nonprofit housing associations behave more efficiently and give tenants better opportunities to fulfil their housing preferences in the low-income segment. On the other hand, in both countries – more so in England than in the Netherlands – the activities of nonprofit organisations in the commercial renting segment could be facilitated, which can have a positive effect on overall rent and quality levels from the consumers’ viewpoint. Arguably, a positive side-effect of this might be that the two segments come closer together, which would further stimulate the integration of the entire rental market.

The remaining question then is what governments in England and the Netherlands – yet not only here – can do to stimulate competition. It needs to be made very clear that the following section should not be read as a holistic approach to reforming the two respective rental housing systems and thus illustrate what a more market-based housing economy could look like. There are far more suited studies that have dealt with this task in the recent past – see for instance the VROM-Raad report (2007), the SER Commissie report (2010) and the so-called 22 Economen pamphlet (2012) for the Netherlands, as well as the Cave Review (2007) and the Rugg and Rhodes report (2008) for England. The mere objective here is to sketch different competition policy

options in the context of the existing housing systems, under the condition that the more integral housing market reform would not be pursued.

Which regulations and policies can stimulate competition?

A first policy option is grounded in the thesis' finding that the primacy of a more competitive mixed rental market and thus more rivalrous interactions is the market domain overlap of social and private landlords. As a result, governments could seek to reduce the barriers to entry for private landlords to enter the low-income rental sector. More specifically, in the Netherlands, the government could consider the design of a subsidisation and taxation policy that treats both social and private landlords equally, thereby creating a level playing field. This means that in the social housing sector commonly available subsidised building land and government guarantees should be expanded to the PRS. Equally, existing tax disadvantages for housing associations should be abolished. However, equalising the conditions of providing low-income rental housing for all types of landlords is arguably not sufficient to guarantee the entry of private landlords on a larger scale. In a market environment in which the production of new dwellings in relation to earning possibilities is extremely costly, the Dutch government might need to reconsider the introduction of building grants that are genuinely accessible – which is also an issue in the English case – for all types of landlords. This would probably relax the tight supply/demand relation in most local rental markets through higher building production rates, which in turn would increase the scope for competition in general. Such a policy strategy would require the implementation of new measures for punishing bad performance and rewarding good performance through the application of performance assessments and effective contract management by local authorities. This connects to the idea that the existing system of performance agreements between local authorities and housing associations, which could be seen as a form of local command economy, could be reoriented towards a more competitive system that includes profit-oriented organizations as well. Another strategy to increase the supply of private landlords in the low-income sector in both England and the Netherlands would be to facilitate the sale of dwellings owned by housing associations to private companies or individuals, rather than stipulating that they have to be offered to sitting tenants and other housing associations first.

Secondly, policy makers could generally think about increasing the homogeneity of private and social rental services from a regulation viewpoint. This would comprise rent regulation as well as property rights. Accordingly, in the Netherlands one could think about the introduction of a universal, yet moderate rent regulation system that does not distinguish between inexpensive and expensive dwellings that follows a politically defined and quality stipulated valuation system. If all landlords faced the same kind of rent regulations and if it were equally difficult (easy) to end a tenancy, the incentives for

landlords to operate solely in the more expensive segment would be limited. A unification of the rent setting regime could include the abolishment of the inflation-following rent increase policy, and could, for instance, be replaced by a local reference system, which would better reflect the popularity of areas within local housing markets. Conversely, politicians in England could change the system of rent setting in a way that gives landlords more freedom in their rent setting and thus react to competitive pressures from private landlords. From this viewpoint, the changes by the current coalition government in the UK to set more social housing rents to a level of 80 per cent of the market rent of comparable private dwellings in comparable locations (see Harding, 2011) is not necessarily a step towards more freedom, but at least it introduces a higher interdependence between rent setting in the two sectors. In both countries it would be true that from a tenant's viewpoint the introduction of more similar regulation (be it through stricter regulation in the PRS or less regulation in the social housing sector) would probably lead to an enhanced willingness to substitute both rental services. However, as the research showed, the more negative attitudes towards the PRS are highly entrenched in tenants' thinking about the housing market. Hence, a convergence of regulatory approaches could only be a partial solution to this problem. Possibly, the cooperation of PRS landlords with local authorities, in for instance mandatory registration schemes, would give tenants a stronger feeling of security and could possibly improve the image of the PRS.

A last point is that the regulator should retain merger approval in the social housing sector and should apply this strictly on the ground of consumer protection and competition. It was argued before that housing associations often engage in merger activities under increasing competitive pressures, which in the long run decreases competitive forces in the rental market. It seems that, so far, inquiries into merger requests have only taken place under considerations of the financial stability of the associations sector and the investment potentials of individual associations, whereas the negative implications for the performance of the wider rental market through a lower number of suppliers have been neglected. The contention here is that merger approval should incorporate both financial as well as competition implications, which in practice could be achieved through the collaboration between the institutions of financial supervision and independent antitrust enforcement.

Samenvatting

Concurrentie tussen de sociale en de particuliere sector op de huurwoningmarkt

Christian Lennartz

1 Doelstelling en onderzoeksvragen

Met deze studie wordt beoogd een bijdrage te leveren aan het inzicht in de complexe en veranderende verhouding tussen de sociale en de particuliere sector op de huidige huurwoningmarkt. In het kader van verschuivende aanbodstructuren en toezichtbenaderingen voor de beide huursectoren is er toenemende aandacht voor de notie van concurrentie tussen deze twee, zowel vanuit de huisvestingspraktijk als vanuit de academische wereld. Ondanks intensiever gebruik van de term concurrentie in officiële rapporten en wetenschappelijke publicaties lijkt de analyse ervan echter voornamelijk impliciet te worden uitgevoerd en slecht te zijn gedefinieerd wat betreft de betekenis voor de realiteit van de markt of de zakelijke en politieke praktijk. Naar aanleiding van dit gebrek aan helderheid is het specifieke doel van deze studie tweeledig: (1) het ontwikkelen van een innovatief analytisch kader waarmee betekenis kan worden gegeven aan het begrip concurrentie in hedendaagse huurwoningmarkten, en (2) het toepassen van dit kader in een internationale vergelijkende studie om de variëteit aan concurrentiegerelateerde gedragsprocessen, structurele en politieke voorwaarden en prestatiegebonden uitkomsten te laten zien, alsmede de onderlinge samenhangen tussen deze aspecten.

Op basis van de stelling dat concurrentie in de allereerste plaats een algemeen economisch concept is, wordt in de studie de SCP-matrix ('Structure-Conduct-Performance': structuur-gedrag-prestatie) van de huurwoningmarkt als conceptueel model voorgesteld. Beoogd wordt dat concurrentie op gemengde huurwoningmarkten – d.w.z. een zienswijze op de huurwoningmarkt die de sociale en particuliere huursectoren als geheel begrijpt – vanuit het perspectief van de aanbodzijde drie dimensies heeft: de concurrentie van de marktomgeving waarin verhuurders actief zijn, de percepties en gedragingen van rivaliserende aanbieders van huurwoningen, en de effecten van concurrentie op de prestaties van de verhuurders zelf en die van de huurmarkt in bredere zin. Vanuit theoretisch oogpunt gaat de studie echter verder dan de klassieke aanname dat de marktomgeving exogeen is, terwijl gedragingen en dus prestaties structureel afhankelijke variabelen zijn. Er is voor een meer holistische en exploratieve benadering gekozen door alle drie elementen expliciet te maken en hun onderlinge verbanden in een tweede stap te behandelen. Bovendien wordt beoogd dat voor een volledig inzicht in dergelijke concurrentieprocessen een uitgebreide bespreking van de relevante aspecten van de vraagzijde noodzakelijk is. Daarom wordt voorgesteld een vierde dimensie aan de SCP-matrix toe te voegen, namelijk of huurders zowel sociale als particuliere huurwoningen in hun consumptiebeslissingen in aan-

merking nemen.

Onderzoeksvragen

Deze vier dimensies van de SCP-matrix komen afzonderlijk aan de orde in de hoofdstukken 3 tot en met 6, die elk bestaan uit twee hoofdonderdelen. Aangezien de gangbare analyse van concurrentie uitgaat van specifieke aannames die geen stand houden in de context van dit onderzoek, bevat elk hoofdstuk eerst een theoretische verhandeling over de wijze waarop het begrip concurrentie verandert wanneer het wordt toegepast op een huurwoningmarkt met aanbieders van sociale en particuliere huurwoningen. Vervolgens worden deze analytische kaders toegepast op de huurwoningmarkt in Coventry (Engeland) en Breda (Nederland). De analyse in de verschillende hoofdstukken wordt uitgevoerd aan de hand van de volgende onderzoeksvragen:

1. *Wat is een competitieve structuur van gemengde huurwoningmarkten?*
2. *Hoe competitief zijn de gemengde huurwoningmarkten in Coventry en Breda?*
3. *Wat is concurrentiegedrag van sociale en particuliere verhuurders op gemengde huurwoningmarkten?*
4. *Welke percepties hebben sociale en particuliere verhuurders van hun relatie? Zien zij elkaar als rivalen op de huurwoningmarkt? Hoe beïnvloeden deze percepties hun strategisch gedrag op de markt?*
5. *Wat zijn mogelijke versterkende en belemmerende factoren voor rivaliserende interacties tussen de beide groepen verhuurders?*
6. *Wat is de betekenis van prestaties op gemengde huurwoningmarkten?*
7. *Wat zijn de mogelijke effecten van concurrentie tussen sociale en particuliere verhuurders op huurwoningmarkten?*
8. *Welke percepties hebben de huurders van sociale en particuliere verhuur? Hoe zijn deze percepties te verklaren?*
9. *Hoe beïnvloeden deze percepties, naast structurele voorwaarden en persoonlijke omstandigheden, de bereidheid van huurders om gebruik te maken van sociale en/of particuliere verhuur?*

2 Methodologie

Vergelijkend huisvestingsonderzoek speelt een centrale rol in de algemene onderzoeksbenadering van het proefschrift. Hier overstijgt de vergelijking tussen twee steden (Breda en Coventry) in twee landen (Nederland en Engeland) echter het idee dat de omstandigheden, processen en effecten van concurrentie tussen de casestudy's verschillen. Derhalve wordt er wordt holistisch ingegaan op een klein aantal empirische gevallen om een beter beeld te krijgen van de causale processen en omstandigheden die kunnen leiden tot overeenkomsten en verschillen tussen de huurrelaties in deze landen. Bovendien is de focus gelegd op twee gemeenten in plaats van op het nationaal niveau, omdat huurwoningmarkten in de eerste plaats lokale entiteiten zijn. Zo wordt

het herkennen van de relaties tussen het gedrag van de verhuurders en huurders, de omgeving waarin zij besluiten nemen en de effecten van die besluiten, vereenvoudigd.

Elke onderzoeksvraag in de afzonderlijke hoofdstukken wordt beantwoord met behulp van verschillende datasets en informatiebronnen. Dit betekent dat voor de analyse van structurele marktaspecten (hoofdstuk 3) en de bespreking van de effecten van concurrentie (hoofdstuk 5) voornamelijk gebruik wordt gemaakt van secundaire nationale en lokale statistische bronnen, aangevuld met informatie uit kwalitatieve interviews met spelers op de lokale woningmarkt. Voor de analyse van de belangrijkste vragen over verhuurdersgedrag in hoofdstuk 4 is niet gebruikgemaakt van een kwantitatief onderzoek met een grote n-waarde, maar zijn tijdens de empirische studie met een geüniformeerde themalijst de visies en percepties van 36 sociale en particuliere verhuurders onderzocht tijdens 30 semi-gestructureerde diepte-interviews. Om de visies van huurders op sociale en particuliere verhuur na te gaan, alsmede hun bereidheid om de ene vorm in te ruilen voor de andere, is hoofdstuk 6 opgezet als kwantitatief onderzoek. De empirische gegevens voor dit hoofdstuk zijn verzameld via een enquête per post/internet onder 825 huurders van sociale en particuliere huurwoningen in Breda en een enquête per post onder 168 huurders van sociale huurwoningen in Coventry. Voor de analyse van het enquêtemateriaal zijn verschillende lineaire en logistische regressiemodellen toegepast.

3 Uitkomsten en conclusies

Het concurrentievermogen van gemengde huurwoningmarkten

In de theoretische discussie van hoofdstuk 3 wordt betoogd dat wanneer uiteenlopende regelgevende, politieke en zakelijke benaderingen van sociale huisvesting en particuliere verhuur in aanmerking worden genomen, het concept van een 'volmaakt concurrerende huurwoningmarkt' [perfectly competitive mixed rental market] kan worden gehanteerd om een analyse te maken van de structurele voorwaarden waaronder verhuurders woningverhuurdiensten aanbieden en huurders deze diensten afnemen. Vijf elementen zijn in dit verband beslissend: (1) een aanbodstructuur waarin het aantal verhuurders in beide sectoren groot is en hun individuele marktaandeelen klein zijn; (2) een aanbodstructuur waarin particuliere en sociale verhuurders huurwoningen aanbieden op dezelfde locaties en er derhalve geen sprake is van ruimtelijke monopolies; (3) de mogelijkheid voor alle typen verhuurders om zowel sociale als particuliere verhuur aan te bieden zonder uitgebreide belemmeringen in de regelgeving; (4) de afwezigheid voor alle typen huurders van regelgevende of door verhuurders opgeworpen belemmeringen om gebruik te maken van een van beide verhuurvormen; en tot slot (5) een hoge mate van homogeniteit van de twee verhuurvormen wat betreft het huur- en kwaliteitspeil en de regelgeving.

Toepassing van dit theoretische model laat zien dat beide lokale casestudy's betrekkelijk weinig concurrentie kennen. In Coventry wijst het onderzoek uit dat met uitzondering van de toetredingsbelemmeringen aan de aanbodzijde alle concurrentieaspecten op een matig tot zeer concurrentiearme verhuurmarkt wijzen. Meer specifiek zijn het: (1) de grote belemmeringen die alle typen huurders beletten om toe te treden tot de sociale huursector; (2) de grote belemmeringen voor huishoudens met lage inkomens om toe te treden tot de particuliere huursector; (3) de dominantie van sociale huisvesting of particuliere verhuur in bepaalde buurten; en (4) de grote huurverschillen, die bijdragen tot deze bevinding. In Breda wordt een markt met meer concurrentie vooral belemmerd door grote beperkingen voor huurders om toe te treden tot de sociale huursector (vooral lange wachtlijsten), grote belemmeringen voor particuliere verhuurders om toe te treden tot het huursegment voor lagere inkomensgroepen en andere kwetsbare huishoudens, en de grote absolute huurverschillen. Toch is de voornaamste conclusie van de vergelijkende casestudy – voornamelijk gebaseerd op de bevinding dat ruimtelijke monopolies in Breda minder sterk ontwikkeld zijn – dat er in het Nederlandse geval een iets hogere mate van concurrentie bestaat.

Percepties van rivaliteit en rivaliserend gedrag

In hoofdstuk 4 worden de gedragsaspecten van de concurrentie tussen de sociale en particuliere huursector geanalyseerd en daarmee de verhuurders centraal gesteld. Vanuit theoretisch oogpunt wordt niet het in de gangbare neoklassieke economie toegepaste evenwichts-georiënteerde gedragsmodel gehanteerd, maar is het gedrag in de SCP-matrix voor de huurwoningmarkt sterk geïntegreerd in het concept van de 'bewuste rivaliteit' [couscous rivaal] uit de bedrijfseconomische en managementliteratuur. In deze benadering wordt rivaliteit op gemengde huurwoningmarkten gedefinieerd als een relationele, directe, subjectieve en wederkerige vorm van concurrentie tussen individuen en organisaties in de twee verhuurdersgroepen. Net als het kader voor een volmaakt concurrerende huurmarkt wordt deze definitie van rivaliteit tussen verhuurders gebruikt als maatstaf voor het empirische onderzoek; zij wordt beschouwd als beschrijving van een 'ideale' concurrentiestaat vanuit gedragsoogpunt.

De diepte-interviews met sociale en particuliere verhuurders in Coventry en Breda laten zien dat op beide huurwoningmarkten het concurrentiegedrag tamelijk zwak ontwikkeld is. Dit sluit aan bij de bevindingen over de betrekkelijk concurrentiearme marktomgeving in de twee steden. Er kan echter wel een onderscheid worden gemaakt tussen het aanbod van huurwoningdiensten in het lage inkomenssegment, onbetwistbaar de voornaamste markt voor sociale verhuurders zonder winstoogmerk, en het commerciële marktsegment, waar zowel sociale als particuliere verhuurders hun diensten aanbieden volgens de principes van de markt (en daarmee een specifieke vorm

van concurrentie binnen de particuliere huursector vormen).

In tegenstelling tot Coventry toont het onderzoek in Breda aan dat als gevolg van de toenemende activiteiten van woningcorporaties, de percepties van rivaliteit en rivaliserende interacties relatief sterk zijn bij alle typen verhuurders in de commerciële (vrije) huursector. De meeste sociale en particuliere verhuurders wijzen elkaar als hun directe concurrenten aan en richten hun strategisch gedrag op elkaar. Bovendien kan de relatie tussen de twee verhuurdersgroepen in Breda in het segment lage inkomens worden beschreven als welwillend en soms zelfs coöperatief, terwijl percepties van rivaliteit en rivaliserende interacties in het Engelse geval wel bestaan. Hier beschouwen verschillende sociale verhuurders de activiteiten van particuliere verhuurders in de markt voor het lage inkomenssegment als een probleem wanneer zij huurders hebben zien verhuizen naar de particuliere huurmarkt. Toch leidt dit niet altijd tot gerichte concurrentiestrategieën. Rivaliserende interacties blijven op een impliciet niveau, waarvoor de belangrijkste reden lijkt te zijn dat sociale verhuurders ofwel niet over de middelen beschikken om dergelijke strategieën uit te voeren, ofwel het inzicht ontberen om te beoordelen welke concurrentiestrategieën succesvol zouden kunnen zijn.

Effecten van concurrentie op gemengde huurwoningmarkten

In hoofdstuk 5 worden de gevolgen besproken die concurrentie op de gemengde markt voor de prestaties van de huurwoningsector heeft. De belangrijkste theoretische stelling is dat prestaties bij de beoordeling van de effecten van concurrentie twee dingen kunnen impliceren. Enerzijds hebben de gevolgen van concurrentie betrekking op de prestaties van de sociale en particuliere aanbieders van huurwoningen, waaronder zulke uiteenlopende aspecten als het productieve gebruik van middelen, de totale winstgevendheid in de beide sectoren en het effect van concurrentie op hun sociale en commerciële doelen. Anderzijds hebben de gevolgen van concurrentie betrekking op de bredere woningmarkt in termen van veranderingen van de totale prijs-, kwaliteits- en productieniveaus.

Uit het empirische onderzoek in Engeland blijkt dat wanneer sociale verhuurders het risico lopen huurders in het lage inkomenssegment te verliezen aan particuliere verhuurders en daardoor veel mutaties en stijgende kosten (en dus dalende inkomsten) ervaren, zij gedwongen zijn een productiever en effectiever beleid te voeren. Productiviteitsstijging in de sociale huursector betekent echter niet noodzakelijkerwijs dat de totale productieve efficiency van de huurmarkt in het algemeen omhoog gaat. Als bevredigende profijt-niveaus in het lage inkomenssegment voornamelijk relatief kosteninefficiënte parttimeverhuurders in plaats van efficiënte professionele particuliere verhuurders aantrekken, zou de productiviteitspositief in de sociale huursector wellicht worden verloren. Vanuit het oogpunt van consumenten met lage inkomens lijkt toenemende concurrentie aan de onderkant van de markt in

één opzicht gunstig: als het totale aanbod in dit segment toeneemt door een stijgend particulier aanbod, en als huurders bereid zijn te verhuizen naar particulier verhuurde woningen, kunnen zij hun eventuele ontevredenheid over hun huisvesting bij een woningcorporatie daarmee uiten.

Het onderzoek in Breda laat zien dat wanneer sociale verhuurders in het commerciële marktsegment concurreren met particuliere verhuurders, de winstgevendheid waarschijnlijk daalt. Deze daling wordt voornamelijk veroorzaakt door de naar verhouding lagere vraagprijzen van woningcorporaties zonder winsttoegmerk in dit marktsegment. Toch kan concurrentie ook negatieve uitkomsten opleveren, want er spelen ook enkele substantiële risico's mee. Als de toegenomen kostendruk tot stijgende bedrijfsrisico's voor sociale verhuurders leidt, kunnen negatieve maatschappelijke effecten optreden wanneer deze moeten bezuinigen op gemeenschapsontwikkeling en andere sociale projecten. Bovendien kan daar waar concurrentiedruk tot een hoge re kostendruk leidt – waardoor sociale verhuurders zich sterker moeten concentreren op activiteiten in de commerciële particuliere huursector –, het primaat van de sociale huisvestingsmissie in gevaar komen en kunnen woningcorporaties zich een 'vermomd winsttoegmerk' [for-profit in disguise] aanmeten.

Bereidheid om tussen de sociale en particuliere verhuur te verhuizen

In hoofdstuk 6 komt een specifiek aspect aan de vraagzijde van de concurrentie tussen sociale en particuliere woningverhuur aan de orde: de bereidheid van huurders om de ene vorm van verhuur in te ruilen voor de andere. Dit wordt in de onderzoekspraktijk vertaald in de verhuisintenties van bewoners in de huursector. Op basis van de 'reasoned action approach' (RAA) van de sociaal-psychologen Martin Fishbein en Icek Ajzen worden in het empirische onderzoek twee theoretisch verweven aspecten met elkaar verbonden: de houding en percepties van huurders ten aanzien van sociale en particuliere verhuur en de daaruit voortvloeiende huurvormspecifieke verhuisintenties.

De uitkomsten van de enquête onder huurders van sociale en particuliere huurwoningen in Breda en huurders van sociale huurwoningen in Coventry laten zien dat de percepties van de huurders van de overeenkomsten tussen de twee verhuurvormen een goede afspiegeling vormen van de in hoofdstuk 3 gemeten waarneembare objectieve criteria. Huurders in beide gemeenten zien over het algemeen grote huurverschillen, een betrekkelijk geringe toegankelijkheid van de sociale huursector, een meer gevarieerd aanbod van woningtypen in de particuliere huursector en minder huurbescherming in de in dezelfde – wat met name geldt in het geval van Coventry. De analyse van de enquêteresultaten in Breda brengt verder aan het licht dat de houding van huurders ten aanzien van sociale en particuliere verhuur – die over het algemeen positiever is ten opzichte van sociale verhuur – en de gepercipieerde mogelijkheid om in beide sectoren te huren, primair te maken hebben met

het type huurwoning (sociaal of particulier) dat ze nu bewonen en het huishoudinkomen: hoe hoger het inkomen, hoe positiever de houding ten opzichte van de particuliere huursector en hoe groter de intentie om in de particuliere sector in plaats van de sociale huursector te huren. Verder zijn positieve houdingen en percepties over de andere sector van significante invloed op de intenties om te verhuizen naar de andere sector. Hier moet echter gezegd worden dat het totaal aantal sociale en particuliere huurders die zo een intentie hebben laag is. Geconcludeerd kan worden dat als we huurvormspecifieke verhuisintenties definiëren als een uitdrukking van de bereidheid van huurders om de ene huurvorm in te ruilen voor de andere, en als laatstgenoemd concept wordt aanvaard als een belangrijk aspect van concurrentie op gemengde huurmarkten, dan is de werkelijke mate van concurrentie in Breda – en hoogstwaarschijnlijk ook in Coventry – relatief laag. Daarom volgen de bevindingen in hoofdstuk 6 grotendeels de bevindingen over concurrentiekracht in de analyse van de marktstructuur en de analyse van het verhuurdersgedrag.

Verbanden tussen de vier elementen van de SCP-matrix voor de huurwoningmarkt

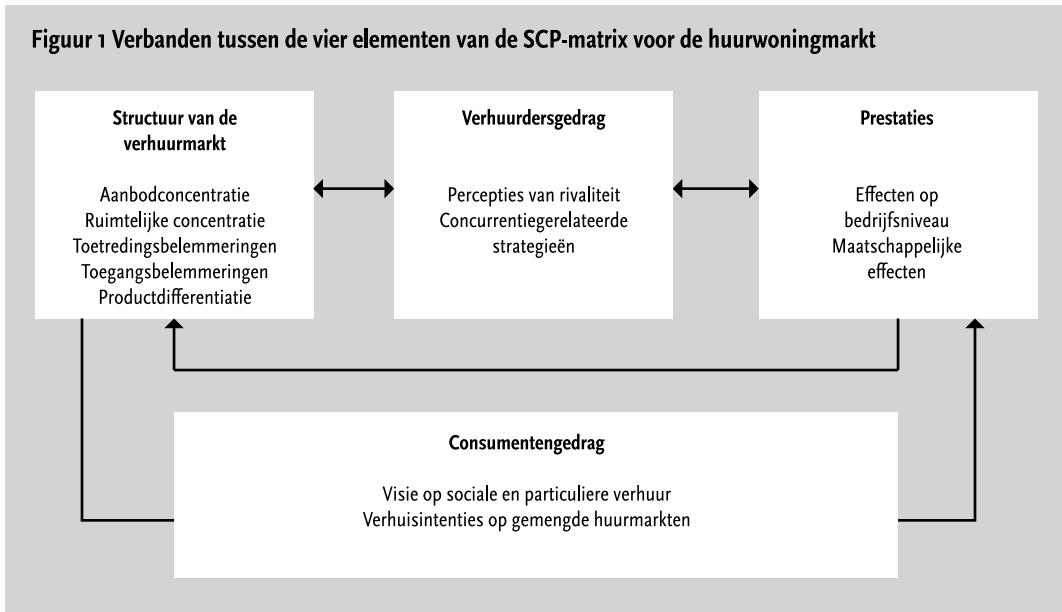
Op basis van de bevindingen in de afzonderlijke hoofdstukken kunnen enkele conclusies worden getrokken over theoretische en empirische verbanden tussen de marktstructuur, het concurrentiegedrag van verhuurders, de marktresultaten en de positie van consumenten bij het vormgeven van de uitkomsten van concurrentie (zie Figuur 1).

Ten eerste lijkt de structuur van de markt, zoals verondersteld in de SCP matrix, in sterke mate bepalend voor het concurrentiegedrag van verhuurders. Meer specifiek blijken alle vijf punten van de marktstructuur mogelijke belemmeringen te zijn; sommige aspecten leggen echter meer gewicht in de schaal dan andere: het bestaan van meer homogene producten in termen van absolute huur- en kwaliteitsniveaus, die wijzen op een aanmerkelijke overlapping van marktdomeinen, is in dit opzicht opvallend, evenals een evenwichtiger verhouding tussen vraag en aanbod. Ook gelijke regelgevingsregimes zijn van belang, al lijkt dit aspect meer effect te hebben op de keuzes van huurders dan op de concurrentiestrategieën van verhuurders.

Ten tweede suggereren de uitkomsten van het onderzoek vanuit een meer dynamisch perspectief een terugkoppeling tussen gedrag en marktstructuur. De (concurrentie)strategieën van verhuurders leiden tot veranderende marktomstandigheden voor zowel bestaande verhuurders als nieuwe toetreders: het aanbod verandert door de groeistrategieën van de bestaande verhuurders, terwijl de productdifferentiatie afhankelijk is van langetermijnstrategieën voor prijs- en kwaliteitstelling, zelfs in zeer gereguleerde markten.

Ten derde toont de bestudering van de concurrentie-effecten aan dat prestaties op bedrijfsniveau, en met name op marktniveau, tot stand komen door

Figuur 1 Verbanden tussen de vier elementen van de SCP-matrix voor de huurwoningmarkt



het gedrag van verhuurders op de markt. Met de constatering dat dergelijk rivaliserend gedrag grotendeels begrensd is, en in het geval van Coventry en Breda ook wordt belemmerd door de structurele omstandigheden, lijkt er echter inderdaad (zoals voorspeld in het SCP-model) een dwingende relatie te bestaan tussen de structuur van de markt en de uitkomsten (prestaties) van de markt.

Een vierde relatie wijst van de prestaties terug naar de marktstructuur, omdat overheidsbeslissingen over de opzet van wet- en regelgeving voor gemengde huurmarkten zijn gegroundvest op beoogde marktuitkomsten.

Ten slotte kan een verband tussen de marktstructuur en de marktprestaties worden geconstateerd via het consumentengedrag. Productdifferentiatie, inclusief verschillen in absolute prijs en kwaliteit en diverse regelgevingsaspecten, en de bestaande toegangsbelemmeringen tot een van beide huursectoren, bepalen de houding van huurders ten aanzien van de twee huurvormen. Met andere woorden, het concurrentievermogen van de gemengde huurmarkt is grotendeels bepalend voor de keuzes die huurders als consumenten kunnen maken.

4 Toekomstig onderzoek

Hoewel met het theoretische kader een innovatieve en holistische benadering wordt geboden voor de bestudering van de (concurrentie)verhouding tussen de sociale en de particuliere huurwoningsector, waarmee we kunnen laten zien wat concurrentie betekent en hoe structurele omstandigheden, gedragaspecten en marktuitkomsten met elkaar in verband staan, zijn er nog enkele onopgeloste kwesties. Eén belangrijk aspect is de veralgemenisering van de onderzoeksbevindingen. Deze studie betreft twee specifieke huurmarkten met specifieke vraag- en aanbodstructuren en huisvestingsproblemen. Dat betekent dat als twee andere lokale markten waren bestudeerd, er met betrekking tot het werkelijke concurrentieniveau hoogstwaarschijnlijk andere onderzoeksresultaten zouden zijn geconstateerd. Hetzelfde geldt voor de lan-

denselectie. Er wordt in het proefschrift voortdurend op gewezen dat de rol en de functie van sociale huisvesting en tot op zekere hoogte ook van particuliere verhuur sterk worden beïnvloed door de beslissingen van beleidsmakers, waardoor de concurrentievoorwaarden van land tot land sterk verschillen. Bovendien is het aantal gevallen, zowel in het kwalitatieve onderzoek naar verhuurdersgedrag als in het kwantitatieve onderzoek naar consumenten van verhuurdiensten, te klein om verstandige conclusies te trekken over alle verhuurders en alle huurders in de twee landen. Hoewel deze studie veeleer gericht is op theoretische veralgemenisering dan op empirische veralgemenisering, zou het toch interessant zijn om de SCP-matrix voor de huurwoningmarkt als analysetool toe te passen op meer casestudy's van steden en andere landen. Een dergelijke verbreding van de empirische basis zou uiteindelijk kunnen leiden tot een typologie van concurrentie in huurwoningmarkten.

Aan het onderzoek naar de mate waarin huurders in staat en bereid zijn om de ene huurvorm in te ruilen voor de andere, kleeft zowel een methodologisch als een theoretisch probleem. Het meten van de huurvormspecifieke verhuisintenties was afhankelijk van steekproefgegevens en kon daardoor slechts een beperkt antwoord opleveren op de vraag of huurders werkelijk hun bereidheid om over te gaan van sociale naar particuliere huur, of omgekeerd, in daden omzetten, en zo niet, waarom niet. Voor een beter inzicht in de vraag of huurders daadwerkelijk overgaan van de ene naar de andere sector en of zij verhuizen op basis van vrijwillige beslissingen, zou een longitudinale onderzoekszopzet een nuttige aanvulling op deze studie vormen.

Verder is meer inzicht nodig in wat de pluraliteit van bedrijfsmodellen met en zonder winstoogmerk inhoudt voor het aanbod van huurwoningen en hoe overheden daarmee kunnen omgaan. Men zou kunnen aanvoeren dat de verandering in de aanbodstructuur van de sociale huisvesting van openbare voorziening naar particuliere woningcorporaties zonder winstoogmerk een relatief kleine aanpassing is, gegeven het feit dat beide organisaties prioriteit geven aan een sociale missie. Een sterkere betrokkenheid van particuliere verhuurders met winstoogmerk in het lage inkomenssegment zou de aanbodomstandigheden drastischer kunnen wijzigen. Derhalve is meer onderzoek nodig naar de mogelijke negatieve effecten van verandering in de aanbodstructuur.

Een laatste onderzoeksaanbeveling betreft de conceptuele verbreding van de concurrentie tussen de huurvormen. Voornamelijk om redenen van eenvoud en haalbaarheid is in het onderzoek grotendeels geabstraheerd van vraagstukken van concurrentie binnen de twee huurvormen en van de rol van de koopwoningsector in het hele concurrentieconcept. Laatstgenoemd aspect heeft in de eerste plaats betrekking op de consumptiebeslissingen van huishoudens. Huren is zeker geen gesloten systeem en het is waar dat een groot deel van de huurders ernaar streeft in een eigen koophuis te wonen. Daarom zou het interessant zijn om te zien hoe de onderzoeksresultaten veranderen

als de koopsector volledig in het model wordt opgenomen, zodat ook de concurrentie tussen huur- en koopsector kan worden bestudeerd, vanuit zowel vraag- als aanbodperspectief. Evenzo is meer onderzoek nodig naar concurrentie binnen de twee huursectoren. Een bijzonder interessante vraag is in dit verband: als effectieve concurrentie tussen sociale huisvestingsorganisaties op zich al tot een productiever gebruik en een betere toewijzing van middelen kan leiden, heeft de totstandbrenging van een meer concurrerende markt (d.w.z. inclusief de particuliere huursector) dan toegevoegde waarde?

5 Beleidsimplicaties

De eerste vraag die toezichthouders en overheden moeten beantwoorden is wat zij willen bereiken met meer concurrentie tussen de twee huursectoren. In deze studie wordt betoogd dat concurrentie niet moet worden beschouwd als beleidsdoel op zich, maar dat concurrentie slechts een van een set verschillende beleidsmaatregelen kan zijn om bepaalde doelstellingen op de woningmarkt te realiseren. Er dient daarom een beleidsdiscussie te worden gevoerd over de gewenste mate van concurrentie tussen beide huursectoren. Deze studie lijkt aan te tonen dat er geen grond is voor de aanname dat een volledig vrije huurmarkt waarop concurrentie tussen huurvormen de enige 'regulerende' factor is, zoals de klassieke economische literatuur veronderstelt, tot meer economisch welzijn en sociale rechtvaardigheid leidt. Overheden moeten de balans vinden tussen de economische winst van concurrentie en het behoud van een sociaal rechtvaardige huursector. Deze studie levert geen exact antwoord op de vraag wat de 'optimale balans' is, en dit proefschrift is zeker geen afgerond programma voor een herijking van de huurmarkten in Nederland en Engeland. Toch kunnen wel enkele suggesties worden gedaan voor de manier waarop de mate van concurrentie op de lokale huurmarkten in deze beide landen kan worden vergroot.

Ten eerste zouden overheden kunnen trachten de toetredingsbelemmeringen te verkleinen voor particuliere verhuurders die toegang zoeken tot de huursector voor lage inkomens. De Nederlandse regering zou een subsidie- en belastingbeleid kunnen opzetten waarin sociale en particuliere verhuurders gelijk worden behandeld, zodat een gelijk speelveld in dit segment ontstaat. Hierbij zou zij de invoering kunnen heroverwegen van bouwsubsidies die werkelijk toegankelijk zijn – ook een probleem in het geval van Engeland – voor alle typen verhuurders, en zou zij kunnen overwegen de verkoop van woningen van woningcorporaties aan particuliere ondernemingen of personen gemakkelijker te maken, opdat laatstgenoemden de woningen op commerciële basis kunnen verhuren. Ten tweede zouden overheden eveneens de mogelijkheden moeten verruimen om investeringen in het segment voor de middeninkomens aantrekkelijker te maken. Vooral in Nederland lijken de activiteiten van particuliere en institutionele beleggers in dit segment te zijn verdrongen door het overheersende sociale woningbouwsegment en in het

bijzonder door de voorkeursbehandeling van de koopsector in het subsidie- en planbeleid. Een neutraler beleid ten aanzien van kopen of huren is aantoonbaar noodzakelijk om een start te kunnen maken met meer concurrerende markten.

Dit brengt ons op een derde mogelijke beleidsverandering: beleidsmakers zouden in het algemeen kunnen nadenken over vergroting van de gelijkheid van particuliere en sociale verhuur vanuit het oogpunt van regelgeving, met name door de convergentie van huur- en eigendomsrechten in de beide sectoren. Zo zou in Nederland kunnen worden gedacht aan de invoering van een universeel maar gematigd systeem van huurregulering dat geen onderscheid maakt tussen goedkope en dure woningen. Als alle verhuurders te maken zouden hebben met dezelfde huurregelgeving en het voor hen even moeilijk (of eenvoudig) zou zijn om een huurovereenkomst te beëindigen, zou voor hen de stimulans om uitsluitend actief te zijn in het hoge inkomenssegment waarschijnlijk minder worden. Omgekeerd zouden politici in Engeland het systeem van de huurvaststelling zodanig kunnen veranderen dat sociale verhuurders meer vrijheid krijgen om te reageren op de concurrentiedruk van particuliere verhuurders in hun huurvaststellingsbeleid. In het algemeen zal de harmonisatie van regelgeving waarschijnlijk leiden tot een beter imago voor de particuliere huursector en zou daardoor ook de bereidheid van huurders om over te stappen naar een andere huurvorm kunnen toenemen.

Een laatste aanbeveling luidt dat het recht van goedkeuring bij fusies van woningcorporaties in beide landen zal moeten veranderen. De laatste jaren hebben in beide landen op grote schaal fusieactiviteiten onder woningcorporaties plaatsgevonden, maar onderzoeken naar fusieverzoeken zijn slechts uitgevoerd uit overwegingen van financiële stabiliteit terwijl mogelijke negatieve gevolgen, zoals een grotere afstand tussen huurder en verhuurder, genegeerd zijn. Een verbeterde samenwerking tussen de instellingen voor financieel toezicht in de corporatiesector en instellingen voor onafhankelijke handhaving van de antitrustregels zou dit probleem kunnen helpen oplossen en de gedachte van concurrentie en consumentenbescherming versterken.

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Appendix A Case study selection

Tables A.1 to A.4 aim to give an overview of the quantitative and qualitative data that had been used to select the two case studies for this research.

Table A.1 Rental housing in various English cities

Local authority (metropolitan borough, unitary authority)	Population (2007)	Rental sector in % (2006)	Rented from council in % (2008)	Rented from housing association in % (2008)	Rented from private landlord or letting agency in % (2006)	Rented from other in % (2006)
Bradford	290,000	28.2	0.0	15.7	8.7	3.3
Manchester	390,000	58.2	13.2	20.6	15.0	3.8
Liverpool	435,500	47.3	0.0	28.8	12.4	2.8
Coventry	306,700	30.8	0.1	17.7	8.7	3.9
Sunderland	280,300	39.7	0.0	27.6	4.7	1.6
Newcastle	271,600	46.7	24.3	5.9	10.7	2.5
Walsall	253,500	35.2	0.0	24.3	4.3	3.5
Peterborough	163,300	33.6	0.0	18.7	8.4	3.5
Middlesbrough	138,700	38.6	0.0	25.7	7.1	3.3

Source: Communities and Local Government website, 2008

Table A.2 Rental housing in various Dutch cities

Municipality	Population (2008)	Rental housing stock (2008)	Housing association in % (2008)	PRS in % (2008)
Arnhem	142,569	38,264	41.6	16.8
Breda	170,349	32,899	32.5	11.6
Groningen	181,613	49,919	43.3	16.9
Den Bosch	135,648	29,852	39.2	11.3
Maastricht	119,038	31,563	40.4	16.3
Nijmegen	160,907	40,357	44.8	13.8

Source: Vastgoedmonitor, 2009

Table A.3 Characteristics of rental housing in various local authorities in England

Local authority (metropolitan borough, unitary authority)	Number of housing associations (2006)	Herfindahl Index housing association sector (2006)	Transfer council housing (2003-2008)	Quality social housing stock (2003-2008)
Bradford	17	0.56	24,500 dwellings to stock transfer association in 2003	Before stock transfer council very poor
Manchester	30	0.13	More than 15,000 units transferred to different HAs in 2001 – one parent group; council still present	51% of council stock does not meet decent homes standard; RSL stock slightly better
Liverpool	22	0.14	Stock transfers to different HAs in several phases 1990-2008 – one parent group	Poor condition (43% non-decent)
Coventry	11	0.60	18,000 units to stock transfer association in 2000	Relatively good condition (10% non-decent); 30% difficult to let
Sunderland	16	0.17	36,000 units transferred to 5 new similar sized HAs since 2000	-
Newcastle	10	0.23	Council housing still present; run as an ALMO, which is by far biggest social housing supplier	High need for investments in the council stock
Walsall	17	0.13	25,000 units transferred to Walsall Housing Group and Watmos Housing Co-operative in 2003	-
Peterborough	13	0.53	2004: LSVT to Cross Keys Homes RSL (10,000 units)	Very high share of decent homes
Middlesbrough	10	0.53	2004: LSVT to Erimus RSL (about 9,000 units)	19% non-decent homes

Table A.3 continued

Local authority (metropolitan borough, unitary authority)	Quality PRS stock (2003-2008)	General pressure on housing market (2003-2008)	Household structure
Bradford	Relatively poor condition (21% unfit)	High pressure in the affordable sector	No information
Manchester	Quality relatively low in deprived areas	Low pressure, very high vacancy rates	High share student population
Liverpool	Relatively poor condition (15.6% unfit ¹)	Low pressure, high vacancy rate	High share of student population, high share of unemployed households
Coventry	Relatively poor condition (31.3% non-decent)	Relatively balance, higher pressure in the affordable housing segment	Relatively high share of student population
Sunderland	Relatively good quality at affordable costs	Balanced; 2% vacancy rate	No information
Newcastle	No information	High pressure in the affordable sector	Large student population
Walsall	High rate of unsuitable ² housing	No information	No information
Peterborough	High share of unsuitable homes	No information	Relatively high share of low-income households, high income inequality
Middlesbrough	No specific information	Relatively low, higher in the affordable category	High share of low-income households

¹ Unfitness is measured against eleven factors (disrepair, dampness, structural stability, food preparation, heating, lighting, WC, bath/shower/wash basin, ventilation, drainage, water supply). In the 2000s it has been replaced by the Decent Homes Standard. The latter is measured differently, therefore the two measures cannot be directly compared.

² Unsuitable housing is not a direct measure of the technical quality of the dwelling, but includes housing problems such as unaffordability and overcrowding.

Sources: Tenant Services Authority, Housing Corporation, websites of councils, housing reports of councils

Table A.4 Characteristics of rental housing in various Dutch cities, 2006-2008

Local authority (municipality)	Number of housing associations ¹	Herfindahl Index of social housing ²	Average time on waiting list	Spatial segregation
Arnhem	5	0,27	Long	Most of social housing concentrated in peripheral areas
Breda	3	0,34	Long (> 3 years)	Segregation level relatively low, social housing stock well distributed throughout the city; yet, social housing neighbourhoods exist
Groningen	5	0,25	Relatively low (15-20 months)	Segregation level relatively low; housing associations operate throughout the city
Den Bosch	3	0,54	Long (> 3 years)	No information
Maastricht	3	0,39	Long	Segregation relatively high; however, housing associations offer housing services all over the city
Nijmegen	6	0,23	Long (> 3 years)	Social housing offered throughout the city; however, mainly southern part

¹ Based on how many HA participated in the annual performance agreements.

² For each city the annual reports 2007 of each individual association was used as a source for their number of dwellings.

Sources: Centraal Fonds Volkshuisvesting, reports from individual municipalities, reports from individual associations

Table A.4 continued

Local authority (municipality)	Private rented housing	General pressure on housing market	Share of student population
Arnhem	High share of institutional investors	No information	Few
Breda	Relatively even market shares of private individuals and corporate investors	Relatively tight	High
Groningen	Institutional investors have an inferior position; most private housing offered by small-scale landlords to students	No information	High
Den Bosch	No information	Relatively tight	No information
Maastricht	Stock of institutional investors concentrated in certain neighbourhoods. Small-scale landlords offer housing mainly to students	Relatively tight	High
Nijmegen	No information	Tight	High

Appendix B **Methodology**

Qualitative interviews with social and private landlords

In order to be able to explore rivalrous behaviour and perceptions of rivalry thoroughly, the study opted for a qualitative research approach. Talking to landlords directly and asking them about their views on competition and competitors was seen as superior in comparison to a quantitative survey, because the housing literature does not provide any evidence on the rivalrous relationship between the two landlord groups. Hence, building hypotheses for a quantitative survey among landlords would have been a much more insecure and probably a less effective methodological approach to exploring competitive conduct in mixed rental markets. However, in order to build explanations for rivalrous behaviour (i.e. research question 3) the study sticks to its comparative research approach: Interviewing landlords in both countries aimed to provide evidence on different national housing policies as well as barriers to rivalry. Equally, the case study city approach was retained to guarantee that all landlords in each country operate under identical demand and geographical conditions.

The main source for the analysis is a series of 30 semi-structured, in-depth interviews with both social and private landlords, as well as one interview with housing experts from the two municipal offices. To allow for an exhaustive exploration of the range of possible views on the topics, the sampling approach was as follows: In the housing association sectors, interviews were done with managers and other responsible persons in different departments of each association, such as lettings, developments, strategy, and commercial operations. In Breda participants were recruited from all three housing associations, while in Coventry all interview partners were recruited from the three largest housing associations. Smaller associations were invited to participate in the interview series as well; however, they were not available for longer interview sessions, most likely because relatively spoken their total stock in Coventry was insignificantly small. Considering that the three largest associations own more than 90 per cent of the stock a non-representation of the smaller associations seems to be unproblematic for the analysis.

To cater for different market segments and business models in the private rented sector, the sampling in Coventry sought to target small-scale landlords and letting agents who are operating in the students market, the professionals market, as well as in low-income housing. This was supposed to guarantee that landlords who do and who do not accept tenants receiving housing allowance could express their views. A majority of the actual interviewees were recruited through and with the help of the Private Sector Housing Department of Coventry Council. This means that all participants were accredited landlords who fulfil certain dwelling standards prescribed by the local authority. In other words, so-called slumlords did not participate in the study, which in turn could mean that the product quality of private landlords is overestimated in this study. In Breda, the participant recruitment targeted small-scale individual landlords, institutional investors, and letting agents

who cater for both landlord groups. In both case study cities the sampling targeted managers rather than owners, which led to a relatively high share of letting agents among the participants – this approach was particularly useful for the institutional investor segment in Breda since nationally operating investors usually do not have a local management branch but outsource tenancy management and tenant recruitment to specialized agencies.

A target quota of at least ten interviews was sought for each rental sector in each case study city, as a compromise between the limited resources available to the study and a saturation-oriented sampling approach (see Liamputtong & Ezzy, 2006) In reality, 35 participants rather than 40 were interviewed in 30 interview sessions, each lasting between one hour and one and a half hours. The target was mainly missed in the private sector in Breda, where only seven rather than ten landlords or letting agents followed the invitation for an interview. This means that saturation was probably not achieved for the small-scale individual landlord segment; yet, there still was a wide variety of answers and perceptions of all types of private landlords in the Dutch case study city.

In all interviews a topic guide was used which comprised similar questions for all kinds of landlords, while at the same time it allowed for country or city-specific issues (see below). The themes revolved around the main activities of landlords, their products and the tenants they cater for, their views on the rental market in general, their perceptions of the other rental sector and its landlords, notions of competition, as well as views on rental policy on a national and municipal level. The approach in the interviews was to speak about the competitive relationship between the two sectors implicitly at first, only to ask some direct questions about, for instance, whom landlords see as their direct competitors or the role of public policy in shaping or limiting a competitive relation. This proved to be very effective since it provided a solid basis for linking implicit ideas and direct statements about rivalry between landlords and competition in the rental market in general.

The computer-assisted analysis of the interviews was done with Atlas.ti 6.2. The interviews were transcribed in full and subsequently coded. For the actual analysis of the interviews I used a mix of description, interpretation and grounded theory methodology (see Ritchie & Lewis, 2003), which means that some codes and themes were directly linked to the views of the interviewees, such as the description of the rental market or the landlord's main activities, while the links between certain topics – e.g. why landlord A regards housing associations as a competitor or not – led to the creation of some genuine codes. With regard to (competitive) behaviour of setting rents or deciding on investments the interview approach was complemented by data on rent levels and strategy papers for the housing association sector. This path was chosen to increase the reliability of the interview approach.

Theme list – Interviews with private landlords and letting agents

- 1. Your personal background**
 - a. Career as a landlord
 - b. Motivations to operate as a landlord
- 2. Your properties**
 - a. Which market segments
 - b. Type of dwellings/description of the stock
 - c. Types of tenants you cater for
 - d. Where active in the city
- 3. Characterization of the rental market**
- 4. Your position in that market**
 - a. Comparison with social landlords and other private landlords /relation with other letting agents
- 5. Your view on the relation of private renting and social housing**
 - a. Comparison of the products and tenants
 - b. How can the relation be described?
 - c. Is there competition?
 - d. If so, what is competition based on?
 - e. If not, why not?
- 6. Decision making processes**
 - a. Rent setting/rent increases
 - b. Investment decision
 - c. Relationship between letting agents and private landlords
- 7. The role of the government in a competitive relationship between rental tenures**
 - a. Should competition be enforced?
 - b. The possibilities for other landlords to enter your market
 - c. Your challenges when setting up new business activities

Theme List – Interviews with housing associations

- 1. Your position within the association**
 - 2. The housing association**
 - a. Main activities
 - b. Where active?
 - 3. Characterization of the rental market**
 - 4. The position of your association in the rental market**
 - a. Description of your tenants and your housing services
 - b. Comparison with private and other social landlords
 - 5. Your view on the relation of private renting and social housing**
 - a. How can the relation be described?
 - b. Is there competition?
-

- c. If so, what is competition based on?
- d. If not, why not?

6. Decision-making processes

- a. Rent setting/rent increases
- b. Investment decision
- c. Relation with letting agents/What is their influence

7. Your plans to develop your housing stock

- a. Plans to operate in other market segments
- b. Plans to provide market rental accommodation

8. The role of the government in a competitive relationship between rental tenures

- a. Should competition be enforced?
 - b. The possibilities for other landlords to enter your market
 - c. Your challenges when setting up new business activities
-

Appendix C **Methodology and data**

The moving intentions of tenants in mixed rental markets

The sample of social and private renters in Breda

The empirical data for this chapter were collected through a postal/internet survey among social and private renters in the Dutch case study city Breda. The field period of the survey was from October to December 2011. With the help of the two largest housing associations (WonenBreda and Singleveste AlleeWonen), 5,000 social tenants were approached by email and were invited to fill in the questionnaire on a for this research specifically coded website. Invitations for participation were sent to all households that provided its email address to its housing association. There was no pre-sampling of respondents, but using email-addresses as the distribution channel meant that there was a per se exclusion of social renters who were either not willing to give their email address to the association or who do not have access to the internet at all. As a result, the sample of the social housing population in the survey is relatively young and most likely underestimates residential length of the social housing population. Because email addresses of private tenants were not available, 2,500 invitations were sent to a random sample of private renters by postal mail, including 500 private rented households that rent with a housing association in the deregulated sector (for an explanation see Section 6.3.2) – current tenure as an independent variable). Private renters could use the web-questionnaire as well or use the hard copy that was included in the invitation for participation. 825 out of the 7,500 invited households returned a usable questionnaire – of which 529 were filled in by social tenants and 296 by private tenants – leading to an overall response rate of 11 per cent, with 10.6 per cent in the social rented sector and 11.8 per cent in the private rented sector.

There are various possible reasons for not achieving a higher response rate. In the private rented sector, it turned out that the quality of address list that was used for approaching possible respondents was mediocre. On the one hand, many people (about 300) from the address list did not reside in the dwelling any more, which means that the letter of invitation was addressed to the wrong person. On the other hand, at least 300 out of the 2,500 private rental addresses turned out to be owner-occupied dwellings instead. Another reason for the low response rate might be the complexity of the questionnaire. Social tenants were asked to express their attitudes towards private renting (and the other way round), while both tenant groups were also confronted with some hypothetical questions about possible next steps in their housing career. It might be the case that the research was too abstract for a number of respondents, since social (private) tenants might not have any opinion at all about the private (social) rented sector, giving these respondents the feeling that the research does not relate to them. This problem was anticipated beforehand, which is why the category 'I don't know' was provided for all propositions on tenure-specific beliefs, perceptions, attitudes, and moving intentions. Notwithstanding the increasing reliability of the survey

Table C.1 Variable summary statistics (total sample size = 825)

Categorical variables	N	Valid %	
Moving intention to social rental dwelling (ref. no moving intention)	502	62.2	
Moving intention to private rental dwelling (ref. no moving intention)	178	22.6	
Male (ref. = female)	372	45.1	
Household composition – single household	363	44.0	
Household composition – multi-person household no children	310	37.8	
Household composition – multi-person-household with children	148	18.0	
Lower-income household group < €1,850	433	53.0	
Middle-income household group €1,850 – €2,650	251	30.7	
Higher-income household group > €2,650	133	16.3	
Main source of household income from employment (ref. = other source)	454	55.0	
Current tenure – social tenant	529	64.3	
Private tenant – deregulated sector	87	10.6	
Housing association tenant – deregulated sector	128	15.6	
Private tenant – regulated sector	79	9.6	
Desire to buy (ref. = no desire to buy)	151	21.7	
Moving intention within two years (ref. = no moving intention)	449	58.3	
Experience with renting privately (ref. no experience)	375	45.5	
Experience with renting socially (ref. no experience)	416	50.4	
Continuous variables	N	Mean	SD
Age	825	47.79	19.18
Housing satisfaction	825	4.11	0.84

by giving this option, it seems that the sample size could not be improved through this measure.

Table C.1 presents a first overview of the sample and its key dependent and control variables.

Sample of social renters in Coventry

The empirical data for this appendix were collected between December 2011 and January 2012. Midland Heart Housing Association sent one questionnaire to each of its 2,000 social housing addresses in Coventry by postal mail. No presampling of respondents took place. In total, 168 usable questionnaires were returned, leading to a very low response rate of 8.4 per cent. Similar to the survey in Breda, it can only be assumed that the complexity of the questionnaire might have contributed to the low response. Another reason might be that no reminders were sent to the participants.

The outline of the questionnaire was identical to the one that was used in Coventry, meaning that it contained five main parts: The current housing situation, the housing career, moving plans and housing preferences, attitudes towards and perceptions of social and private renting, personal information. Since the target population was social tenants only several questions became redundant (e.g. ‘Who is your landlord?’). Generally, the English version was a translation of the Dutch questionnaire; however, giving attention to the specific terminology of housing and living in England, some questions needed to be rephrased and several answering categories needed to be adapted. To guarantee a high reliability of the survey, three native speakers with a background in housing and survey research checked a draft version of the questionnaire.

Explanation of background factors as independent variables for the survey in Breda

- *Age* was included as a continuous variable.
 - *Gender* is a categorical variable and was included as a dummy variable (Female = 0, Male = 1).
 - *Income* was constructed as a categorical variable: Lower-income households with a net income of below €1,850 per month, middle-income households with a net income of between €1,850 and €2,650 per month, and higher-income households with a net household income of more than €2,650 per month. These classes were not randomly chosen but approximate the classification of social housing target groups in the Netherlands. Lower-income households (income group 1) in this study thus correspond to the new target group of social housing (maximum taxable of about €33,600 per year) (see Chapter 2). Middle-income households (maximum taxable income of about €41,000 per year) correspond to those households that are allegedly excluded from social housing consumption by the new rules of social housing allocation (see Priemus & Gruis, 2011). Income categories were estimated for 140 missing cases through the nearest neighbour method (Freudenberg, 2002) – comparators were household composition, source of income, work hours per week of respondent and partner if existent, level of education of respondent and partner if existent, and gender.
 - *Main source of household income* was constructed as a categorical variable (1 = from employment, 0 = not from employment). In the survey a distinction was made between four groups (from employment, from pension, from student loans or grants, from unemployment or other social benefits). However, to increase the reliability of the statistical examination, the latter three categories were merged into one ‘not from employment category’.
 - *Household composition* was included as a three-way categorical variable (1 = single household, 2 = multi-person without children, multi-person household with children = 3).
 - *Current tenure*: To repeat, this study is based on the allocation mechanisms as the defining criterion of current tenure (see Chapter 1). Based on this definition it was fairly easy to classify social renters in the sample, since all tenants who rent with a housing association landlord in the regulated sector (< €652 net rent pcm) have accessed their current dwelling through the social housing allocation waiting list. In principle, all other respondents who provided information on who their landlord is and how much net rent they pay every month could be classified as private renters. In reality, however, the private rented category actually contains three groups: Firstly, tenants renting a dwelling with a private landlord in the deregulated sector; secondly, tenants who rent with a private landlord in the regulated sector; and thirdly, tenants who rent with housing association in the deregulated sector. It would be imprecise to put these three groups together, since they
-

live under different housing conditions with regard to security of tenure, rent regulation, and the services they receive from their landlord. To do justice to such nuances, current tenure is not coded as a numerical variable, but as a categorical variable with four categories: 1 = social tenant; 2 = private tenant renting with a private landlords in the deregulated sector; 3 = private tenant renting with a housing association in the deregulated sector¹; 4 = private tenant renting with a private landlord in the regulated sector.

- *Experience with renting socially and experience with renting privately* were constructed as categorical variables (No = 0/Yes = 1). Respondents were asked whether they had lived in a social/private rental dwelling in the last ten years (not earlier than 2001), irrespective of their current tenancy. A positive relation between existing experiences in both rental tenures with tenure-specific attitudes and perceptions might be assumed, since tenants have shown the willingness to substitute the two tenure forms in the past. However, it could also be the case that this tenure change was involuntarily or that negative experiences were made, which could lead to a negative relation.
- *Housing satisfaction* was used as continuous variable. In the questionnaire, tenants were asked to evaluate their satisfaction with their current dwelling and their current dwelling environment (neighbourhood) on two five-point Likert scales (Likert, 1932) with very satisfied/very unsatisfied as endpoints. Housing satisfaction was then recoded into the mean of these two scores.

¹ Coding housing association tenants as private tenants who rent with an association in the deregulated sector was controlled for length of residency. Only in the last 5-10 years have housing associations in Breda begun to provide accommodation in the deregulated rental sector. Accordingly, if housing association tenants had rented their dwelling for more than five years and their monthly net rent exceeded the deregulation threshold only marginally, they were recoded into social tenants, as it is presumed that their rent level has gradually moved into the deregulated sector and they started their tenancy through the social housing allocation system. Recoding was done for 12 tenants, but it is acknowledged that there is a small margin of error in this recoding principle.

The questionnaire among social tenants in Coventry

1 Current housing situation

We would like to start this questionnaire with a couple of questions about your current housing situation.

1. Yourself included, how many people do permanently live in your household?

- 1 2 3 4 5 more than 5

2. How many of these are younger than 18 years?

- 0 1 2 3 more than 3

3. What is the composition of your household?

- One-person household
 Lone parent with children living at home
 Couple with children living at home
 Couple, no children living at home
 Other multi-person household
 Other, _____
 Don't know

4. What is your position in the household?

- Head of household (your name is in the rental contract)
 Partner of head of household
 Child living at home
 Other, _____
 Don't know

5. In what type of accommodation do you live?

- Single-family house (terraced, semi-detached, detached)
 Multi-family building (apartment, flat, studio, maisonette)
 Non-self-contained accommodation (kitchen and/or bathroom are shared with other households)
 Other, _____
 Don't know

6. How many bedrooms does your accommodation have? (*A studio with a joint living- and bedroom counts as 0 bedrooms*)

- 0 1 2 3 4 more than 4

7. In which period was your accommodation built?

- Before 1900 Between 1901 and 1945 Between 1946 and 1960
 Between 1961 and 1980 Between 1981 and 2000 After 2000
 Don't know
-

16. Assume that you could move to your ideal property: How much total rent per calendar month (including service charges and utility bills) would you be willing to pay for it?

£ _____ per calendar months

- Don't know
 As much as is covered by Housing Benefit

2 Your previous accommodation

In the following we would like to ask you some questions over your housing career, i.e. your previous accommodation

17. For how long you have been living in your current accommodation?

- Less than 2 years 2 to 5 years
 6 to 10 years More than 10 years (*continue with question 25*)

18. Was the household composition identical to your current household; i.e. the same number of persons and the same persons?

- Yes (*continue with question 20*)
 No

19. What was the household composition of your previous accommodation?

- One-person household
 Lone parent with children living at home
 Couple with children living at home
 Couple, no children living at home
 Other multi-person household
 Other, _____
 Don't know

20. Was your previous accommodation rental housing or an owner-occupied dwelling?

- Owner-occupied (*continue with question 24*)
 Rental

21. Who was the landlord of your previous accommodation?

- Social landlord (housing association, local authority)
 Private Company
 Private person
 Letting agent
 Other, _____
 Don't know

22. How much of total rent (including service charges and utility bills) did you pay for your previous accommodation?

£ _____ per calendar month (*continue with question 24*)

- Don't know (*continue with question 23*)

23. Could you indicate whether the total rent of your previous accommodation was higher, lower, or exactly the same as in your current accommodation?

- Higher Lower Exactly the same

24. What were the most important reasons for your last move to a new dwelling? (*Tick all that apply*)

- Due to work Education-related reasons
 I wanted to move in with my partner Health-related reasons
 I wanted to live near my parents / friends Due to my age
 Breaking up of my relationship I wanted to pay less rent
 Wanted to have better accommodation I wanted a larger dwelling
 Changes in the composition of the household
 I was unsatisfied with my previous landlord
 I wanted to have a smaller dwelling
 I wanted to move to another neighbourhood
 I wanted to stay but had to move out (*e.g. eviction through landlord or demolition of the previous dwelling*)
 Other, _____

25. Did you ever live in **private rental accommodation**?

- Yes, in the last ten years Yes, but more than ten years ago
 No Don't know

3 Moving intentions and housing preferences

The following questions are about your moving intentions or plans, as well as your housing preferences

26. Are you planning to move to a new dwelling in the next two years?

- No (*continue with question 27*)
 I would like to, but cannot find a new place (*continue with question 28*)
 Maybe yes (*continue with question 29*)
 Yes (*continue with question 29*)

27. You indicated that you are not planning to move to a new dwelling. What are the most important reasons for you not to move? (*Tick all that apply*)

- I moved to my current accommodation recently
 I am satisfied with my current housing situation
 I like my current dwelling
 I like my neighbourhood
 The housing market is highly unstable, so I want to wait a bit longer before I move
 Other, _____
 Don't know

(*continue with question 32*)

28. You indicated that you would like to move but cannot find new accommodation? What are the most important reasons that you have not found a new place? *(Tick all that apply)*

- I have not searched seriously enough
- The available places were too expensive
- Due to my income I was not able to afford the dwellings I was interested in
- I did not like the dwellings that had been available
- There is not enough on offer in neighbourhoods, where I would like to live
- I was not long enough on the waiting list for social housing to be eligible for dwellings that were available
- I have not seen a single dwelling that has met my expectations
- Other, _____
- Don't know

29. When would you like to move?

- I found a new home already Within 6 months
- Between 6 months and 1 year Between 1 to 2 years
- Although I want to move I do not have an exact plan yet
- Don't know

30. Have you done anything specific to find new accommodation? *(Tick all that apply)*

- Yes, I studied the housing offers in the newspaper, on property websites, etc.
- Yes, I gathered some information on available dwellings at letting agents
- Yes, I (or my partner) went to a flat viewing
- Yes, I asked my current landlord
- Yes, something else – please specify _____
- No
- Don't know

31. What are the most important reasons that you would like to move? *(Tick all that apply)*

- Due to work Education-related reasons
- Move in with my partner Due to my age
- I want to live near my parents / friends Health-related reasons
- Breaking up of my relationship
- Changes in the composition of the household
- I want to pay less rent
- I want to have better accommodation
- I want to have a larger dwelling
- I want to have a smaller dwelling
- I want to move to another neighbourhood
- I am unsatisfied with my current landlord
- I want to buy a dwelling and become an owner-occupier
- I want to stay but have to move out *(e.g. eviction through landlord or demolition of the previous dwelling)*
- Other, _____

35b. Is there another aspect that we have forgotten but is important for your decision on whether you want to rent a certain dwelling or not? If yes, what is it?

How important is this aspect?

Not important at all very important
 No other aspect

4 Opinions of social and private renting

The following questions are about your opinions of and your attitudes towards renting a social housing dwelling and renting a private rental dwelling. We are primarily interested in your first impression, so it is not necessary that you have experience with renting accommodation in both rental sectors.

36. First, we would like to get a general impression of your opinion on living in a social or a private rental dwelling. Could you please indicate for each row what your feeling is?

I find living in a **social rental** dwelling:

bad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	good	<input type="checkbox"/> Don't know
annoying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	nice	<input type="checkbox"/> Don't know
disadvantageous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	advantageous	<input type="checkbox"/> Don't know
boring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	fun	<input type="checkbox"/> Don't know
negative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	positive	<input type="checkbox"/> Don't know

I find living in a **private rental** accommodation:

bad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	good	<input type="checkbox"/> Don't know
annoying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	nice	<input type="checkbox"/> Don't know
disadvantageous	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	advantageous	<input type="checkbox"/> Don't know
boring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	fun	<input type="checkbox"/> Don't know
negative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	positive	<input type="checkbox"/> Don't know

39. The following statements are about how you consider your chances to rent accommodation in the social and private rental sector. How strong do you agree with the following statements? (Please, make a clear cross in the box; the numbers are for your orientation: 1 = strongly disagree, 7 = strongly agree)

	Strongly disagree				Strongly agree				Don't know
	1	2	3	4	5	6	7		
One would only rent a social rental dwelling if there was no other possibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
One would only rent a private rental dwelling if there was no other possibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
It is fairly easy for me to access the social rental sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
It is fairly easy for me to access the private rental sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The allocation system of social landlords might lead to a situation in which I was not eligible to rent an available dwelling.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The allocation system of social landlords might lead to a situation in which I was not eligible to rent an available dwelling.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Strongly disagree				Strongly agree				Don't know
	1	2	3	4	5	6	7		
A social rental dwelling suits my financial possibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
A private rental dwelling suits my financial possibilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The additional costs (e.g. transaction costs and deposit) of renting a new dwelling might lead to a situation where I could not afford a social rental dwelling.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
The additional costs (e.g. transaction costs and deposit) of renting a new dwelling might lead to a situation where I could not afford a social rental dwelling.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

We would like to know a bit more about a very recent development of rental housing markets in Coventry, and also the rest of England, namely that housing associations have begun to provide private rental accommodation at market rents.

40. Do you think that it is a good development for the rental market in Coventry that housing associations offer private rental accommodation at market rents?

- Yes
- No
- Maybe
- Don't know

41. Assume that you have to leave your social rental dwelling and have to move to private rental accommodation (for whatever reason). Would you then prefer to rent private rental accommodation from a private landlord (private person, private company) or from a housing association

- I would prefer to rent from a private landlord *(continue with question 42)*
 I would prefer to rent from a housing association *(continue with question 43)*
 It doesn't make a difference *(continue with question 44)*
 Don't know

42. Could you specify why you would prefer renting from a private landlord in this case?

- Don't know any reason

43. Could you specify why you would prefer renting from a housing association in this case?

- Don't know any reason

5 Personal information

Finally, we would like to learn more about your personal background. Again, this information will be treated confidentially and anonymously.

44. Are you?

- Male
 Female

45. What is your age?

_____ years

46. In which ethnic group do you primarily count yourself?

- | | | |
|--|--|--|
| <input type="checkbox"/> White British | <input type="checkbox"/> White - Other | <input type="checkbox"/> Black Caribbean |
| <input type="checkbox"/> Black African | <input type="checkbox"/> Indian | <input type="checkbox"/> Pakistani |
| <input type="checkbox"/> Bangladeshi | <input type="checkbox"/> Chinese | <input type="checkbox"/> Mixed |
| <input type="checkbox"/> Other | <input type="checkbox"/> I don't want to say | |

47. What is the net monthly income of your household? (including the income of your partner; all social security payments, Housing Benefit, and pension payments are considered as income as well)

£ _____ per month *(continue with question 49)*

I don't want to say *(continue with question 48)*

I don't know *(continue with question 48)*

48. Could you indicate in which category the net monthly income of your household falls? (including the income of your partner; all social security payments, Housing Benefit, and pension payments are considered as income as well)

Less than £500 Between £500 and £1,000

Between £1,000 and £1,500 Between £1,500 and £2,000

Between £2000 and £2,500 More than £2,500

I don't want to say Don't know

49. What is the most important source of income for your household?

Income from work Pension

Jobseeker's allowance Other Benefit

Other, _____

I don't want to say Don't know

50. How many hours per week do you work?

No paid work 1 to 16 hours 16 to 24 hours

24 to 32 hours 33 to 40 hours more than 40 hours

51. How many hours per week does your partner work? *(If you are a single-person household, please skip this question)*

No paid work 1 to 16 hours 16 to 24 hours

24 to 32 hours 33 to 40 hours more than 40 hours

52. What is the highest educational qualification you hold?

GCE/O level CSE GCSEs grades D-G

GCSEs grades A-C Degree Postgraduate Degree

I don't want to say Other, _____

53. What is the highest education diploma of your partner?

GCE/O level CSE GCSEs grades D-G

GCSEs grades A-C Degree Postgraduate Degree

I don't want to say Other, _____

54. Do you have any further comments that might be important for this research?

Thank you for filling in the questionnaire

The questionnaire among social tenants in Breda

1 Uw huidige woonsituatie

We willen deze vragenlijst beginnen met een aantal vragen over uw huidige woonsituatie.

1. Woont u in een huur- of koopwoning?

- Koopwoning (ga stoppen met de enquête*)
 Huurwoning
 Anders, namelijk _____ (ga verder met vraag 4)

**Deze vragenlijst is alleen voor huurders in Breda bedoeld. Als u uw huidige woning heeft gekocht, kunt u een groot deel van de vragen niet beantwoorden en zijn uw gegevens onterecht in het adresbestand terecht gekomen. We willen u hartelijk danken voor uw interesse in dit onderzoek.*

2. Van wie huurt u uw woning?

- Sociale verhuurder (woningcorporatie, woningbouwvereniging, gemeentelijk bedrijf)
 Belegger, pensioenfonds, verzekeringsmaatschappij
 Particuliere persoon
 Makelaar
 Anders, namelijk _____
 Weet niet

3. Wat is de naam van uw verhuurder?

- WonenBredburg Singleveste AlleeWonen Laurentius Wonen
 Anders, namelijk _____
 Weet niet
 Dat wil ik niet zeggen

4. Uzelf meegerekend, met hoeveel personen woont u in uw woning?

- 1 2 3 4 5 meer dan 5

5. Hoeveel daarvan zijn jonger dan 18 jaar?

- 0 1 2 3 meer dan 3

6. Wat is de samenstelling van uw huishouden?

- Alleenwonend
 Echtpaar/vaste partners zonder een of meer thuiswonende kinderen
 Echtpaar/vaste partners met een of meer thuiswonende kinderen
 Eenoudergezin
 Andere samenstelling, namelijk: _____
 Weet niet

7. Wat is uw positie in dit huishouden?

- Hoofdbewoner (uw naam staat in het huurcontract) Partner van hoofdbewoner
 Thuiswonend kind
 Anders, namelijk _____
 Weet niet

8. In welk type woning woont u?

- Eengezinswoning (rijtjeshuis, hoekwoning, twee-onder-een kap, vrijstaand huis)
 Meergezinswoning (appartement, flat, etage, maisonnette, studio)
 Woonenheid met gezamenlijke keuken en/of toilet
 Anders, namelijk _____
 Weet niet

9. Hoeveel kamers heeft uw woning? (Keuken, toilet en badkamer, bergruimte niet meegerekend)

- 1 2 3 4 5 meer dan 5

10. In welke periode is uw woning gebouwd?

- Voor 1900 Tussen 1901 en 1945 Tussen 1946 en 1960
 Tussen 1961 en 1980 Tussen 1981 en 2000 Na 2000
 Weet niet

11. Heeft u uw woning ongemeubileerd of gemeubileerd gehuurd?

- Ongemeubileerd Gemeubileerd
 Anders, namelijk _____

De volgende twee vragen gaan over de algemeen tevredenheid met uw huidige woonsituatie

12. Hoe tevreden bent u met uw huidige woning?

- Heel tevreden Tamelijk tevreden
 Niet tevreden, niet ontevreden Tamelijk ontevreden
 Heel ontevreden Weet niet

13. Hoe tevreden bent u met uw huidige woonomgeving?

- Heel tevreden Tamelijk tevreden
 Niet tevreden, niet ontevreden Tamelijk ontevreden
 Heel ontevreden Weet niet

De volgende vragen gaan over de kosten van het wonen

14. Wat is de **kale huur** van uw woning per maand? (Zonder rekening te houden met eventuele huurtoeslag; **exclusief** energie en servicekosten)

€ _____ kale huur per maand

- Dat weet ik niet

15. Wat is de **totale huur** van uw woning per maand? (Zonder rekening te houden met eventuele huurtoeslag; **maar inclusief** energie en servicekosten)

€ _____ totale huur per maand

- Dat weet ik niet

16. Ontvangt u huurtoeslag?

- Ja, ik ontvang huurtoeslag
 Nee, ik ontvang geen huurtoeslag (*ga verder met vraag 19*)
 Dat weet ik niet

17. Hoeveel huurtoeslag ontvangt u per maand?

€ _____ maandelijkse huurtoeslag

Dat weet ik niet

18. Op welke manier ontvang u uw huurtoeslag?

De huurtoeslag wordt door de verhuurder in mindering gebracht op de huur

Rechtstreeks van het Rijk of de gemeente

Dat weet ik niet

19. Vindt u dat u in uw huidige woning goedkoop, te duur of voor precies de juiste prijs woont?

Goedkoop Te duur

Precies de juiste prijs Weet niet

20. Stel dat de kwaliteit van uw huidige woning/woonomgeving wordt verbeterd of dat u naar een voor u beter geschikte huurwoning verhuist. Welk bedrag bent u dan maximaal bereid om maandelijks aan totale huur (inclusief energie- en servicekosten) uit te geven?

€ _____ totale huur per maand

Dat weet ik niet

2 Uw wooncarrière

In het volgende deel willen we u vragen over uw wooncarrière stellen. Daarmee bedoelen we dat we meer zouden willen weten over uw huidige woning en eventuele vorige woning.

21. Kunt u ongeveer aangeven hoe lang u al in uw huidige woning woont?

Minder dan 2 jaar 2 tot en met 5 jaar

6 tot en met 10 jaar Meer dan 10 jaar (*ga verder met vraag 29*)

De volgende vragen gaan over uw vorige woning.

22. Was de samenstelling van het huishouden in uw **vorige woning** hetzelfde als nu, d.w.z. hetzelfde aantal personen én dezelfde personen?

Ja (*ga verder met vraag 24*)

Nee

23. Wat was de samenstelling van uw huishouden toen?

Alleenwonend

Echtpaar/vaste partners zonder een of meer thuiswonende kinderen

Echtpaar/vaste partners met een of meer thuiswonende kinderen

Eenoudergezin

Ik woonde thuis bij mijn ouders/andere familieleden

Andere samenstelling, namelijk: _____

Weet niet

24. Was uw vorige woning een huurwoning of een koopwoning?

Koopwoning (*ga verder met vraag 28*)

Huurwoning

25. Van wie huurde u uw vorige woning?

- Sociale verhuurder (woningcorporatie, woningbouwvereniging, gemeentelijk bedrijf)
 Belegger, pensioenfonds, verzekeringsmaatschappij
 Particuliere persoon
 Makelaar
 Anders, namelijk _____
 Weet niet

26. Hoeveel bedroeg de totale huur van de vorige woning per maand vlak voor de verhuizing? (inclusief servicekosten en energiekosten; zonder rekening te houden met huurtoeslag)

€ _____ totale huur per maand (ga verder met vraag 28)

- Weet niet (ga verder met vraag 27)

27. Kunt u aangeven of de totale huur van de vorige woning per maand vlak voor de verhuizing hoger, lager of precies hetzelfde was als dat u nu betaalt?

- Hoger Lager Precies hetzelfde

28. Wat waren bij uw laatste verhuizing de belangrijkste redenen om te gaan verhuizen? (U kunt meerdere mogelijkheden kiezen)

- | | |
|---|---|
| <input type="checkbox"/> Vanwege mijn werk | <input type="checkbox"/> Vanwege mijn opleiding |
| <input type="checkbox"/> Omdat ik met mijn partner ging samenwonen | <input type="checkbox"/> Vanwege gezinsuitbreiding |
| <input type="checkbox"/> Ik wilde nabij mijn familie / vrienden gaan wonen | <input type="checkbox"/> Vanwege mijn gezondheid |
| <input type="checkbox"/> Vanwege het verbreken van mijn relatie | <input type="checkbox"/> Vanwege mijn leeftijd |
| <input type="checkbox"/> Ik wilde goedkoper wonen | <input type="checkbox"/> Ik wilde een betere woning |
| <input type="checkbox"/> Ik wilde een grotere woning | <input type="checkbox"/> Ik wilde een kleinere woning |
| <input type="checkbox"/> Ik wilde in een andere woonomgeving wonen | |
| <input type="checkbox"/> Ik was ontevreden met mijn verhuurder (bijv. slechte onderhoud van de woning) | |
| <input type="checkbox"/> Ik had willen blijven wonen, maar moest mijn woning uit (bijvoorbeeld omdat het huurcontract niet verlengd werd of door sloop van de woning) | |
| <input type="checkbox"/> Anders, namelijk _____ | |

29. Uw huidige woning **niet** meegerekend, heeft u ooit een woning van een andere particuliere verhuurder (particuliere persoon, belegger/ pensioenfonds/ verzekeringsmaatschappij, makelaar) gehuurd?

- Ja, in de laatste tien jaar Ja, maar het is langer geleden dan tien jaar
 Nee Weet niet

30. Uw huidige woning **niet** meegerekend, heeft u ooit een woning van een sociale verhuurder (woningcorporatie, woningbouwvereniging, gemeentelijk woningbedrijf) gehuurd?

- Ja, in de laatste tien jaar Ja, maar het is langer geleden dan tien jaar
 Nee Weet niet
-

3 Verhuisplannen en woonwensen

De volgende vragen gaan over uw toekomstige verhuisplannen en woonwensen

31. Bent u van plan om binnen twee jaar naar een andere woning te verhuizen?

- Beslist niet *(ga verder met vraag 32)*
- Misschien wel *(ga verder met vraag 34)*
- Ik zou wel willen, maar kan niets vinden *(ga verder met vraag 33)*
- Ja, beslist wel *(ga verder met vraag 34)*
- Weet niet *(ga verder met vraag 37)*

32. U bent niet van plan om te verhuizen. Wat zijn de belangrijkste redenen hiervoor? *[u kunt meerdere redenen aangeven]*

- Ik ben pas kortgeleden naar mijn huidige woning verhuisd
- Ik ben tevreden met mijn huidige woningsituatie
- Ik ben gehecht aan mijn huidige woning
- Ik ben gehecht aan mijn huidige woonomgeving
- De woningmarkt zit op slot en ik wil liever afwachten voordat ik ga verhuizen
- Andere reden, namelijk _____
- Weet niet *(ga verder met vraag 37)*

33. Wat zijn de belangrijkste redenen dat u nog geen woning hebt gevonden?

[u kunt meerdere redenen aangeven]

- Ik heb tot nu toe weinig zoekactiviteiten ondernomen
- De woningen die ik wil, zijn te duur
- Ik kwam vanwege mijn inkomen niet in aanmerking voor de woningen die ik wilde
- De woningen voldoen niet aan mijn woonwensen
- Er is geen of te weinig aanbod in de buurten waar ik wil wonen
- Ik heb niet genoeg wachttijd opgebouwd om voor geschikte woningen in aanmerking te komen
- Ik heb nog geen woning gezien die aan mijn eisen voldeed
- Andere reden, namelijk _____
- Weet niet

34. Op welke termijn bent u van plan om te gaan verhuizen?

- Binnen een half jaar Over een half jaar tot een jaar
- Over een tot twee jaar Ik heb nog geen vastomlijnde plannen
- Weet niet Ik heb al een nieuwe woning gevonden

35. Heeft u het afgelopen jaar iets ondernomen om aan een andere woning te komen? Ook advertenties lezen telt al mee.

(Meerdere keuzes kunnen gemaakt worden)

- Ja, ik heb het woningaanbod in kranten, op het internet en dergelijke bestudeerd
 - Ja, ik heb me bij een makelaar laten informeren over beschikbare huurwoningen
 - Ja, ik (of mijn partner) heb een beschikbare woning bezichtigd
 - Nee
 - Weet niet
-

36. Wat zijn voor u belangrijke redenen om te willen verhuizen?

(Meerdere keuzes kunnen gemaakt worden)

- | | |
|--|---|
| <input type="checkbox"/> Vanwege mijn werk | <input type="checkbox"/> Vanwege mijn opleiding |
| <input type="checkbox"/> Omdat ik met mijn partner wil samenwonen | <input type="checkbox"/> Vanwege gezinsuitbreiding |
| <input type="checkbox"/> Ik wil nabij mijn familie / vrienden gaan wonen | <input type="checkbox"/> Vanwege mijn gezondheid |
| <input type="checkbox"/> Vanwege het verbreken van mijn relatie | <input type="checkbox"/> Vanwege mijn leeftijd |
| <input type="checkbox"/> Ik wil in een andere woonomgeving wonen | <input type="checkbox"/> Ik wil goedkoper wonen |
| <input type="checkbox"/> Ik wil een betere woning | <input type="checkbox"/> Ik wil een grotere woning |
| <input type="checkbox"/> Ik ben ontevreden met mijn verhuurder | <input type="checkbox"/> Ik wil een kleinere woning |
| <input type="checkbox"/> Ik wil kopen in plaats van huren | |
| <input type="checkbox"/> Ik wil blijven wonen, maar moet mijn woning uit <i>(bijvoorbeeld omdat het huurcontract niet verlengd wordt of vanwege sloop van de woning)</i> | |
| <input type="checkbox"/> Anders, namelijk _____ | |

37. Welke bronnen gebruikt u in het algemeen om u over beschikbare woningen te informeren?

(Meerdere keuzes kunnen gemaakt worden)

- Advertenties in de krant
- Etalage van makelaarskantoren
- Op internet-woningplatforms zoals funda.nl of pararius.nl
- Op webpagina's van makelaars met aanbod van huurwoningen
- Op webpagina's met het woningaanbod van (een) woningcorporatie(s) (bijvoorbeeld klikvoorwonen.nl of woonloketbreda.nl)
- Bij de infobalies van (een) woningcorporatie(s)
- Anders, namelijk _____
- Doe ik niet
- Weet niet

38. Kunt u hieronder de instanties aangeven waarbij u staat ingeschreven op de wachtlijst? *(Meerdere keuzes kunnen gemaakt worden)*

- Een woningcorporatie
- Een woningbemiddelaar voor een woning van een woningcorporatie
- Een organisatie voor studentenhuysvesting *(ga verder met vraag 40)*
- Een organisatie voor ouderenhuisvesting *(ga verder met vraag 40)*
- Een particuliere woningbemiddelaar/makelaar *(ga verder met vraag 40)*
- Geen van deze *(ga verder met vraag 40)*

39. U staat op de wachtlijst bij een woningbemiddelaar of woningcorporatie ingeschreven. Hoe lang staat u ongeveer ingeschreven?

- | | |
|--|---|
| <input type="checkbox"/> Minder dan een jaar | <input type="checkbox"/> Tussen 1 en 3 jaar |
| <input type="checkbox"/> Tussen 3 en 5 jaar | <input type="checkbox"/> Meer dan 5 jaar |
| <input type="checkbox"/> Weet niet | |

40. Stel dat u zou gaan verhuizen (onafhankelijk van uw concrete verhuisplannen), waar gaat dan gezien uw huidige financiële mogelijkheden uw voorkeur naar uit?

- | | |
|--|---|
| <input type="checkbox"/> Koopwoning | <input type="checkbox"/> Sociale huurwoning |
| <input type="checkbox"/> Particuliere huurwoning | <input type="checkbox"/> Weet niet |

42b. Is er nog een ander kenmerk dat uw woonkeuze kan beïnvloeden, dat niet genoemd is bij de vorige vraag?

Hoe belangrijk is deze?

helemaal niet belangrijk heel belangrijk

4 Meningen over de huursectoren

De volgende vragen gaan over hoe u tegen de huursector aankijkt. Hierbij worden afzonderlijk vragen gesteld over de particuliere en sociale huursector, omdat wij graag willen weten hoe u tegen beiden aankijkt.

Een **sociale huurwoning** is een huurwoning die wordt verhuurd door een woningcorporatie en heeft een huurprijs van onder € 652 kale huur per maand; dit wordt ook een bereikbare huurwoning genoemd.

Een **particuliere huurwoning** is een huurwoning die wordt verhuurd door een particuliere persoon, een makelaar of belegger/pensioenfonds/verzekeringsmaatschappij.

Ook een woning van een woningcorporatie met een kale huur van hoger dan €652 per maand wordt als particuliere huurwoning beschouwd.

43. Eerst willen we een algemeen indruk krijgen van wat u ervan zou vinden om in een sociale of particuliere huurwoning te wonen. Wilt u bij de volgende vragen steeds per rij aangeven wat uw gevoel is?

Het wonen in een **sociale huurwoning** van een woningcorporatie vind ik:

slecht	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	goed	<input type="checkbox"/> Dat weet ik niet
vervelend	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	prettig	<input type="checkbox"/> Dat weet ik niet
nadelig	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	voordelig	<input type="checkbox"/> Dat weet ik niet
onplezierig	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	plezierig	<input type="checkbox"/> Dat weet ik niet
negatief	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	positief	<input type="checkbox"/> Dat weet ik niet

Het wonen in een **particuliere huurwoning** van een belegger, particuliere persoon of makelaar vind ik:

slecht	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	goed	<input type="checkbox"/> Dat weet ik niet
vervelend	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	prettig	<input type="checkbox"/> Dat weet ik niet
nadelig	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	voordelig	<input type="checkbox"/> Dat weet ik niet
onplezierig	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	plezierig	<input type="checkbox"/> Dat weet ik niet
negatief	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	positief	<input type="checkbox"/> Dat weet ik niet

46b. En hoe waarschijnlijk vindt u de volgende stellingen?

	zeer onwaarschijnlijk					zeer waarschijnlijk		Weet niet
	1	2	3	4	5	6	7	
Het is makkelijk voor mij om in de sociale huursector te komen wonen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Het is makkelijk voor mij om in de particuliere huursector te komen wonen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
De woningtoewijzing door verhuurders in de sociale huursector zouden ertoe kunnen leiden dat ik een beschikbare woning niet kan huren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
De woningtoewijzing door verhuurders in de particuliere huursector zouden ertoe kunnen leiden dat ik een beschikbare woning niet kan huren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Een sociale huurwoning valt binnen mijn financiële mogelijkheden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Een particuliere huurwoning valt binnen mijn financiële mogelijkheden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
De bijkomende kosten (bijvoorbeeld transactiekosten en borg) als je een sociale huurwoning gaat huren, zouden ertoe kunnen leiden dat ik de woning niet kan huren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
De bijkomende kosten (bijvoorbeeld transactiekosten en borg) als je een particuliere huurwoning gaat huren, zouden ertoe kunnen leiden dat ik de woning niet kan huren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

We zouden nu graag naar uw mening willen vragen over een vrij recentelijk ontwikkeling op de huurmarkt in Breda, namelijk het ontwikkelen van duurdere huurwoningen (met een kale huurprijs van meer dan € 652 per maand) door woningcorporaties.

47. Vindt u het een goede ontwikkeling voor de woningmarkt in Breda dat woningcorporaties zijn begonnen met het aanbieden van duurdere huurwoningen (een kale huurprijs van meer dan € 652 per maand)?

- Ja
 Misschien
 Nee
 Weet niet

48. Stel dat u een niet-gesubsidieerde, duurdere woning (een woning met een kale huur van meer dan € 652 per maand) zou moeten huren. Zou het dan voor u uitmaken of de woning door een particuliere verhuurder of een woningcorporatie wordt verhuurd?

- Ik zou liever van een particuliere verhuurder willen huren *(ga verder met vraag 49)*
 Ik zou liever van een woningcorporatie willen huren *(ga verder met vraag 50)*
 Het maakt geen verschil *(ga verder met vraag 51)*
 Weet niet

49. Kunt u een of meerdere redenen noemen waarom u liever voor een duurdere, niet gesubsidieerde woning van een particuliere verhuurder in plaats van een corporatiewoning zou kiezen?

Weet niet

49b. Als u al in een duurdere, niet gesubsidieerde woning van een particuliere verhuurder in plaats van een corporatiewoning woont, kunt u dan een of meerdere redenen aangeven waarom u voor deze woning hebt gekozen?

Weet niet

50. Kunt u een of meerdere redenen noemen waarom u liever een duurdere, niet gesubsidieerde woning van een woningcorporatie in plaats van een woning van een particuliere verhuurder zou kiezen?

Weet niet

50b. Als u al in een duurdere, niet gesubsidieerde woning van een woningcorporatie in plaats van een woning van een particuliere verhuurder woont, kunt u dan een of meerdere redenen aangeven waarom u voor deze woning hebt gekozen?

Weet niet

5 Persoonlijke gegevens

Tot slot willen we nog een aantal persoonlijke gegevens aan u vragen. We kunnen daarmee bijvoorbeeld onderzoeken of er verschillen zijn tussen mannen of vrouwen bij het beantwoorden van de vragen, of de verschillen tussen huishoudens met een hogere inkomen en zulke met een lagere inkomen.

51. Bent u:

Man

Vrouw

60. Wat is de hoogst voltooide opleiding van uw eventuele partner? (overslaan indien geen partner in het huishouden)

- | | |
|--|---|
| <input type="checkbox"/> Geen | <input type="checkbox"/> Lagere school, basisschool |
| <input type="checkbox"/> LBO (LTS LEAO, LHNO, etc.) | <input type="checkbox"/> MAVO/MULO |
| <input type="checkbox"/> HAVO | <input type="checkbox"/> MBO |
| <input type="checkbox"/> VWO, Atheneum, Gymnasium, HBS | <input type="checkbox"/> HBO |
| <input type="checkbox"/> Universitaire opleiding | <input type="checkbox"/> Andere opleiding in het buitenland |
| <input type="checkbox"/> Weet niet | <input type="checkbox"/> Weigert |

61. Heeft u nog opmerkingen die voor dit onderzoek van belang kunnen zijn?

Alvast bedankt voor het invullen van deze enquête.

Curriculum vitae

Christian Lennartz was born on 28 June 1981 in Aachen, Germany. He received his university-entrance diploma from the Einhard Gymnasium (secondary school) in 2001. He received his Magister Artium (M.A.) title in Economic Geography (major), Sociology and Economics (minors) at the RWTH Aachen University in September 2008. In the same year, he started his PhD research at the OTB Research Institute for the Built Environment, Delft University of Technology. The thesis was written under the supervision of professor Peter Boelhouwer and professor Michael Oxley. Since October 2012, Christian has been working as a postdoctoral researcher on an ERC-funded project called 'Housing Markets and Welfare State Transformations' at the Urban Geography Department of the University of Amsterdam.

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In the context of shifting regulatory approaches and changing provision structures in many Western rental housing systems, the notion of competition between social and private rental housing has received increasing attention from practitioners and academic researchers.

This thesis explores and theorises the concept of inter-tenure competition in order to advance understanding of what it means in local and national market realities, as well as in business and political practices. Results indicate that competition in mixed markets is a complex matter, much of which is explained by the distinctive properties of social and private rental services. Inter-tenure competition is shown to be the interplay of structural and political conditions, individual and organisational business goals, and the perceptions and strategic decisions of both providers and consumers. The results suggest that the degree of competition relates to specific points in time and is mainly a question of which rental market segment one is looking at.



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