Financialisation and Rental Housing
A Case Study of the Boroughs of Barking & Dagenham and Newham in East London

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Summary

London is a global city that is considered to be in the midst of a housing crisis. Within recent years the role of the rental sector has been viewed to be important in addressing said crisis. However, there is a concern that financialisation, which broadly refers to the increased role of financial actors and the prioritization of capital returns, is influencing the delivery of rental housing with largely unknown implications.

The objective of this research is to explain how financialisation influences the delivery of rental housing within the case study area of East London (for the purposes of this research East London refers to the areas of the London Boroughs of Barking & Dagenham and Newham).

An embedded single case study was adopted that provided for an analysis of the delivery of rental housing within the case study area. Semi-structured interviews were undertaken with 19 key respondents who worked in the direct delivery of rental housing but also those who worked in housing and policy advocacy, architects and a former ministerial advisor. The breadth of interview respondents and the use of government documents enabled triangulation of information sourced.

Ultimately this research has resulted in a far more in-depth analysis of the models of delivery by the two boroughs due to access to a greater number of respondents; however some findings have also been revealed for housing associations and the private sector. Analysis of interview data has shown that financialisation influences the delivery of rental housing through the use of rental housing as a means to generate long term income for boroughs and the private sector which ultimately impacts what type of housing is being delivered. Furthermore, it has been shown that financialisation influences practices of speculation by local boroughs, decision making on profit and risks strategies and the delivery of family housing. However, it has been suggested from the analysis that there are limits to this influence with austerity policies having played a significant role in influencing the way the borough and housing associations (HAs) models of housing are delivered, with interview respondents arguing that these models are designed to protect boroughs and HAs against austerity policies; conceding that often this means they are unable to increase the delivery of traditional social housing. It is recommended that further research is done on other models of housing delivered across London to add weight to this research and further understand how different factors such as financialisation and austerity policies impact the delivery of rental housing.

Keywords

Financialisation, rental housing, austerity, East London, housing crisis, tenure
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## Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BTR</td>
<td>Build to rent</td>
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<tr>
<td>DMR</td>
<td>Discounted Market Rent</td>
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<tr>
<td>GLA</td>
<td>Greater London Authority</td>
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<td>HAs</td>
<td>Housing Associations</td>
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<tr>
<td>HRA</td>
<td>Housing Revenue Account</td>
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<tr>
<td>IHS</td>
<td>Institute for Housing and Urban Development</td>
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<tr>
<td>IMR</td>
<td>Intermediate Market Rent</td>
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<tr>
<td>LAR</td>
<td>London Affordable Rent</td>
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<tr>
<td>LBBD</td>
<td>London Borough of Barking &amp; Dagenham</td>
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<tr>
<td>LBN</td>
<td>London Borough of Newham</td>
</tr>
<tr>
<td>LBs</td>
<td>London Boroughs (reference to the two London Boroughs within the Case Study Area)</td>
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<tr>
<td>NPPF</td>
<td>National Planning Policy Framework</td>
</tr>
<tr>
<td>PRS</td>
<td>Private Rental Sector</td>
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<td>PS</td>
<td>Private Sector</td>
</tr>
<tr>
<td>PWLB</td>
<td>Public Works Loan Board</td>
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<tr>
<td>REITS</td>
<td>Real Estate Investment Trusts</td>
</tr>
<tr>
<td>RTB</td>
<td>Right to buy</td>
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<tr>
<td>SO</td>
<td>Shared Ownership</td>
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<td>UK</td>
<td>United Kingdom</td>
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Chapter One: Introduction

The 2008 Global Financial Crisis (GFC) sparked a renewed examination of the impact of economic and fiscal policies of the late 20th and early 21st century on housing (Madden & Marcuse 2016 and Edwards 2016, Beswick et al. 2016). Within the United Kingdom (UK) policy measures introduced during the GFC to address a slowing economy and the growing budget deficit involved cuts to local government budgets and changes in the provision of subsidies towards affordable housing. These measures continue to be scrutinized under the lens of the theories of neoliberalism, austerity and increasingly, financialisation. In London, where house prices have risen 513% since the 1970s this scrutiny is applied within the context of an identified ‘housing crisis’ (Minton 2017 & Edwards 2016). In recent years, the impact of this housing crisis on the existing public and expanding private rental sectors has been analyzed through the lens of what is considered to be a system that favors income generation over the equitable supply of housing.

1.1 Background

The role of the state in the delivery of housing became more prominent in the UK following World War II. Housing delivery underwent a significant transformation in which there was considerable investment in what Madden & Marcuse (2016) refer to as decommodified housing stock; housing built and owned by the state for its use value, also referred to as public housing (Minton 2017). The late 1970s then saw a shift to market-based governance approaches, with the role of the state in the delivery and management of housing becoming more facilitative of housing markets rather than being a direct contributor. A key component of this shift was the introduction of the Right-to-Buy (RTB) scheme by the Thatcher Government whereby tenants in public housing could purchase their homes at a significant discount (Fenton et al. 2013). The revenue from the purchased homes was not able to be utilized by local government to build more public housing, therefore the policy pursued an end to government being a primary contributor to the delivery of new housing. This is evident in the fact that in 1983 31% of households in the UK lived in social housing compared with 19% in 2010 (Edwards 2016). Beyond reducing the role of housing delivery by government, RTB is also viewed as an example of the political pursuit of homeownership over all other forms of tenure in the UK. However, given that 40% of homes that were once public housing are now tenanted in the private rental sector (PRS) (Minton 2017), it is evident that the scheme also contributed to a growing PRS. In the mid-1990s the role of local government in the delivery of public housing (particularly building new housing stock) was further diminished under the agenda of “New Labor” whereby the responsibilities for the management and delivery of public housing (which received a name change to socially rented housing) were transferred to Housing Associations (Watt 2009).

In the new millennium, particularly following the GFC, it is considered that there has been a significant shift in the delivery of housing with regards to housing tenure in London. This shift can be seen in legislative changes to the public and private rental sector, increased demand for rental housing and, more recently, renewed local government involvement in the development of housing. Between 2010 to 2015, “local boroughs in England lost 27% of their spending power” due to nationwide measures introduced following the GFC (Bailey et al. 2015, p. 29). Research has found this significant fiscal stress, in particular on urban metropolitan councils, has had an impact on the ongoing management of public rental housing and delivery of key services within boroughs (Bailey et al. 2015 and Beswick et al. 2016). Direct subsidies to housing associations were also significantly reduced. At the same
time, legislative changes in 2010 enabled investors to profit from social housing (Beswick et al. 2016) and reforms in 2017 to the legislative framework of Real Estate Investment Trusts (REITs) were promoted as a means to increase the investment favorability of the private rental sector (British Property Federation 2018b). Beswick et al. 2016, Edwards (2016) and Minton (2017) argue these shifts to the governance of public and private rental stock were introduced in order to create a competitive and workable market for investment, as had been seen in the ‘multi-family’ private rental sector in the United States.

These reforms have been viewed as a slight shift away from the dominant paradigm of home ownership policies, indicating a political acknowledgement of the increased role of rental housing, noting that home ownership has dropped to its lowest levels since the 1960s and the private rental sector to its highest (Minton 2017 & Beswick et al. 2016). The Ministry of Housing, Communities and Local Government has noted that the private rental sector grew from 2.8 million households in 2007 to 4.5 million in 2017, and they expect this to keep growing (Office for National Statistics, 2018). This increased demand is viewed as an investment opportunity by the private sector and this is reflected in the increasing approvals and construction of ‘build-to-rent’ (BTR) developments across the UK, predominately in London (British Property Foundation 2018a & Beswick et al. 2016). The central government has also recently acknowledged, in the context of the housing crisis; there is a role for local government to play in the delivery of housing. This is evident in the graphic from New London Architecture below which shows an increasing contribution to new housing stock by Councils since 2010. Research into this increased role of local government has however raised concerns regarding its ability to deliver housing that is affordable and accessible to those considered ‘shut out’ by the housing crisis (Beswick and Penny, 2018 and Minton 2017).

1.2 Problem Statement

It is clear that the rental sector in London is undergoing a significant shift with growing demand driving an increase in public and private investment into rental housing. While much
has been written about rental housing in London with regards to the introduction of buy-to-let mortgages resulting in the growth of ‘mum and dad’ investors whose mortgages were then securitized and turned into global assets by financial institutions, the more recent emergence of large-scale delivery of rental housing is less understood. Research from more established rental markets such as USA (Fields & Uffer 2016) and Berlin (Wijburg et al. 2018) use financialisation, which broadly refers to the increased role of financial actors and the prioritization of capital returns, to understand changes in the delivery and management of rental housing. In the UK and in London, financialisation is often used as a means to examine the housing crisis and the more traditional rental market of second and third homes owned by ‘mum and dad investors’. Recently researchers such as Beswick and Penny (2018) and Minton (2017) assert that rental housing delivered by both the state and private sector as a part of larger scale urban renewal projects are being increasingly financialized. However, the influence of this financialisation on the delivery of rental housing remains largely under researched. In the context of growing inequality and increasing issues of access to adequate housing within London, alongside a growing theoretical position that financialisation negatively impacts housing, understanding how and the extent to which financialisation influences the delivery of rental housing remains unclear and therein lies the purpose of this research.

1.3 Research Objective

The primary research objective is to explain how financialisation influences the delivery of rental housing. In addition, this research seeks to:

- Contribute to the growing theoretical base of financialisation by providing further empirical observations;
- Understand the role of rental housing within the context of the case study; and
- Explain the influencing factors and decision-making processes that contribute to the delivery of rental housing.

1.4 Research Questions

The main research question is:

How does financialisation influence the delivery of rental housing within East London?

Sub research questions

1. How is rental housing delivered in East London?
2. What factors influence the delivery of rental housing in East London?
3. What factors influence the decision-making process of delivering rental housing?
4. To what extent do financial interests influence the delivery of rental housing?

A further breakdown and justification of research questions will be outlined in chapter three, including an operationalization of the key concepts.

1.5 Research Scope

Financialisation as a concept is currently popular within academic research and mainstream media. This increases the relevance and significance of this research however it also means that the research has had to include additional caution to mitigate any ‘hype’ of the topic and ensure valid data collection. Further, due to the broad scope and contested nature of both the conceptualisation of financialisation and housing theories, this research has limited the depth
and breadth of the study to ensure that it can be meaningful and valid. This has been done in multiple ways.

Firstly, capturing all the complexities of the delivery of the rental housing system in East London would lead to a surface level understanding only. The research scope was therefore limited to the London Borough of Barking and Dagenham (LBBN) and the London Borough of Newham (LBN), with a focus on the delivery of rental housing in new developments, not the purchasing of single homes by individual landlords. This does not discount the fact that single homes are an important aspect of rental housing, however given the high number of landlords and the difficulty of accessing them it was not thought that they could be meaningfully included within the breadth of the study and therefore were excluded. Secondly, the history of housing, land and planning in London is complex. It is not feasible to analyze and explain all historical planning decisions that have resulted in changes to the operation and management of housing in this study however the researcher acknowledges and understands the fundamental importance of planning to housing in London. And lastly, this research looks at what is happening in present day based on in depth semi-structured interviews with key respondents and undertakes content analysis of key central government documents (see chapter three). It is important to note the qualitative nature of this research has been chosen to unearth perceptions, influences and decision-making processes on the delivery of rental housing. It is not about quantifying how much housing is being delivered but understanding and explaining how that delivery is influenced.

It is submitted that the scope of this research does not preclude it from making a valuable contribution to the growing literature on financialisation and its influence on housing but rather is an asset to make it meaningful.

1.6 Significance of this study

This research builds on the growing number of scholars examining financialisation in housing. Prominent scholars in this space such as Aalbers, Christophers and Krippner continue to explore the concept and more importantly, continue to provide greater contribution to the theorization of financialisation and understanding its impacts. More recently Beswick and Penny (2018) have sought to do this by examining the reemergence of local governments in delivering more housing within a neoliberal and financialized mode, an approach that this research closely leans on. However, it is repeatedly acknowledged that with recent policies promoting the increased importance of the private rental sector and local governments in the delivery of both socially rented and private rented housing that there is little research that explain how financialisation influences this: there is a clearly demarcated research gap. This makes this research both unique in terms of what it has revealed and the recommendations it provides. This gap within the overwhelmingly complex context of East London and the UK planning and housing system also represented a challenging research environment for the author, one in which is argued to be addressed via the appropriate scoping and operationalization of key concepts.

This research unpacks the decision making and influences behind the delivery of rental housing, particularly in the context of local government delivering housing. Without

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1 Delivery referring to planned models of housing not necessarily housing that has been constructed yet.
understanding this and continuing to question the role of the state and commercial enterprise in the delivery of housing it is not possible to reflect on and understand the implications of these decisions on those who need housing the most: citizens (an often-forgotten aspect).

This research should be viewed as a valuable contribution to an ongoing discussion in academia with regards to financialisation and rental housing. Furthermore, this research should be viewed as a resource for practitioners in their understanding and application of housing delivery models. This research explains, using the theory of financialisation and other housing literature, that while the emergence of new models of rental housing delivery in the case study area brings some benefits in the context of ongoing security, financial risks and dependence on higher levels of government there remain issues, particularly in providing housing that can meet the needs of individuals on lower incomes or the unemployed.
Chapter 2: Literature Review and Conceptual Framework

Part one: Financialisation

The role of finance in land and housing is not a new area of research: in fact, David Harvey in the 1970s considered it to be of central concern (Hofman and Albers 2019). However, as was articulated in chapter one of this research, the Global Financial Crisis (GFC) spurred new literature on the topic and from that financialisation as a concept became increasingly popular (Rutland 2010 & Rolnik 2013). Financialisation, while central to this research, is not a universally understood concept. As such this chapter details the myriad of ways in which financialisation has been theorised and the ways in which it has been utilised within empirical research; narrowing to a focus on rental housing. Additionally, the authors conceptualisation of financialisation will be presented.

2.1 Defining Financialisation

Financialisation as a concept has been perceived as a state of being, a process that occurs and/or as a theoretical means to analyse outcomes retrospectively. Christophers (2015) argues that due to these varied interpretations it is important that authors do not assume that it is a universally understood concept. It is generally agreed that these challenges to the conceptualisation can only be addressed by further empirical research (Aalbers 2016). The literature and conceptualisation of financialisation also includes a temporal dimension with many considering the period following the GFC significant in a shift in the role and degree of financialisation, particularly when considering the impacts of austerity policies on cities (Edwards 2016 & Soederbeg 2018). The following paragraphs will review the different ways in which financialisation has been defined within academic research.

Krippner (2005), takes a practical approach to financialisation in order address methodological challenges. Her descriptive empirical work provides a reflection on the current ‘state’ of financialisation in America and continues to provide an important conceptualisation of financialisation for other researchers in this space. Krippner defines financialisation as:

“... a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production.” (2005, p. 174).

Central to this conceptualisation is that financial channels refer to expected return of capital. Modes of accumulation are an important aspect of conceptualising financialisation across a broad range of literature. An example of an accumulation focused study on the increased presence of financialisation can be found in the work of Assa (2012) who establishes a link between rising levels of inequality, impacts on economic growth and unemployment and the increasing financialisation at a macroeconomic level. However, this research could be criticised for stretching the concept of financialisation beyond a reasonable extent by drawing conclusions that do not appropriately consider other important factors that would impact inequality, economic growth and unemployment. Fields (2018) and Christophers (2015) emphasise that it’s possible to infer causation too broadly when emerging concepts are taken for granted and not appropriately operationalised. They argue this is a problem when a concept is increasingly popular.

Aalbers (2017) and Romainville (2017) argue that financialisation is more than just accumulation and that it is important to consider the degree of financialisation’s influence on
and within traditionally non-financial firms and what the implications of this are. Aalbers (2017 and 2016), emphasises these implications through the focus of structural transformations that occur because of financialisation, he defines financialisation as:

“the increasing dominance of financial actors, markets, practices, measurements and narratives at various scales resulting in the structural transformation of economies, firms, states and households” (p. 544).

This transformation impact of financialisation on non-financial firms is further highlighted in the work of Edwards (2016) who notes: “financialisation, however is a set of fundamental transformations in recent capitalism, not merely the growth of the financial sector but also changes in the way which non-financial firms think and behave” (p. 223). Similarly, for August & Walks (2018) “Financialisation refers to structural changes in the operation of capitalism in which finance has come to play an increasingly dominant role in the economy and everyday life, with broad reaching and transformative impacts” (p.135). These conceptualisations provide consideration of accumulation, as per Krippner’s definition, but they enable a more in-depth analysis of the changes that occur as a result of financialisation – it also positions the concept within the realm of capitalism. For most research, financialisation is framed within the context of capitalism with some viewing it as the third phase following globalization and neoliberalism, while others view it as a direct outcome of neoliberal policy agenda (Christophers 2015, Aalbers 2016). Rolnik (2019) links the rise of financialisation to the flow and access of capital that has been provided by globalization. This adds an additional dimension of complexity to the understanding of financialisation but also can be viewed as an advantage because it enables the global circulation of capital to be examined at a local (city) level.

The work of Aalbers (2017), Krippner (2005) and Rolnik (2019) all assert that financialisation occurs at different scales and can be analysed from different perspectives. For Aalbers (2016), financialisation can be understood from three different perspectives: from a regime of accumulation, from the increasing rise and importance of shareholder value and from the increasing role of finance and its impact on the daily lives of households. The different levels as identified by Aalbers (2016) are important within the context of housing, because it has been argued that housing intersects all of them. Aalbers’ (2016) conceptualisation also emphasizes the actors that are included within this process; an important and often missed focus within the conceptualisation of financialisation where the role of households, the state and the private sector and the way in which they intersect is often forgotten.

The relationship of financialisation and housing is an emerging field of study within literature. Depending on the research, the conceptualisation of financialisation either adopts prominent definitions such as Krippner (2005) or Aalbers (2016), or it alters it with a specific focus on housing, households or markets. As an example, when focusing specifically on housing and land, Ryan-Collins et al. (2017) define financialisation as: “when households or firms hold and trade property primarily for the purpose of generating capital gains rather than as a place to live and work” (p. 120). Similarly, Madden & Marcuse (2016) define it as: “A generic term to describe the increasing power and prominence of actors and firms that engage in profit

2 Meaning businesses, organisations both public, private and in the not-for-profit sector.
accumulation through the servicing and exchanging of money and financial instruments” (p. 31).

The research Wijburg et al. (2018) focuses specifically on the German rental sector and defines financialisation through a breakdown of two phases. Financialisation phase one is considered as the acquisition of formally decommodified or not fully commodified rental housing by private equity firms; they argue that these firms tend to be high risk with the strategy of buying low and selling high, based purely off speculation and that they suffered considerably during the GFC. They argue that the second phase of financialisation is the acquisition of properties by REITS and publicly listed firms with the intention to adopt long term investment strategies to create stable cash flow to their shareholders.

This research will define financialisation as:

The increasing role of financial actors, markets, practices, measurements and narratives at various scales that engage in the accumulation of land and housing primarily for the purpose of generating capital gains and dividend income, influencing the ways in which financial and traditionally non-financial firms think.

This definition has been adapted from the research of Ryan-Collins et al. (2017), Krippner (2005), Aalbers (2016). This adaption has been utilised to enable the components of accumulation, the different actors, the transformative element and the focus on land and housing to be considered. Furthermore, the definition developed for this research will enable the term to be operationalised in a meaningful way (as explained in chapter three).

2.2 Financialisation and Housing

2.2.1 The State, Housing & Financialisation

The state plays a key role in the operation of regulations that impact the management and utilization of rental housing. At a municipal level, case study research by Beswick and Penny (2018) report on the emergence of “municipal entrepreneurialism” fuelled by financial mechanisms in attempts to deliver affordable housing (p. 613). Their research provides new insights into the unknown risks in the increasing engagement with and reliance on external finance by state bodies. From a more macro-perspective, empirical research links the rise of financialisation to state deregulation under neoliberal policy frameworks across the global north. This is important because, as argued by Rolnik, (2013), the rhetoric utilized by advocates of neoliberalism are that the shift in governance in the 1970s reduced the role of government; however her research details that it was the government who explicitly ‘created’ the conditions that allowed financialisation to thrive and therefore the idea that the market operates on its own is a fallacy. Aalbers et al. (2017) refer to this as “regulated deregulation” (p. 574) and provide a case study analysis to demonstrate how it occurred under neoliberal policies within the Netherlands. Structure and agency within the context of financialisation are important in that the structures set up from regulators may impact the agency of semi-public or private companies, leading to greater financial risks (Aalbers et al. 2017).

Other empirical research into the UK planning system argues that legislative changes introduced post-GFC to enable financial viability to be prioritized over social and environmental considerations in affordable housing requirements is a reflection of a state based

Referring to partially or entirely funded government housing.
system that prioritizes the return on investment to developers or shareholders as more important than other social or environmental factors (Colenutt et al. 2015 and Flynn 2016). These changes infer that the way in which land and housing is managed from a regulatory perspective is being influenced by external financial interests. However the extent of empirical evidence on this remains limited.

2.2.1 The role of Austerity
A growing number of researchers look to austerity mechanisms and decentralisation initiatives introduced by governments and argue that they have had a negative impact on the equitable distribution of housing and local government services (Peck 2012, Coq-Huelva 2013 & Bailey et al. 2017). For those researchers who focus on the delivery of public housing, there is a clear theme that asserts that there is a deliberate agenda from central governments that force local governments to be reliant on external finance (beyond fiscal subsidies and loans) (Minton 2017, Peck 2012 & Beswick and Penny 2018). However, Bailey et al. (2017) argue that while there is a tendency to assume that central governments are deliberately targeting local governments and forcing them into alternative funding streams it could be in reality poorly thought through consequences as distinct to direct policy intention. Furthermore, the research of Byrne & Norris (2018) examined the changes to the funding structures of the Irish social housing sector following the GFC. Their research described how prior to the GFC local governments in Ireland had more agency over funding arrangements for public housing and classified those arrangements as semi-financialised as part of the funding was from publicly listed companies. They then detailed how following the GFC the central government centralised the delivery and funding of all new public housing and restricted access to external finance. Their research showed how local governments new dependence on central government meant that they could no longer deliver the same extent of housing and they were more vulnerable to austerity measures. Byrne & Norris’s (2018) research provides insight into how semi-financialised structures, if considered within an appropriate risk management context, can also provide positive benefits for cities and their residents and reduce local government vulnerability to austerity.

The research on the structural role of the state and its influence on the way in which the housing market has changed is vast. However, engagement by local authorities with external finance providers, how financial, social and environmental aspects of land and housing are prioritised, and the impacts of this remain under-researched (Beswick & Penny 2018).

2.2.2 Rental Housing & Financialisation
In the context of land and housing, researchers often seek to understand why the financialisation of housing is a pursued strategy. Rolnik (2013) argues that it is about creating value from the possibility of creating value, often referred to as speculation. To do this housing and land must be reconceptualised as something that is not fixed but that via the financialisation process can become an asset that can be easily liquefied and generate a return on investment for shareholders or direct investors. Madden & Marcuse (2016), Aalbers (2016) and August & Walks (2018) argue that increased speculation makes housing more susceptible to the volatility of financial cycles but also treats housing only as an exchange value, with consequences for those who continue to rely on it for shelter. While initially financialisation and housing research focused on individual households, more recently with the private rental sector growing there has been a focus on understanding the relationship between financialisation and rental housing (Beswick et al. 2016).
Research on the financialisation of rental housing largely views financialisation as a process. Empirical research explores the process of financialisation of rental housing within cities in order to understand its impact. August and Walks (2018) in their case study on Toronto describe the process of financialisation of rental housing via the acquisition of buildings in gentrifying areas. They use the term ‘financialised landlords’ and define it as follows: “including real estate investment trusts (REITS), private equity funds, financial asset management firms, and other investment vehicles” (p. 124). Their research details the strategies adopted by financialised landlords to acquire buildings for capital accumulation and provide a return to their investors. Wijburg et al. (2018) also take a process driven approach in their empirical review of the financialisation of rental housing in Germany. They scrutinized processes of landlords’ investment activities in order to understand the strategies adopted to maintain a return on their investment. They argue that more recently financialisation is the acquisition of properties by REITS and publicly listed firms with the intention to adopt long term investment strategies to create stable cash flow to their shareholders. Both Wijburg et al. (2018) and August & Walks (2018) argue that for financialised landlords to be successful they must adopt strategies that either reduce the cost of maintaining the asset OR increase the revenue from it. Fields and Uffer (2016) argue that landlords make use of various mechanisms to ensure the viability of their investments including tenant blacklisting and computerised credit rating scores. Fields and Uffer (2016), Wijburg et al. (2018) and August & Walks (2018) all argue that this has implications for residents. However, they acknowledge that social implications and transformative impacts of these strategies remain an under-researched area with only a handful of researchers seeking to understand the impacts. Additionally, because of the relatively recent growth of private renters this is challenging to study. There is a distinct lack of research that seeks to understand what opportunities the increased investment in rental housing by these “financialised landlords” may offer with the primary focus assuming that financialisation as a process is inherently negative.

Empirical research that focuses on rental housing more broadly demonstrates that due to the considerable shift analysed above and provided within the introduction, the balance of tenure between home owners and renters has significantly shifted since the 1970s in the UK (Gilbert 2016). Gilbert’s analysis on rental systems argues that in more “tenure neutral” countries such as Germany or Switzerland renters have a better experience because there is more diversity of tenure and culturally renters are not as stigmatized as they are in countries like the US, UK & Australia. This assertion is important for this research because it posits that the governance structures set around rental properties may impact how external factors such as financialisation alter the role and delivery of rental housing.

The market for investment in rental housing is growing with much exploratory research arguing that increasingly REITS and publicly listed companies are acquiring and developing rental housing. How this alters the role of rental housing is still an under-researched area, especially when considering the potential broader social implications that have been inferred by other researchers (Rolnik 2019). Within London specifically, Kemp (2015) argues that the shifting nature of the delivery of housing increases exposure to financialised landlords, particularly for those who have traditionally been housed in social housing (who now rent privately with government income subsidies). How this increased exposure and what influence that has on the delivery of rental housing remains largely unknown. As detailed above the role that the state plays within the context of financialisation and housing is also of importance.
Part Two: Land and Rental Housing

2.3 The Land Dynamic

Without land there is no housing and this dynamic and dependency is often underestimated or not considered within housing studies literature. Land is considered to have unique characteristics that set it apart from other commodities within a market. Harris (1980) identifies these characteristics as the influence of location, fixity of supply, influence from externalities and the irreversibility of use. For others such as Marx, the institution of private property and the ‘creation’ of land that can be sold and traded within markets resulted in land having monopolistic characteristics (Harvey 2009). Theories regarding flow of capital and the role of land within it are varied and their full extent go beyond the scope of this research. Nevertheless land’s unique characteristics distinguish it from other forms of capital (money & labour) and that is fundamental when considering the delivery of housing (Ryan-Collins et al. 2017 & Hofman and Aalbers 2019).

2.3.1 Land, Power and Speculation

The unique characteristics of land, for example its scarcity, makes it easy to monopolise. The power attributed to land both politically and financially, is intertwined with ‘ownership’ of land and the subsequent rights that come with this (Gerber & Hengstermann 2018 & Harvey 2010). Christophers (2019) argues that land and power being intertwined is a truism in Britain. This power comes from both the property rights associated with ownership but also the ability to speculate on its future value, accumulating equity to further advance one’s wealth and the ability to generate rent and capital from the land itself (Christophers 2017, Ryan Collins et al. 2017 and Piketty 2014). It is important to distinguish between increased value of land that results in unearned rent (as famously articulated by Henry George) and profit generated from land, which are often confused (Harvey 2010 & Ryan-Collins et al. 2017). Unearned rent as distinct from profit is shown to be a factor that contributes to why land is considered a ‘safe asset’ and secure collateral; thus having broader implications for it being accumulated as a means of speculation and being viewed as a financial asset. While this concept of economic rent (unearned rent) is in itself not highly contentious, the question as to whether it should be captured by the landowner or the State remains a highly contentious issue.

Having regard to profit generated from land once improved, recent empirical research demonstrates that residential development within a city generates the most return on investment for a developer improving land (Ryan-Collins et al. 2017). In the context of Britain and other Anglo-Saxon countries, where the land use planning system predominately determines what can and cannot be built or utilised on a site, the value that can therefore be generated from ‘planning approval’ is significant (Ryan-Collins et al. 2017) and speculation occurs as a result. Christophers (2019) argues that this occurs through the “financial form of land ownership” (p.113) and that this is not a recent development within Britain. Throughout the history of planning and land management legislation there have been attempts to reduce speculation on ‘unearned’ value of land through various mechanisms, such as requirements on private land owners to provide ‘affordable housing’ which many have argued have had limited success (Christophers 2019, Flynn 2016, Colenutt et al. 2015 and Rolnik 2019).

The financial ownership of land and the role of property rights in supporting that ownership is a key aspect to land’s monopolisation characteristics. The successful implementation of planning policies and land policies that seek to address inequities that exist within cities also links back to the potential power imbalance between private property owners and policy makers/non-owners (Gerber & Hengstermann 2018). The link between land and housing is not
often explicitly explored within literature or is often ignored within traditional housing studies (Aalbers 2016). The above theoretical introduction demonstrates how land continues to be viewed as a place to store value: this inevitably has implications for housing (Ryan-Collins et al. 2017, Harvey 2010 & Rolnik 2019) and the ways in which it is delivered and managed. The storing of value also has implications for the supply of housing and the way in which demand is met within a city.

2.4 Housing Tenure and Value

Housing can be categorised into tenures, and tenures are a form of institution. Kemp (2015) defines housing tenures as “socially constructed configurations of property rights and obligations, the precise nature of which vary to some extent between different societies” (p. 602). Within the context of the UK and other Anglo-Saxon countries, homeownership has been the dominant tenure pursued at a political level, since the 1970s, which some have argued has resulted in a social stigmatism towards those who do not own their own home, whether by choice or not (Ryan-Collins et al. 2017 and Edwards 2016). The literature tends to define tenures into socially rented, private rental sector and ownership. However as per the work of Blandy & Goodchild (1999) and Payne (2004) the reality is there is a continuum of tenure and there are blurred lines between them. Within this continuum, housing tenures are often perceived as a ladder with home ownership being considered reaching ‘the top’. However more recently the notion of a ladder and the associated perceptions that are implied have been questioned (Bright & Hopkins 2011). Edwards (2016) argues that the reality “is closer to snakes and ladders since there are losers in the volatile price movements and in many parts of the UK, households are stuck with homes ‘worth’ less than the debts they incurred to buy them.” (P.223). Edwards’ work leads to the broader discussion occurring empirically and within the mainstream whereby ownership for older generations is akin to a social security, further shifting the role of what a house represents for those who have it and those who don’t (Bright & Hopkins 2011).

Housing does not serve a single purpose, there is an inherent conflict between its use and exchange values, and the varied actors that play a role its being developed. Harvey (2009) stresses that it can have both an exchange and use value, and that it is what happens between these two values that is vital to the city. For example, a homeowner and renter perceive their home via its use value, however for the homeowner, it is also a source of collateral that at the stage of transfer of ownership becomes important by its value of exchange (Aalbers 2016 & Harvey 2009). For the real estate sector, reliance is placed on the cultural and social institutions that support and promote housing for its use value but only as a means of boosting its exchange value (Harvey 2009). The delivery of housing has shifted over time as well. Importantly, housing is also viewed and serves as a means of stimulating economies. The use component is vital because of housing’s intrinsic value in providing a means to survive, to provide shelter and therefore, unlike other forms of commodities, (although some would argue housing should not be labelled a commodity) it is not something that can be done without (Madden & Marcuse 2016). It is this inherent need for housing that was a primary factor in producing social housing as a tenure, traditionally delivered by the state and more recently by not for profit organizations commonly referred to as Housing Associations in the United Kingdom and Europe.

2.4.1 Rental housing

Rental housing is generally broken down into public and private rental housing. Much has been explored with regards to the shifting role of publicly funded rental housing, what many refer to as ‘decommodified’ or ‘semi-decommodified housing’, because of its primary purpose via its use value: shelter and not as commodity to be traded (Madden & Marcuse 2016). However,
Piketty (2014) notes that in the era where decommodified housing stock was most utilized by Governments, it also served a purpose, under a Keynesian ideology, to boost economic growth and therefore it was not as simple as just providing shelter. Within the neoliberal ideology which dominates Anglo-Saxon countries today this form of housing stock has significantly reduced and this has fundamentally altered the institution of rental housing.

### 2.4.2 Increasing Demand and Reduced Accessibility

As noted within chapter one there is an increasing demand for rental housing (particularly private) within the UK. Edwards (2016) and Oosterlynck & Gonzalez (2013) position this in the context of the ‘housing crisis’ whereby that increased demand is driven by the lack of affordable housing to own or the lack of public rented housing. Edwards (2016) and Dorling (2015) argue that this is primarily fuelled by speculation on behalf of private landowners who only build when they can generate the largest return and the lack of funds available to construct affordable public housing. The affordability issue is further evidenced by the welfare subsidies provided to private rental tenants within the UK; something that Fenton et al. (2013) argues is a form of commodification which when capped or reduced has spatial implications for where an individual can and cannot rent within a city. These issues of access are vital, as argued by Madden and Marcuse (2016), because when rental and ownership and access to a city are based on an individual’s ability to pay, there will inevitability be equality issues as “the need for a place to live is universal” (p.51). This comes back to the philosophical question of who has the ‘right to the city’ as asked by Harvey and the role of regulation in managing market failure that results in the significant social and environmental injustice that is being experienced in present day society; an important question in the context of a growing rental housing sector within the UK.

The increased demand in the private rental sector is arguably enlarging the presence (in the US) and the emergence (in the UK) of the build to rent sector (BTR), whereby land is developed with multi-unit housing owned under single ownership (ordinarily a large scale investor) for the purpose of renting, as distinct from selling (Gilbert 2016, Kemp 2016, and Rolnik 2019). The GFC helped to provide for this increased demand by external financial interests. Furthermore, the research of Beswick and Penny (2018) also demonstrates the changing nature of the delivery of public rental housing within London. The degree to which financialisation influences this dynamic of the delivery of private rental housing remains largely under-researched.

To summarise, rental housing as a form of tenure serves a role of providing both a use and exchange value, and like other forms of tenure maintains property rights and obligations and can serve a broader macroeconomic purpose for economies. The extent of the nature of each of the components of these roles varies according to the institutional framework and context. The way in which it is delivered within the 21st century following the GFC and the factors that influence that delivery are important to understand and unpack.

### 2.4.3 Defining of rental housing:

For the purpose of this research, rental housing is defined as:

*A form of housing tenure specifically utilised for the purpose of renting, not ownership, with a configured set of property rights and obligations.*

This definition has been adapted by the research of Kemp (2015) and Gilbert (2016). This definition acknowledges that there are various ‘modes’ of rental housing that exist within the UK even if not explicitly stated here. As an example, there is rental housing provided by
housing associations, rental housing that is labelled ‘affordable rental’ (80% of the market price) and then market rate rental housing which is set by the mechanisms of the free market (Gilbert 2016).

Part Three: Conceptual Framework

Based on this literature review it can be understood that increasingly financialisation as a process influences rental housing. Theories of financialisation argue that it is a process that influences a transformation of the way in which non-financial firms think and increases the importance of financial narratives, ultimately focusing on accumulation for the purpose of capital gains. Housing theories tell us that rental housing is an increasingly complex space with a diverse range of factors influencing its delivery.

The relationship between these two variables is being increasingly explored within research as demonstrated in this chapter, however there is a clearly demarcated research gap when considering how financialisation influences the delivery of rental housing. The little research there is offers the proposition that the delivery of rental housing (both public and private) is influenced by financialisation with regards to the ‘type’ of rental housing and the ways in which it is delivered (Beswick and Penny 2017, Fields and Uffer 2016).

The below conceptual framework visualises the identified research gap. The delivery of rental housing is viewed as a variable that is dependent on financialisation as a process. However the nature of this dependence and the way in which it manifests itself in its influence is largely unknown. And therefore, the conceptual framework below details that financialisation influences the delivery of rental housing with the important aspect that this influence is unknown. This conceptual framework is set within the case study context of East London (as will be explained in the following chapter).

Figure 2 Conceptual framework, by author (2019)
Chapter 3: Research Design and Methods

This chapter presents the justification of the research question and sub-questions and illustrates the adopted research strategy, the methodologies adopted for fieldwork and the research’s reliability, validity and limitations. This study is based on in-depth semi-structured interviews with a diverse range of key informants in the case study area and is further supported by content analysis of key government documents.

3.1 Questions and Conceptions

3.1.1 Unpacking the Questions:
In order to answer the main research question, “how does financialisation influence the delivery of rental housing within East London”, sub-questions have been formulated as follows:

1. How is rental housing delivered in East London?
This descriptive question enables the researcher to identify the various ways in which rental housing (in the manner of how it is operationalized) is delivered within the case study area. This question intends to provide context to the primary purpose of the research which will then explain the influences behind the delivery. This is answered with the use of government documents and then further supported and triangulated with semi-structured interviews.

2. What factors influence the delivery of rental housing?
This second question seeks to uncover the factors that have influenced the mode of delivery of rental housing and will be answered via interviews using questions formulated from the information discovered under the first sub-question. This is more perception-based information and is the beginning of the explanation phase of the research strategy for each case.

3. What factors influence the decision-making process of delivery of rental housing?
Discovering the decision-making processes that result in the delivery of rental housing by various firms/sectors serves to reveals what factors are being prioritized in the delivery of rental housing. This will enable an explanation of the degree to which financialisation is or is not altering the role of rental housing.

4. To what extent do financial interests influence the delivery of rental housing?
The influence and role of financial interests is a key component of financialisation. Understanding the extent to which financial actors and structures influence the delivery of rental housing is key element of the research.

Answering these four questions provides a full understanding of the two key concepts which then enables an explanation of how financialisation influences the delivery of rental housing within the case study area.

3.1.2 Key Concepts
There are two key concepts within this research, as previously identified in chapter two. They are identified below:

Financialisation
The increasing role of financial actors, markets, practices, measurements and narratives at various scales that engage in the accumulation of land and housing primarily for the purpose of generating capital gains and dividend income influencing the ways in which financial and traditionally non-financial firms think.

It has been acknowledged by other researchers in the field of financialisation that the concept is challenging to operationalize (Krippner 2005, Wijburg et al. 2018). This research takes reference from other key studies to add credibility to the units of measurement and increase external validity (primarily the work of Wijburg et al. 2018, Beswick and Penny 2018, and Edwards, 2016). The operationalised variables are drawn from the above definition and the unit’s measurements identified within the aforementioned studies.

The delivery of Rental Housing

A form of housing tenure specifically utilized for the purpose of renting, not ownership, with a configured set of property rights and obligations with informal and formal rules.

The rental housing concept has been derived from the work of Kemp (2015) and Gilbert (2016). The operationalization of rental housing delivery has been broken down into variables of who is delivering (private or public rental sector) and the ‘type’ of tenure. This operationalization was an iterative process where the original breakdown was based on literature on rental housing within London, however, the fieldwork also led to a refinement of the operationalization so that the variables represented the actual situation in case study area.

3.1.2 Operationalisation

The primary method of analysis is through qualitative data gathered by semi-structured interviews. As such, indicators are based on perceptions, explanations and opinions (as distinct from specific numbers) in order to answer the research question and infer links.

<table>
<thead>
<tr>
<th>CONCEPT</th>
<th>VARIABLE</th>
<th>INDICATOR</th>
<th>DATA TYPE</th>
<th>DATA SOURCE</th>
<th>DATA METHOD</th>
<th>COLLECTION</th>
<th>ANALYSIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery of Rental Housing</td>
<td>Public Rental Borough housing &amp; Housing Association Tenure classification</td>
<td>• Socially Rented&lt;br&gt;• London Affordable&lt;br&gt;• London Living&lt;br&gt;• IMR/DMR&lt;br&gt;• Market&lt;br&gt;• Shared Ownership</td>
<td>Qual</td>
<td>Secondary&lt;br&gt;Qual</td>
<td>Primary&lt;br&gt;Primary</td>
<td>Government reports and information&lt;br&gt;Semi-structured interviews</td>
<td>Coded and triangulation</td>
</tr>
<tr>
<td>Private Rental Sector (PRS) Tenure Classification</td>
<td>• Socially Rented&lt;br&gt;• London Affordable&lt;br&gt;• London Living&lt;br&gt;• IMR/DMR&lt;br&gt;• Market&lt;br&gt;• Shared Ownership</td>
<td>Qual</td>
<td>Secondary&lt;br&gt;Qual</td>
<td>Primary&lt;br&gt;Primary</td>
<td>Private reports and information&lt;br&gt;Semi-structured interviews</td>
<td>Coded and triangulation</td>
<td></td>
</tr>
<tr>
<td>Delivered by</td>
<td>• Borough&lt;br&gt;• Housing Association&lt;br&gt;• Private Sector (excluding mum &amp; dad investors)</td>
<td>Qual</td>
<td>Primary</td>
<td>Semi-structured interviews</td>
<td>Coded and triangulation</td>
<td>Semi-structured interviews</td>
<td>Coded and triangulation</td>
</tr>
</tbody>
</table>
### 3.2 Research Strategy and Plan

#### 3.2.1 Case Study Strategy

Financialisation and the delivery of rental housing are phenomena that cannot be separated from their context, and the research problem identified is contemporary in nature. Therefore, a case study is most appropriate research strategy (Van Theil, 2014). Case study research can be undertaken in a multitude of ways depending on the nature of the problem and question. For this research a single case study approach has been utilized (refer to case specifics below) as it provides for an in-depth exploration and explanation of the modes of delivery of rental housing and the influence of financialisation. Given the nature of the identified problem and the potential fluidity between the independent and dependent variable, the causal process tracing (CPT) approach for case study research has been adopted. The CPT case study method enabled the research to trace events among a multitude of relevant actors and factors to establish and infer relevant links (Blatter & Blume 2008).

As per Blatter & Blume (2008), a case study provides “an intensity of reflection between the empirical observations and the theoretical references” (p. 348). In the context of this research, where the central concept of financialisation is still evolving theoretically, it is considered that the empirical observations made during the fieldwork process provide a valuable contribution to the theoretical development of financialisation. Although a single case study, as it is embedded within two distinct local boroughs there is an ability for the data collected by each local borough to be compared against the other.

#### 3.2.2 The Case Study Area

This research is of an embedded single case: rental housing in East London. While ideally the entire Greater London Authority (as shown in Figure 2 below) would have been analysed, given

<table>
<thead>
<tr>
<th>Financialisation Influence on and within nonfinancial firms</th>
<th>Establishment of subsidiary companies</th>
<th>Qual</th>
<th>Primary</th>
<th>Semi-structured interviews</th>
<th>Local Borough Cabinet Documents</th>
<th>Coded and triangulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition strategies – debt structure</td>
<td>Fiscal and financial subsidies, bank loans</td>
<td>Qual</td>
<td>Primary</td>
<td>Semi-structured interviews</td>
<td>Local Borough Cabinet Documents</td>
<td>Coded and triangulation</td>
</tr>
<tr>
<td>Principle Activities of firms</td>
<td>Providing “affordable rented housing”</td>
<td>Qual</td>
<td>Primary</td>
<td>Secondary</td>
<td>Semi-structured interviews</td>
<td>Coded and triangulation</td>
</tr>
<tr>
<td>Profit vs Risk strategies</td>
<td>Non-profit, long-term</td>
<td>Qual</td>
<td>Primary</td>
<td>Semi-structured interviews</td>
<td>Coded and triangulation</td>
<td></td>
</tr>
<tr>
<td>Speculation</td>
<td>Land purchase motivations</td>
<td>Qual</td>
<td>Primary</td>
<td>Semi-structured interviews</td>
<td>Local Government Cabinet Documents</td>
<td>Coded and triangulation</td>
</tr>
</tbody>
</table>

Table 1 Operationalisation table, by author
the time limitations and budget constraints on this research that was not feasible. Furthermore, it is important to note that due to limitations on the scope of the research the reference to East London is defined as the geographical areas comprising the Boroughs of Barking & Dagenham and Newham, as shown in the below graphic.

![Map of London Boroughs with defined case area](https://maps-london.com/london-borough-map), with edits by research author

The case study area is a portion of East London that is experiencing considerable growth and has significant need with regards to the public rental housing lists in the two Boroughs in the case area. The locality is broadly representative of other ‘middle area’ boroughs, however parts of the case study area have a significantly lower socio-economic status in comparison to other parts of London. The locality is well connected with regards to transport infrastructure. It is an appropriate place to explore the influence of financialisation because it is representative of other middle London boroughs and other cities that are experiencing considerable growth and have long term resident populations that are yet to be significantly excluded by the gentrification process (in particular contrast to other inner London borough’s such as Hackney, Westminster and Southwark).

### 3.2.2 Data Collection Design, Methods and Sample

Case study data collection needs to provide a deep insight to ensure there is the correct identification of empirical evidence and ensure appropriate establishment of causal relationships. For this research that was ensured via in-depth semi-structured interviews with a diversity of actors who intersect with the delivery of rental housing, the regulation of it and advocacy associated with it. The diversity of interviews served as a means of triangulation with additional cross-checking via secondary documents (Yin 1994; Blatter and Blume 2008). As per Yin (1994), case study research is not about the number of respondents chosen or setting specific control groups, it is about direct observation and systematic interviews. This enables a broad variety of evidence and “thickness” of observation as articulated by Blatter and Blume (2008).
The use of primary and secondary qualitative data collection to analyse and explain financialisation and housing has been utilized by other researchers such as August and Walks (2018), Wijburg et al. (2018) and Aalbers (2017). This reflects the depth that this mixed method can provide but also adds creditability to this research and chosen data collection method.

### 3.2.2.1 Primary Qualitative Data Collection

In-depth semi-structured interviews formed the main method of data collection for this research. The interviews were conducted following the initial analysis of the government Green and White Paper on Housing. An interview manual was prepared prior to data collection based on the information obtained from the government documents and the variables and indicators within the operationalization table. The interview approach (semi-structured) allowed interviews to take their course naturally, as per Van Theil (2014) this is the most appropriate way to ensure information is obtained. Interviews enabled a narrative to be framed by deep investigation of actors (supported via secondary qualitative analysis) to establish causal relations (Blatter and Blume 2008).

An annex of an example manual can be found in Annex One (1.3).

### 3.2.2.2 Sample Size

A non-probability method of sampling was utilized for selecting interview recipients. As per Van Theil (2014) when there is a smaller number of units, non-probability selection can be more appropriate. Initial respondent selection was made on theoretical grounds (purposive selection), following the initial interviews a snowball selection occurred. Table 3 below details the respondents and the sectors they came from below. The sample selection in terms who was interviewed and their role mirrored other research of this nature (such as Beswick & Penny 2018 and Wijburg et al. 2018). The researcher utilized discretion to stop interviews once it was felt that saturation point for a particular group had been met, however for some groups there was limitation to access which also contributed to the number of respondents, this will be discussed in limitations below.

<table>
<thead>
<tr>
<th>Respondent No.</th>
<th>Sector</th>
<th>Position Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>London Borough of Barking &amp; Dagenham</td>
<td>Head of Housing &amp; Assets Strategy</td>
</tr>
<tr>
<td>2</td>
<td>London Borough of Barking &amp; Dagenham</td>
<td>Senior Development Manager</td>
</tr>
<tr>
<td>3</td>
<td>London Borough of Barking &amp; Dagenham</td>
<td>Managing Director</td>
</tr>
<tr>
<td>4</td>
<td>London Borough of Newham</td>
<td>Principle Planner</td>
</tr>
<tr>
<td>5</td>
<td>London Borough of Newham</td>
<td>Development Director</td>
</tr>
<tr>
<td>6</td>
<td>London Borough of Newham</td>
<td>Housing Works Commissioner</td>
</tr>
<tr>
<td>8</td>
<td>Central Government</td>
<td>Former ministerial advisor - housing (May Govt) &amp; former housing advocate</td>
</tr>
<tr>
<td>9</td>
<td>Housing Association</td>
<td>Director Residential Investment</td>
</tr>
<tr>
<td>10</td>
<td>Housing Association</td>
<td>Assistant Development Director</td>
</tr>
<tr>
<td>11</td>
<td>Not for Profit Housing Organisation</td>
<td>Housing Officer (homelessness)</td>
</tr>
<tr>
<td>12</td>
<td>Not for Profit Housing Organisation</td>
<td>Tenant advocate</td>
</tr>
<tr>
<td>13</td>
<td>Property Advocacy Firm</td>
<td>Director of Policy</td>
</tr>
<tr>
<td>14</td>
<td>Private Firm - Architecture</td>
<td>2 x business directors</td>
</tr>
<tr>
<td>15</td>
<td>Private Firm - Architecture</td>
<td>Business director</td>
</tr>
<tr>
<td>16</td>
<td>Private – Real Estate Finance</td>
<td>Financial Analyst</td>
</tr>
<tr>
<td>17</td>
<td>Private – Real Estate Finance</td>
<td>CEO – developer and financier</td>
</tr>
</tbody>
</table>

The manuals also included variables on the issues of property rights and obligations as this had originally formed a part of the research scope, however as will be discussed later, these were subsequently removed from the primary part of the analysis.
3.2.2.3 Secondary Qualitative Data Collection

An in-depth analysis of central government reports and local government documents were required for this research to cross-check information provided by interview respondents but also, initially, to assist in the framing of interview questions. While initially it was intended to analyse shareholder reports and documents of private companies, this was not feasible during fieldwork because of privacy rules that were unanticipated by the researcher. The following documents & internet sources were analysed:

- A new deal for social housing, Government Green Paper, 2018, Central Government (Ministry of Housing, Communities and Local Government)
- National Planning Policy Framework, 2019
- Fixing our broken housing market, Government White Paper, 2017, Central Government (Department for Communities and Local Government)
- Agenda, Cabinet Papers, London Borough of Newham, February 2014
- Agenda, Cabinet Papers, London Borough of Newham, September 2017
- Proposal to Establish Barking & Dagenham Regeneration Company, Cabinet, London Borough of Barking & Dagenham, November 2016
- BeFirst Business Plan, Cabinet, London Borough of Barking & Dagenham, February 2018
- Barking & Dagenham Reside – A Reinvigorated Approach, Cabinet, London Borough of Barking & Dagenham, January 2018

The following section details the process of analysis.

3.2.3 Data Analysis

Qualitative information obtained from semi-structured interviews and secondary documents were analysed using Atlas.ti software. Each respondent was grouped by the type of actor (public, private NFP-advocate etc.). The analysis process was iterative and inductive as described below:

1. All interviews were recorded and transcribed verbatim into a word document
2. Initial coding was based on the tenure type and delivery method as per the preliminary operationalisation and information gathered. Coding of secondary documents was also based on this.
3. Following this, all documents were coded on the basis of ‘influence and decision-making factors for delivery’ per respondent group. This coding revealed the different influences and enabled a comparison across different ‘groups’ of respondents. This was an iterative and cyclical process: themes were identified, grouped and then refined as to remove overlaps, with this process occurring multiple times.
4. For those respondents who weren’t directly involved in the delivery of rental housing, the coding process was used as a means to cross-check and reveal similarities or differences with what had been revealed by other respondents.
5. Following this, a further coding exercise was done to refine the understanding of financialisation and ensure indicators related to the primary variable were being identified (or not, if relevant). Due to the nature of the question seeking to understanding ‘how’ the independent variable influences the dependent variable this was an important process. Furthermore, reviewing these codes enabled an analysis
against other ‘variables’ that were influencing the delivery of rental housing within the case study area.

6. Atlas.ti was utilised during this process in addition to the researcher networking out analysis frameworks on paper (from atlas.ti information) to fully understand relationships between variables.

Annex Two and Three detail the utilised codes and themes that emerged from influences, decision making factors and external financial influences.

3.3 Validity, Reliability & Limitations

As has been previously acknowledged the nature of case study research invariably raises issues of reliability and validity. It is considered that the design of this research and the way in which it has been carried out has minimized those issues, as described below.

3.3.1 Challenges and Limitations

The fieldwork experience enabled the final parts of research to be undertaken appropriately however considerable challenges were required to be addressed and resulted in several changes to the original research proposal. Following submission of the proposal and explorations within the first week of fieldwork that included attending various professional events on housing in London, reviewing local news channels and attempting to contact professionals, it became evident that the topic of rental rights and obligations (the initial focus) had been largely exhausted in recent times but that the influential factors on the delivery rental housing was still a largely unexplored phenomena, particularly in East London. A review of the theory also reflected this. This insight resulted in a shift to the delivery of rental housing as the dependent variable (as distinct to the role). Furthermore, it became apparent that it would not be possible to find enough respondents to focus on the initial boroughs that had been selected and the focus was redirected to the a single case study review that enabled in-depth exploration into the Boroughs of Barking & Dagenham and Newham in East London, while still providing for comparison due to the two boroughs being embedded within a single case study. However the comparative nature of this research is limited and that is an acknowledged limitation. It is intended that this research will be able to compared with further research undertaken in this space. While challenges encountered resulted in changes to the set up and framework of the research, they have been reworked to ensure that the research objectives are still met and that valid and reliable research has been produced, as per the below discussions.

Access to private sector information and some key council documents information proved to be a challenge for the research. The researcher investigated freedom of information requests, however this was not considered financially feasible or possible given the time constraints on the research. This is a limitation to this research; however it is still considered that the concepts and indicators under examination for this research were able to be examined via the use of publicly available Council documents and importantly through in-depth semi-structured interviews with respondents directly involved in the management and operation of these vehicles. However, it should be emphasised that as a result of this limitation the primary focus on analysis has become on the boroughs delivery of rental housing with less in-depth explanation enabled for housing associations and the private sector.

3.3.2 Reliability

Due to the highly contextual nature of case study research there can be issues with the accuracy and consistency of the research. In this research this has been addressed via the clear operationalization of variables, this provides transparency to variables under examination and
ensures that should the question be posed in a different case area this model of study could be replicated. Furthermore, as per Yin’s (1994) suggestion a case study protocol and plan (refer Annex 1.1) was developed which provided a detailed plan for the fieldwork and ‘rules’ for interviews and other data collection. This included that all interviews be recorded and transcribed to ensure that the accuracy of results can be tested if required.

3.3.3 Validity
External and internal validity are most commonly categorized as issues within research that need to be addressed (Van Theil, 2014). Yin (1994) explains, having regard to internal validity, that for case study research a common problem is that researchers infer a result of X from Y without fully considering Z, or do not adequately translate what they intend to study or ignore other variables. This has been appropriately considered in this research by acknowledging that there are other factors influencing rental housing but that the purpose of this research to understand the degree of influence of the primary concept; financialisation. Other variables that were discovered in the process of research are discussed additionally as to not ignore them and their consequences. Additionally, the operationalization of key concepts provided an ability to articulate what will be measured and how.

Having regard to external validity, it is important to acknowledge the limitations and purpose of case study. A case study only intends to study within a defined ‘real-life’ context, this will always limit the degree to which it is generalizable. However, as per Yin (1994), case studies are for analytical generalization – meaning they contribute to broader theoretical understanding of concepts and that in itself means they are valuable and valid. The operationalization and conceptualisation within this research has drawn from other research to further provide for this contribution to analytical generalization, particularly in relation to the growing knowledge and research on financialisation and its impact on cities and housing.

3.3.4 Triangulation
For case study research, triangulating data collected is vital to increasing the credibility of the analysis process and the results of the research. For this research triangulation has occurred in two ways, as described below:

1. Information obtained from respondents from local boroughs that speaks to tenure type and delivery of rental housing with regards to the relationship between central and local governments was triangulated via the White and Green Central Government Papers and with the interview of the former ministerial housing advisor in central government.
2. Triangulation occurs via the interviews themselves whereby the different groups interviewed can validate or question results. Interviewing professionals in the built environment that have a relationship with the delivery of services but do not work in direct delivery (architects, not for profit advocacy groups and former ministerial advisors) provides an ability to cross check and triangulate information.
Chapter 4: Research Findings & Analysis

Introduction

This chapter details the accumulated information obtained during fieldwork which has been coded and analysed. The central concern of this research is to explain how financialisation influences the delivery of rental housing. In order to explain this relationship the findings are presented in the following way:

- 4.1: A description of how rental housing is delivered within the case study area and the prominent influences and decision-making factors that impact that delivery;
- 4.2: A description and discussion on the variables of financialisation as they relate to the delivery of rental housing within the case study area; and
- 4.3: An explanation of how financialisation influences the delivery of rental housing and other important factors of influence.

4.1 Understanding How Rental Housing is Delivered in East London

This section includes a description of the categorisation of tenure evident in the case study area, the influences on tenure delivery and choice and an overview of the models of delivery developed by the London Boroughs of Barking & Dagenham (LBBD) and Newham (LBN) (“the boroughs”), housing associations (HA(s)) and the private sector (PS).5

4.1.2 Categories of Rental Tenure

Interview respondents were asked key questions as to how rental housing is delivered in the case study area and, while generally responses identified there are three primary forms of tenure: publicly rented, privately rented and homeownership (with these also identified within government documentation), a continuum and categorisation of tenure was revealed. While the complexity of the tenure system within London is well documented (Bland & Goodchild 2009 and Kemp 2015), the increasing categorisation of ‘types’ of rental tenure as revealed during data collection is not as frequently discussed within literature. The below diagram details the continuum of rental tenure that exists within the case study area, noting that within rental tenure there is both market and multiple affordable rental products and sitting outside of this is a shared equity model referred to as shared ownership. These will be explained in the table below.6

![Figure 4 Rental Tenure Categories](Figure_4.png)

5 Herein referred to as the delivery sectors.
6 Reference to % of market rent refers to the rent being equal to #% of the average market rent of that area.
The below table provides a definition of each identified rental category in Figure 4, details who sets the rates, and who delivers that category of tenure.

<table>
<thead>
<tr>
<th>Tenure Type &amp; description</th>
<th>Rate set by</th>
<th>Who delivers (sector)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional Social Rented</strong></td>
<td>Central government</td>
<td>LBBN &amp; LBN Borough</td>
</tr>
<tr>
<td>Often referred to as council housing and target rent by respondents. The landlord is either the local borough or a housing association. Respondents from LBBN, LBN and HAs identified that rents are generally between 20-40% of the market rent. Changes introduced by the government in 2008 allowed for an increase in rent charged up to 80% of market rate and a reduction in direct subsidies for the construction of this type of social housing (with 80% rent now referred to as DMR as explained below). It was revealed by respondents that this type of rental housing within the case study area is no longer being delivered as it has largely been replaced by London Affordable Rent.</td>
<td></td>
<td>HAs PS (via Section 106 agreements)</td>
</tr>
<tr>
<td><strong>London Affordable Rent</strong></td>
<td>Greater London Authority (GLA)</td>
<td>LBN Borough (aim for 50% of new developments to LHR)</td>
</tr>
<tr>
<td>Considered under the umbrella of “affordable rental housing” this is a newly introduced category which charges approximately 20-40% of average market rental rates. The landlord is either the local borough or a HA. As per Council and HA respondents, this is considered to be most similar to traditional socially rented but offers 10-</td>
<td></td>
<td>HAs PS (via Section 106 agreements)</td>
</tr>
</tbody>
</table>

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7 Information determined through a review of National Planning Policy Framework (NPPF) and from interviews with respondents directly involved in the delivery of that specific rental housing.

8 As defined by the National Planning Policy Framework 2019.

9 Refers to an obligation set out in the NPPF and Local Area Plans by each Borough for a development to deliver a certain percentage of affordable homes.
year tenancies, as distinct from traditionally socially rented which were generally permanent.

**London Living Rent**

Introduced by the GLA to enable middle-income families to rent while saving money for deposit for ownership. Generally set at 60% of market rent. Similar philosophy to shared ownership (detailed below) with regards to continued promotion of home ownership.

As per interviews, not of huge significance to the case study area.

**Intermediate Rent & Discounted Market Rent**

A London-wide tenure category introduced when changes to socially rented rates were altered (as per the above). This represents up to 80% of market rates.

Intermediate rent is a term utilised by LBBN.

**Market Rent**

Reflects market conditions. As noted by private sector respondents, market rent does not always reflect averages but also reflects what an individual/household is willing to pay based on the building, its amenity and location (respondent 5).

Another important term is **Build to Rent** this refers to developments built primarily by the private sector which stays in single ownership and is only to be utilised for the purposes of rental housing. It may include some affordable housing as well.
Affordable product

<table>
<thead>
<tr>
<th>Shared Ownership (SO)</th>
<th>The provider (varies)</th>
<th>LBBN &amp; LBN Borough HAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A shared equity scheme considered as an entry to home ownership. Household pays a deposit on a mortgage of typically 20-30% of home price and then a provider rents the remaining amount. Each month the household pays their mortgage and rent to the provider. There are options to increase equity over time. Household can only sell to others on a SO arrangement.</td>
<td>PS – by Section 106 agreements and to manage themselves.</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 Rental Tenure Categories explanation, by author (2019)

Understanding the above categories of tenure is important in understanding how rental housing is delivered within the case study area. What this table demonstrates is that no one sector delivers a certain ‘type’ of tenure but that tenure categories are set by different levels of government.

4.1.2.1 Influences on the Delivery of Tenure Categories

Interview respondents were questioned as to what influences the delivery of each tenure category within the case study area. These responses were thematically coded (see full results in Annex 3). The coding revealed both similarities and differences in influences across the different delivery sectors. For the boroughs the challenges associated with delivering socially rented housing were both strongly associated with the lack of direct funding and the financial challenges in delivering more of it. These challenges are well documented within research (Kemp 2016 and Gilbert 2016) and the lack of increased delivery of socially rented housing was confirmed by respondents not involved in the direct delivery of housing. Interviews revealed that for LBBD the lack of affordable housing being delivered by the private sector was a key influence in the development of their own model of delivery of housing. However, paradoxically, they themselves were influenced by the same factors that the private sector identified when justifying the exclusion of socially rented tenures within their developments: that is, that they’re not financially viable. For LBBD the use of specific tenures such as market rent and intermediate rent were also viewed as a way of shaping the future growth of the borough by encouraging middle income residents to the area; influences which are evident in gentrification transitions documented in London and other global cities (August & Walks 2018 and Beswick et al. 2016).

The ability of market rent to generate long-term income was viewed as a primary influence in the utilisation of it by all delivery sectors. For the PS and HAs interviewed this generation of income was perceived as a way to access initial finance from private equity or institutional funds to develop the housing and then the rental income itself was seen as way to predict long term shareholder returns. For the boroughs, returns from market rent served a dual purpose of

10 Respondents 11, 12 & 14.
being able to subsidise the delivery of affordable rental products and generate a financial return to the borough; thus providing an additional revenue source.

A key influence on the delivery of rental housing was the perceived need to increase the standard of the private rental sector (PRS) within the boroughs. Respondents emphasized that while not all small-scale landlords in the private sector mistreated their tenants, there was still a need to ‘clean up’ the sector. These sentiments were supported by housing advocate respondents and in the 2017 Housing White Paper. The boroughs viewed their delivery of market rent housing as a means to provide a professional service and set a benchmark for the PRS to compete with, as identified by Respondent 3, LBBD below:

*ummm so the quality is a concern but the Borough as much as we can provide a similar level but a bit cheaper than the market and better quality then well we should be forcing out the unmoors scrupulous landlords who aren’t providing quality, a quality home for people.*” Respondent 3, LBBD.

HAs viewed their foray into the PRS similarly. Both HAs and the PS saw the need to professionalise the PRS as a key influence and motivating factor into their development of market rent products. The boroughs perceived institutional investment into rental housing positively as they argued that this was also likely to increase the standard of the sector. This sentiment was echoed by the former housing ministerial advisor interviewed:

*To be honest, I’m fairly sceptical about the role of BTR but that is it’s one real advantage, is that it does offer the opportunity to professionalise management, to provide better customer service to provide more long term stable tenancies and generally professionalise the whole sector which I think is a kind of second order benefit from the rise of BTR so yeah I do that that’s worth it.* Respondent 8, Former Housing Ministerial Advisor

Questions to respondents and coding of interviews revealed that the increased delivery of market rent products by local boroughs and HAs is paradoxically placed within a context of identified significant need for low income housing within the case study area. This need, having regard to affordable housing was well documented within the Government Green Paper and within academic literature (Edwards 2016). So, while the focus from the boroughs has been to increase the overall standard of rental housing, there is a tension with regards to meeting the needs of more low-income tenants.

The interviews reveal that although there is a perceived need by the boroughs to increase the standard of the PRS sector, if that could not be coupled with mechanisms to also increase the affordability of the sector then certain groups of society such as families and the homeless could be disadvantaged. This was echoed by housing advocate respondents who noted issues both with the standard of market rent housing and the lack of affordable rental housing.

The factors that influenced the delivery of shared ownership were consistent across the sectors, although noting that LBN respondents spoke little of this tenure and therefore cannot be considered significantly within this overview. Shared ownership is delivered by boroughs, HAs and the private sector and is promoted by the central government and the GLA. Due to the retention of 70-75% of the loan that is then periodically paid off by the householder and the

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11 Market rent landlords.
12 Referring to larger scale private investment into market rent housing
initial grant received to build a shared ownership home, these products provide significant returns to the partner funder. For the HAs, the boroughs and the PS this significant return was a significant factor in deciding to include these within the delivery model, with this return discussed by respondent 9 below:

Currently, we’re making about 35% on each one of these. Now that’s in a turbulent market, in a good market about 51% margin each time. Respondent 9, Housing Association

To summarise, the factors that influence the type of rental housing being delivered within the case study area are generally consistent regardless of who is delivering them, except for the focus on shaping growth by LBBD.

4.1.3 Who delivers the Rental Housing and How
Respondents were asked key questions to describe and explain how they deliver rental housing. The information collected is presented below with a focus on the delivery models of the boroughs due to the increased emergence of local governments contributing to the supply of housing within London and the recent critique from Beswick and Penny (2018).

4.1.3.1 Housing Association Delivery
As a part of fieldwork, two senior housing association representatives were interviewed. There are approximately 1000 housing associations operating across London all of whom operate on different scales. As such it is emphasized that these two organizations have provided insight into different modes of delivery, primarily regarding financial management and investment and they cannot be considered to represent all housing associations who operate within the case study area. Importantly, rental housing via housing associations do not have as a significant presence within the case study area, in contrast to other parts of London and the UK but the case study area is viewed as an area of increasing investment potential, as revealed through the interviews.

Similarly to the boroughs, housing associations generally set up new development subsidiaries funded either via joint ventures with PS developers or with external financiers (either local or global). These development ventures vary; they may deliver a mix of socially rented affordable products, shared ownership housing, market rent build to rent and/or market sale products. There is strong consensus among both housing association respondents that higher affordable rent products such as DMR (80% of market rent) were not an appropriate mix as a part of their provision and responsibility as housing associations. A key distinction between the model of housing associations and the boroughs is that boroughs are reluctant at this stage to finance from pension funds or international investment finance, whereas this was a key part of the funding strategy for the housing associations.

4.1.3.2 Private Sector Delivery
The private sector is a key contributor to the delivery of rental housing within the case study area. The private sector is diverse and captures a broad spectrum of financiers and companies, both small and large. The case study area has a large number of smaller “mum and pop” style landlords, however as per the data collected these are largely delivered through the acquisition of existing houses and thus not a primary consideration for this research. Having regard to the scope of this research and its particularly area of exploration, the focus in the private rental sector is in the rise in build to rent (BTR) sector; as such this informed the interview questions and information collected for analysis.
From the data collected several different models emerged. As an example, a pension fund interviewed will purchase a development scheme that has already received planning permission with the intention that it will retain the BTR scheme for the foreseeable future (50 years planning) with the management outsourced to an external company. An alternative is a smaller operator who already owns or acquires a commercial building, converts the building into houses of multiple occupancy and then leases them individually. Alternatively, a Real Estate Investment trust (REIT) may acquire or develop a BTR product with the intention of holding onto the product for 10 years and then selling out with the hope to benefit from increased land values. In terms of the mix of rental tenure, this is determined at the planning stage with the emphasis being on providing as much market rent as possible in order to generate the highest return on investment. Further analysis of the motivations and decision making regarding the delivery of this product will be explored in the next section of this chapter.

4.1.3.3 The Borough of Barking & Dagenham – Housing Delivery Model
The London Borough of Barking & Dagenham (LBBD) has established its own house building program via the creation of two borough owned companies: BeFirst and Reside.

4.1.3.3.1 Reside
Reside was established in 2014 to “to hold and manage affordable housing developments” (Cabinet Papers). In 2018 this remit was further extended for Reside to establish itself as a “private sector landlord” (Cabinet Papers), where the developments developed by BeFirst (established in 2017) had been constructed and would remain within Council ownership. Respondent 3, a senior representative from LBBD, talked through this transition and spoke of the ambitions to be representative of a private landlord that could be a working example for the private sector in terms of management and tenancy conditions. This ambition was reiterated by the other two respondents from the borough.

4.1.3.3.2 BeFirst
BeFirst was established in 2017. BeFirst’s mission is to “accelerate regeneration in the borough so no-one is left behind” (BeFirst 2019). This includes responsibility for the planning division of the Borough, place-making, community consultation, delivery of capital projects and exploring opportunities for investment funding. On both borough-owned land and acquired sites BeFirst develops or regenerates existing estates through the provision of new mixed tenure housing, which includes private sale, shared ownership and affordable rent.

The structure of BeFirst is that of a private business whereby it mimics the operation of a commercial enterprise:

BeFirst will be a 100% Council-owned company that is operationally independent of the Council, operating in the same way as a commercial organisation, being accountable to members for its performance and conduct through a Shareholder Executive Board (LBBD, 2016, p.3)

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13 Given the vast number of housing associations and private sector firms that operate across the case study area these opinions should be noted as generalisations. And the findings are only ever stated when they have been cross checked with other respondents or repeated by multiple respondents.
The emphasis on BeFirst operating with a “private sector mindset” (Respondent 1, LBBD Housing Respondent) was reiterated by all three respondents interviewed for this research and is echoed within the cabinet documents.

4.1.3.3.3 The model of delivery
Cabinet documents and interviews revealed the funding of these companies comes via the Public Works Loan Board (PWLB)\(^\text{14}\), other available grants (generally from the Greater London Authority) and the use of Right to Buy (RTB) receipts\(^\text{15}\) which are still generated within the borough. The expectation is that they will be self-sufficient by the mid 2020s and will no longer require loans from the PWLB. Figure 6 below provides a simplified version of delivery model:

Following funding Council then establishes itself as a lender by loaning to BeFirst for it to perform its function. BeFirst then plans for the development of key ‘regeneration areas’. Some of these planned areas will be for BeFirst to develop themselves and others will be for the private sector to develop. Each regeneration area varies in terms of percentages of affordable rent, shared ownership and sale product. The housing developed by BeFirst is then transferred to Reside to be managed. The expectation is that the return on investment generated from the private sale and shared ownership will subsidize the affordable rental products and provide an additional form of revenue for the long-term management of rental stock and for borough services. BeFirst will also generate income via planning permit services fees and through the acquisition and then on-sale of land. Retained rental houses developed by BeFirst are managed by Reside.

\(^{14}\) Public Works Loan Board (PWBL) is a central government run mechanisms which enables lower levels of government to set up loans at capped interests rates (loaning conditions considered to be more favourable than the private sector.

\(^{15}\) Right to Buy receipts are generated when an occupant in Council owned housing chooses to purchase under their ‘right to buy’ discount. This is a legal right that socially rented tenants have.
4.1.3.4 The Borough of Newham

The London Borough of Newham (LBN) has established a program of delivering rental housing via the creation of a separate company wholly owned by the borough: Red Door Ventures.

4.1.3.4.1 Red Door Ventures (RDV)

Red Door Ventures is a private company that was set up by LBN in 2014. The company is wholly owned by LBN. Interviews with respondents from the borough and LBN cabinet documents confirm that the RDV was established “to operate a business commercially developing and delivering homes which will be on market rent terms” (Cabinet Papers, 2014). Initially the remit was to actively pursue a private sector agenda “driven by the requirement to produce profits and to operate in a commercial manner” (Cabinet Papers, 2014). However, more recently the remit has changed to include more provision for affordable rented housing and was explained by respondents and confirmed in Cabinet Papers.

4.1.3.4.2 The Model of Delivery

LBN is the only shareholder in RDV and provides it with capital and equity. Interviews and cabinet documents revealed that the funding comes from the PWLB, and is then leant to the RDV on commercial terms. Originally the funding was for the construction of new private rental housing. This remit was then altered to include the acquisition of existing rental properties and, more recently, to include more affordable rented housing. Figure 7 below presents a simplified version of the development and delivery model:

Figure 5 Newham Delivery Model, by Author

The Funding model as depicted above, is explained by Respondent Six in the below quote:
So in terms of funding, the Borough lends to RDV on commercial terms, they borrowing the PWLB at whatever the prevailing rate that it can and then lends onto to RDV at a market rate. The approach to funding is split, it does provide equity into the business which it then draws back on equity return over the life of the ownership and then has its senior debt and its sub debt as well, so it models its lending to RDV as one would expect a commercial developer to borrow in any other form of development so that’s how its set up... Respondent Six (LBN, Housing)

4.1.3.5 Delivery Models and Decision-Making Factors
Political mandates, income generation and government regulation were the prominent themes that emerged from the coding of interviews with regards to decision making. See below for a discussion of these themes, and refer to Annex 2 and 3 for the full results of coding.

4.1.3.5.1 Political Mandates
At a local government level, the need for political support to establish policies and programs is axiomatic. However, respondents specifically spoke to changes within the political leadership of their boroughs which influenced decision making regarding their models of delivery. For LBN this included the changing of the mandate of Red Door Ventures to provide more affordable rental housing, as articulated by Respondent 6 from LBN above.

The accountability on staff to respond to the political mandates of elected officials was evident in the decision making of local boroughs. However, respondents also noted that this was at times challenging, particularly when both development models had developed subsidiary companies which were designed to act like the private sector. Respondents noted that this tension was largely unresolved.

4.3.2.5.2 Generation of Long-Term Income
For all respondents, the ability to generate long term income, whether as a means to return to the borough’s revenue stream, to provide long term financial security and reinvestment into housing for HAs or to provide shareholder value for funds from the private sector, was considered pivotal. As outlined in the previous section, for both LBBD and LBN if a development is not considered able to generate a long-term revenue income significant enough to match what would be considered acceptable in the private sector than they do not proceed with the development or they restructure it so that it does. This factor was not as prominent for HAs.

4.3.2.5.3 Government Regulation, The Planning System & Legislative Changes
A key theme that emerged from a review of the interviews was that government regulations, including the planning system and recent legislative changes to do with real estate investment trusts, influence decision making regarding the category of tenure being delivered within the case study area. At a rudimentary level private sector respondents noted obligations that exist when applying for planning permission for a development. There were varied opinions as to how these obligations influence the delivery of rental housing. Respondent 19, a developer and financier, opined that the planning system served as a hindrance to the increased supply of housing, a view shared by the central government in the 2017 White Paper. However, Respondent 16, also a developer, noted that with the lack of certainty associated with planning obligations impacted the delivery of affordable rental housing. This lack of certainty is argued
to be as a result of Viability Assessment\textsuperscript{16} being used to ‘game’ the system and reduce the policy requirements of affordable rental products. The argument being that if viability assessment were to be removed and mandatory provisions set in place that this would impact the amount a developer is willing to spend on land and potentially remove some speculation on purchases because there would be more certainty associated with how much affordable housing was expected (a sentiment echoed in the research of Colenutt et al. 2015 and by respondents from the boroughs when discussing private sector development). While it is acknowledged that not every perception of the private sector has been able to be generated in the fieldwork, the opinions above are also represented in other housing and planning literature (Ryan-Collins et al. 2016 and Colenutt et al. 2015). Respondents from LBBBD noted recent requirements introduced by the GLA for local boroughs to increase the amount of affordable housing (up to 50%) when building on borough owned land. For LBBD they viewed these changes as restricting their ability to on-sell their own land to the PS when it had obtained planning permission; arguing that it would reduce its value. This commentary is particularly insightful as it further reveals profitability is being prioritized in decision making.

Having regard to the delivery models set up by LBBBD and LBN the existing right to buy policies were a factor that influenced the decision making of the models. By developing and managing housing through the established subsidiaries,\textsuperscript{17} making use of funds from the PWLB (as distinct from the Housing Revenue Account) and not providing socially rented housing, the new housing cannot be sold under right to buy, as articulated by Respondent 18 below:

\begin{quote}
The reason we don't do it here is because the right to buy. So we lose about 200 properties a year through the right to buy. So we're very concerned that if we did more in the HRA he would just lose them and that makes the financial case quite hard so by doing it through Reside, they always exempt from the right to buy for now at least.
\end{quote}

This highlights how existing policy impacts decision making regarding funding and organisation structure of delivery models and the type of tenure being delivered.

This section has highlighted the complexities of delivery of rental housing within the case study area. Furthermore, it has highlighted that factors that influence the delivery of certain tenure categories and the decision-making process of delivery sectors share more similarities than differences. This information suggests that the need to secure ongoing returns in order to boost boroughs’ budgets, cross-subsidise the development of affordable housing and, for the private sector, in order to return shareholder value is the key priority in the delivery of rental housing within the case study area.

\textsuperscript{16} Viability Assessment is a process within the NPPF. It stipulates that when planning obligations are being negotiated the developer (or whoever is seeking the permit) has a safeguard profit of 20% and if the requirement to provide affordable housing reduces the profit below 20% then the developer can reduce the required provision of affordable housing to the point where the development is considered ‘viable’ (i.e. where 20% profit is generated).

\textsuperscript{17} i.e. BeFirst and Reside in LBBBD and Red Door Ventures in LBN
4.2 Financialisation & Models of Housing Delivery

Interview respondents were asked questions that enabled the delivery models of rental housing within the case study area to be understood in the context of financialisation (as operationalised by the researcher). This section will detail those findings by focusing on each sector that delivers rental housing.

In qualitative research it is not vital to numerate responses. However for the variables of financialisation that relate to the specifics of how models are delivered the exercise of calculating the percentage to which these factors contribute to the overall variable enables a greater understanding of the role of financialisation. Other variables of financialisation not shown below, such as influences on and within non-financial firms and speculation, were not able to be numerated and are discussed below.

4.2.1 Borough of Barking & Dagenham Financialisation

Thematic coding against interview data was done by each individual variable.

<table>
<thead>
<tr>
<th>Variable Activity of a Firm</th>
<th>Indicator</th>
<th>Percentages attributed</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<td>Managing and maintaining income product</td>
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</tr>
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<td>Buying low and selling high</td>
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<table>
<thead>
<tr>
<th>Acquisition Strategy</th>
<th>Indicator</th>
<th>Percentages attributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal and financial subsidies</td>
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<td></td>
</tr>
<tr>
<td>Bank loans (Inc. public)</td>
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<td></td>
</tr>
<tr>
<td>Low equity and high debt (highly leveraged)</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Capital markets &amp; offshore finance</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit v Risk strategies</th>
<th>Indicator</th>
<th>Percentages attributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit, long-term</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Medium profits, low to medium risks, (long term)</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>High risks, high profit, (short term)</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 Financialisation Indicators LBBD

4.2.1.2 Discussion

The above table demonstrates three dominating themes that inform the delivery model of LBBD. The themes are the need to manage and maintain the income product, the focus on long term risk strategies and the use of public loans to acquire and redevelop land. The details of the model reveal a system set up to mimic the institutional investment model as described in the research Wijburg et al. (2018) in that the core focus on delivery of housing is to ensure that it will result in ‘shareholder value’ (in this case the single shareholder is the borough) through maintenance of the income product. This suggests that the maintenance of financial returns to the borough is prioritised over the delivery of affordable rental products and may lead to delays in delivering housing or speculation on borough owned land in order to ensure that return is maximised. Interview respondents addressed this tension between need to deliver affordable housing but being able to have a model that is financially viable to do so. Respondents were cognisant of risk and emphasised their long-term approach to generating profit. This can be contrasted to the financialised models of rental housing in Toronto analysed in the work of

18 These have been calculated based of occurrences in coding within each variable (not across all variable as this would not be representative).
August and Walks (2018) where private equity firms in that study were looking to sell properties within a 5-10-year period.

Furthermore, it is important to emphasise that, unlike the City of Lambeth’s local government housing building project analysed by Beswick and Penny (2018), LBBD do not rely on external financial funders, such as institutional investors. This reflects a lower risk profile in their model and suggests a limit to whether the model could be considered financialised or not.

As per the work of Wijburg et al. (2018), who analysed the financialisation of rental housing in Berlin, interviews with borough respondents and perceptions by architects and housing advocates interviewed is that the emphasis on the delivery of rental housing is the long term maintenance of an income product and that this has an impact on what category of rental tenure (i.e. socially rented, market rent, DMR) is being included within developments. It is noted that the Green Paper produced by the Central Government in 2019 resulted in more funding for direct Council delivery of affordable rental housing and included a provision that required all boroughs who had developed new companies to deliver housing to provide a minimum of 50% affordable housing. For LBBD this represented a significant shift that had to be dealt with by BeFirst from a financial perspective; as the original intention was for their Council-led developments to develop on the proviso of a minimum profit of 20% and the affordable housing provision having to fit into that (as per the viability assessment allowances for the private sector within the National Planning Policy Framework introduced in 2012). Having further regard to the variables of financialisation, strategies adopted by the borough in the delivery of housing reveal that within their own model there is a degree of speculation that pertains to shaping the growth of the council and the expectation of future growth in land values, which will inevitably generate additional revenue for Council. Therefore the changes by the GLA to increase their provision to 50% affordable housing was viewed as a tension as it may impact on their ability to generate a larger profit. This reflects that the perception of borough owned land being viewed purely as an asset to generate income does influence the way in which rental housing is delivered. This is closely aligned to the hyper-commodification of land and housing that is discussed in depth by Madden & Marcuse and which Edwards (2016) links to the changes in the set-up of public organisations (traditionally non-financial firms).
4.2.2 Borough of Newham Financialisation

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</tr>
</thead>
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</tr>
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<td>of a Firm</td>
<td>Managing and maintaining income product</td>
<td>86%</td>
</tr>
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<td></td>
<td>Buying low and selling high</td>
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</tr>
<tr>
<td>Acquisition Strategy</td>
<td>Fiscal and financial subsidies</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>bank loans (Inc. public)</td>
<td>75%</td>
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<td>Low equity and high debt (highly leveraged)</td>
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<td></td>
<td>Capital markets &amp; offshore finance</td>
<td>12%</td>
</tr>
<tr>
<td>Profit v Risk</td>
<td>Non-profit, long-term</td>
<td>0%</td>
</tr>
<tr>
<td>strategies</td>
<td>Medium profits, low to medium risks, (long</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>term)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High risks, high profit, (short term)</td>
<td>0%</td>
</tr>
</tbody>
</table>

Table 5 Financialisation Indicators LBN

4.2.2.2 Discussion

These indicators provide important insight into the operation of the RDV as established as part of LBN. As has been previously noted, the initial iteration of RDV produced only market rent housing, however the changes introduced as a result of the 2018 Green Paper provided more direct lending opportunities for affordable housing (and requirements) which resulted in the model shifting to include more affordable rental housing (because it had to). This change is reflected in the data above where the principle activity of the firm, while still dominating by the management of the income product includes a focus on delivery affordable housing. The respondents interviewed considered that changes in tenure delivery would have occurred regardless of central government changes because of the change in political leadership. This earlier delivery of market rent housing also revealed tension within respondents with regards to what the ‘best use’ of public land is as per respondent 6 from LBN below:

“I’m not a huge fan of PRS because there’s 36 units there and some of them rent for nearly 2000 pounds a month, that doesn’t benefit anybody expect the really wealthy who can afford that so it has a purpose and it has a place but for what we’re here to do I don’t particularly think it’s a great use of Council land, that was Council land as well so that could have been, we could have built affordable housing on it” Respondent 6, LBN

However, this opinion was not shared by the other two respondents interviewed in LBN or in any of the recommendations/opinions provided within LBN cabinet documents. Rather, the attitude was that the profit generation associated with market rent served as a means to ensure that the borough could be financially sustainable for future generations, primarily because it was felt that direct subsidies from the central government were not going to be able to increase to a point that enabled them to address need. These statements by respondents have broader implications when considering the borough’s perceived ability to provide housing that caters for those on the borough’s social housing waitlist, noting that this housing is not intended for that.

Similarly to LBBN, the LBN model of delivery does not rely on external finance, with their acquisition strategies reliant on fiscal subsidies and loans from the central government.

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19 These have been calculated based on occurrences in coding within each variable (not across all variable as this would not be representative).
Furthermore, their model of delivery is focused on the medium to long-term income generation. As demonstrated by the model above this income generation is key to the borough generating an additional source of revenue. This demonstrates that council land and development processes are primarily aimed at generating a “shareholder value” back to the borough (the single shareholder of RDV). While the role of finance and its exchange value is not new in the development of housing (Harvey, 2010), it can be argued that this mode of thinking and influence on a borough (which could be defined as a traditionally non-financial firm) represents a significant shift of approach to the development of public land. This aspect of both the LBBN and LBN mirrors the analysis of the City of Lambeth’s model of borough built housing by Beswick and Penny (2018).

### 4.2.3 Housing Associations

<table>
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<th>Variable</th>
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</tr>
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<td>Managing and maintaining income product</td>
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<td>Buying low and selling high</td>
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<td>Acquisition Strategy</td>
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<td>Capital markets &amp; offshore finance</td>
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</tr>
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<td>Profit v Risk strategies</td>
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</tr>
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<td></td>
<td>Medium profits, low to medium risks, (long term)</td>
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</tr>
<tr>
<td></td>
<td>High risks, high profit, (short term)</td>
<td>9%</td>
</tr>
</tbody>
</table>

Table 6 Financialisation Indicators HAs

### 4.2.3.1 Discussion

It is important to note that, as identified by respondents and cross checked with Greater London Authority housing data, although HAs do play a role in the delivery of rental housing in the case study area their role is not as significant as in other parts of London. In order to understand their delivery model specific questions were asked, the results of which are itemised in the above table. The itemisation tells us that, from the sample interviewed, there was a distinct focus on the ongoing delivery of affordable housing. Interview respondents emphasised that they were referring to “genuinely affordable” housing, meaning at the traditional social housing rates or London Affordable Rates. However in order to deliver this affordable housing, they have developed models that draw from capital markets and offshore finance; not necessarily with regards to actually delivering the housing, but as investment partners for market driven developers to generate a short term revenue stream in order to cross-subsidise their construction of affordable rental housing. An example strategy is a 5-10 year investment cycle with an expectation of a 20% return on investment. The strategies as described by Respondent X, are reflective of what Wijburg et al. (2018) refers to as financialisation 1.0, which ultimately are considered riskier due to their short life cycle. However, this strategy represented a smaller portion of the principle activity of the firm, which had an emphasis on long term maintenance of the income product (rental housing) and continuing to provide affordable rental housing.

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20 It is important to emphasise that given the limited number of housing association respondents this is generalised information.

21 These have been calculated based of occurrences in coding within each variable (not across all variable as this would not be representative).
Respondents from this sector argued that these models have been established to provide for financial sustainability of their organisations; something that will be discussed in the following section.

4.2.4 Private Sector
Due to the diversity of private sector respondents interviewed for this research it is not possible to meaningfully numerate the variables of financialisation. However, the following themes emerged from the interviews:

- The development of large scale rental housing by the private sector in East London is still considered a fresh or developing market;
- Access to capital markets and offshore finance is suggested to be easier than traditional bank loans;
- Larger funds were shown to plan for 50+ investment cycles when investing in rental housing stock; and
- Shared Ownership as a tenure is considered a safe investment to generate significant return to shareholders.

4.2.4.1 Discussion
A key aspect of a financialised model of rental housing is being able to generate long term revenue income either through managing and reducing management costs or maximising profit (increasing rents over the long term). These strategies were all discussed by interview respondents. Respondent 19, who manages a rental housing fund for an institutional investor, noted that the priority is to protect the asset for the long term in order to provide a safeguard for the many thousands of investors who contribute to the fund and expect a return. This strategy was shown to be adopted for the delivery of SO tenure, where entire funds, as described by Respondent 19, were being established to fund new SO housing. The tension of the significant returns that are generated by SO, as articulated by other respondents, raises concerns regarding the financialisation of this tenure category and the purpose that it serves. This concern was raised by respondents from LBBN and the former housing ministerial advisor; in the sense that it had become more of a means to generate shareholder value rather than increase the provision of affordable housing.

Multiple respondents (PS and borough) within the case study area noted that because land values and rental values are lower compared to other areas of London, the delivery of large scale rental housing has not been significant. However, it was also acknowledged that there was increased speculation on the growth of land values and that as a result land was being purchased to hold for future development by the private sector. Thus pointing to a degree of speculation in the housing sector that is influencing the extent to which rental housing delivery by the private sector is increasing within the case study area. Further to the themes discussed by the private sector, it was argued that following the GFC it has been increasingly difficult to get access to traditional bank loans and as such there was a growing reliance on capital markets and offshore finance, particularly for larger scale rental housing developments.

If we return to the definition of financialisation as stipulated in chapter three, it is possible to see that a financialised model of rental housing is established within the case study area. However, as identified, particularly in the context of the delivery of housing by the boroughs, the extent of this is limited. The next section will detail how financialisation has influenced this delivery of rental and discuss other influences that have emerged as a result of interviews with key respondents.
4.3 Financialisation and its influence

It is submitted that financialisation is influencing the delivery of rental housing within the case study area through:

(a) the way in which boroughs have set up their models of delivery;
(b) the profit and risk strategies adopted by providers;
(c) the type of housing being delivered; and
(d) the factors of speculation that are prominent.

This has been established through linking together the findings associated with key influences and decision making processes on how rental housing is delivered within the case study area and the financialisation factors of the models of delivery. These links were established through the coding and thematic review of all interview data. However, as will be discussed at the end of this section, there are limits to this influence and the analysis of interviews reveals that austerity policies contribute to this.

4.3.1 A Changing Narrative: The Boroughs

The findings presented thus far have inferred a link that the boroughs have established subsidiary companies as a means to mimic the operation of commercial firms and generate a cycle of income generation with the dual purpose of enabling the delivery of housing and increasing the financial sustainability of the boroughs. A goal of both boroughs is to retain ownership of land in the long term to maximise the value of it, as detailed in the interviews and cabinet documents prepared by both boroughs. For LBN land will only be disposed of if it is not viewed as financially productive and for LBBD land will be disposed of only when granted planning permission and when land values increase in the local area. In the research of Edwards (2016) it is argued that financialisation influences the delivery of housing when governments and providers of affordable housing begin to prioritise their land as assets, “manage their rent policies and allocation of tenancies to meet imperatives of securing finance” (p. 224) and transform their operational structures to create investment vehicles. It is possible to see that for both LBBD and LBN this influence is shown via their chosen models of delivery which emphasise the generation of dividend income and gains; as was also reflected in the work of Beswick and Penny (2018) in a case study in the London Borough of Lambeth. The subsidiaries designed by both boroughs operate under the function that if income generation cannot be created then they will not secure “finance” (from their own boroughs who have established themselves as lenders”).

While it has been acknowledged that public housing building programs have never served the purpose of just providing shelter in that they have also been utilised to increase economic growth via GDP (Piketty 2014), the cyclical model here is about the circulation of capital and assets beyond buildings and a form of generating long term income: which demonstrates the influence of financialisation. For LBN, the lending of RDV on commercial terms suggests an even more significant prioritisation of budget revenue generation over the delivery of affordable rental housing than LBBD. However a distinction is important here, the motivation behind these models is to generate a surplus back to the borough to fund services and subsidize the delivery of affordable rental housing. In the context of reduced funding from central government and limitations on the boroughs ability to generate revenue through an increased tax base, from the interviews it is suggested that boroughs are operating under the proviso that without this model they wouldn’t be able to deliver any housing at all, these challenges with funding were echoed by respondents 11 and 12 who work in housing advocacy however both questioned the merits of the model with regards to its limitations on delivering low income
As was revealed via the primary data collection, there is no current intention for either borough to access external finance by either Borough; their funding relies on the PWLB and for LBBD, the receipts from RTB. Rather paradoxically this makes both boroughs' delivery methods highly dependent on central government and, as per Byrne & Norris’s (2018) case study in Ireland, if the central government were to stop lending via the PWLB this would put both boroughs in a vulnerable position. From this perspective, it is possible to observe why the boroughs may be motivated to create a delivery model where they can eventually be financially independent from the PWLB through the operation of commercially viable subsidiaries.

4.3.2 Profit v Risk Strategies
It is argued that prior to the GFC investment in rental housing and acquisition of properties for the circulation of capital was designed on a strategy of high risks and high profit on a short term cycle but that post-GFC the financialisation of rental housing now pertains to the development and acquisition of properties for long term profits and income (Wijburg et al. 2018 & Rolnik 2019). Interviews reveal that both boroughs adopt a medium term strategy with low to medium risks for the generation of long term income. This link infers that the delivery of rental housing is influenced in that investment decisions on borough land are made on the proviso that if they are not expected to generate the right return they will not go ahead. This was also reflected in the decision making of the PS which is not unexpected. However as Boroughs are obliged to provide more affordable housing (percentage wise) than is required of the private sector this suggests an impact on the overall delivery of rental housing within the case study area.

4.3.3 Tenure Provision & Type of Housing
Literature that criticises financialised modes of housing (including rental) argues that an implication is that the treatment of housing for its exchange value has serious implications for those who continue to rely on housing for its shelter (Rolnik). The interviews with respondents suggests that this treatment has implications for delivery of rental housing within the case study with regards to typology of housing (i.e. bedroom numbers). All respondents who were responsible for planning the delivery of rental housing admitted that family housing under the market rent model is rarely delivered and a significant challenge because it would be too expensive for families as it is difficult to design into an apartment building and because the build to rent model targets young professionals. There is a tension in this acknowledgment because respondents also acknowledge that there is a shortage of family housing accommodation available. It is possible to infer a link that the focus on revenue generation strategies results in challenges in delivering family housing, despite the recorded level of need for this type of housing (as identified by non-delivery respondents and the Government Green Paper). and the type of rental housing being provided that the focus on revenue generation reduces the ability for providers to deliver family housing within the case study area.

An exception to this is the utilisation of shared ownership tenure by HAs within the case study area. It was argued by interview respondents from HAs that this tenure category enabled the construction of larger family housing because the long term return on investment that is generated via the HA makes the initial investment of family housing worthy. This position was further supported by the former ministerial advisor for housing, as detailed in the below quote:

Yeah, I’m a little worried about shared ownership, it’s obviously worked quite well for certain demographics in certain locations, particularly inner London and its definitely provided a diversity and that’s not a bad thing in itself. I’m a little concerned though that a lot of them are going to be stuck. It’s not always a particularly great deal for the
customer. Some housing associations are choosing it rather as a cash cow so they get a lot of out without necessarily giving the tenant the best service and it is a bit of...it’s not a great deal – you do end up paying a fairly large mortgage plus some rent plus all the service chargers plus all the repairing costs...That said, it has enabled people to get a secure home in particularly expensive locations that they wouldn’t otherwise get. Respondent 8, Former Ministerial Advisor

The HAs interviewed for this research were shown to utilise external finance and develop financialised models of housing delivery as a means to ensure that they could continue to provide traditionally socially rented housing; this is in direct contrast to the other two sectors. The financialisation influence can be seen in their investment in private sector development as equity partners to generate a short term return and the use of finance from global investors and, for one respondent, the establishment of a market rent company which results in investment more akin to those described by Wijburg et al. (2018) as financialisation 1.0, which occurred primarily before the GFC. But the perception from respondents was that the income generated gets reinvested into socially rented housing, what they viewed to be “genuinely affordable housing” and as such was a positive outcome. Respondents argued that risk was considered within the operation of all financial decisions however little evidence was able to be provided to the research to support this proposition.

4.3.4 Speculation

Interviews analysed suggested that all sectors that delivered rental housing within the case study area engaged in activities of speculation to varying degrees. While speculation on land and housing is not a new activity, within theories of financialisation the notion of creating value from the possibility of a future value (as argued by Rolnik 2013) which then feeds future investment from listed companies and private equity firms is shown to be a key force of financialisation that influences the delivery of rental housing. The decision-making factors and influence on the delivery of rental housing in the LBBD associated with economic growth and shaping the market suggests that the borough is engaging in activities of speculation.

And we’re actually in discussions with the GLA about if we buy land get planning and then sell the land with the benefit [of] planning do we have to have 50 percent affordable housing and the answer at the moment is yes and our argument is well do you want us to deliver house in a competitive environment because we can’t if that’s the rule.

Respondent 2, LBBD

As per the above extract from Respondent 2 from LBBD, this expectation and speculation on increased land values then becomes important to boroughs and housing associations when they are reliant on increased values to generate a return to fund their affordable housing. However, a key component of speculation in the context of financialisation is the transformation of land being treated as liquid; something that can be easily traded when required (Rolnik, 2013). It is important to emphasise that although Boroughs focus on speculating on future land values, primarily the intention is to retain land and not trade and this represents a limit on the influence of speculative financialisation on the delivery models of the boroughs.

Respondents from the private sector that were investing in build to rent revealed that due to the risk associated with planning permissions they are willing to pay more for the land once planning approval to develop and manage the BTR long term is secured because it reduces risk. This reflects the role that planning can play in tempering speculation at this stage of the process. But it also reflects that for the BTR tenure model the emphasis is on the long term generation of income via rents as opposed to traditional build to sell which includes the ground rent from
the sale of land. Interviews revealed that both the boroughs and the private sector will hold off on delivering rental housing in order to wait on speculated higher values. Paradoxically this holding off on the delivery of affordable rental housing by the private sector was one of the key factors that influenced the boroughs to deliver their own housing initially (as revealed during interviews); thus demonstrating that their (partially) financialised models of housing delivery influence the speed and frequency with which rental housing is delivered. Issues with speculation and delivery of rental housing are not new within London (Dorling 2015) however, while research has focused on the private sector role in this, this research suggests that under the newly emerged models of delivery, the two local boroughs in the case study area are also engaging in speculative activities (with limits to this noted above).

This research shows that financial actors, operations and narratives inform the delivery of rental housing in the case study area. Thematic review of interviews suggests that this influence manifests itself in the way in which delivery models are structured and their emphasis on return and the provision of rental housing that can meet needs verse the broader demand that exists. This influence is evidenced in the local boroughs by establishment of separate subsidiaries focused on income dividend and long term return on investment (above and beyond management costs), by the private sector as a means to ensure access to finance from larger local and international funds and for the housing associations as a means to generate revenue in the shorter term to fund the more traditional social housing. Furthermore, the limited consideration by interview respondents involved in direct delivery of housing for the lowest income residents of the case study area (with the exception of housing associations), supports the proposition put forward in studies such as August and Walks (2018) and Fields and Uffer (2016) that financialisation has broader social justice implications with regards to increasing accessibility of housing.

### 4.3.2 The Role of Austerity

While the fieldwork data collected suggests that financialisation influences the delivery of rental housing, when seeking to explain that influence, particularly when examining the delivery models of the two local boroughs, the significant role that austerity measures have had on the delivery of rental housing becomes apparent, as does the degree to which financial resources are managed or controlled by the central government. That, in a unitary system of government, a local government is dependent on their central government is not new information. However it is apparent from this analysis that the boroughs are somewhat dependent on financialisation strategies to deliver rental housing because of the central government and their restrictions on introducing other mechanisms to generate revenue to provide services. This in turn influences the way in which rental housing is delivered having regard to emphasise on profit, bedroom size, design quality and breakdown of tenure. And furthermore, as has been argued by Madden & Marcuse (2016), these financialisation influences within the delivery of rental housing provided further evidence of the “hyper-commodification” of housing, which has broader social implications.

HAs are not-for-profit organisations, as such any surplus is returned to the company in order to generate further investment or provide greater security. The strategies adopted by HAs largely reflect those by the two boroughs in the case study, with the notable exception being that HAs engage in financing from parties external to government sources. While risk management was emphasised by respondents with regards to the creation of these additional investment vehicles they represent high debt, low equity strategies via the build to sale model to further support their investment and management in affordable housing products. Furthermore the structuring of developments are dependent on securing finance and this
influences the type of tenure and degree of affordability that they deliver; reflecting a direct influence on modes of thinking. Further to the discussion of the two boroughs within the case study area, data findings suggest that financialisation strategies are adopted by HAs to deliver rental housing and data collected during fieldwork suggests that this impacts the type (building and tenure type) of rental housing being delivered, but again the broader influence here relates to issues of financial resources to build affordable housing.

The influences that policies of austerity are shown to have on the two boroughs within the case study area with regards to the introduction of more financialised models of housing delivery (and other services in some studies) has also been determined via other empirical research by Peck (2012) and Fields and Uffer (2016). However, a key distinction that has been suggested in this research is that austerity measures and frustration by the public sector that the private sector cannot increase the supply of housing has resulted in increased involvement by the local governments to directly compete with the private sector with their own financialised models of delivery rental housing. Interviews conducted in this research demonstrate that the replication of private sector delivery of housing has resulted in borough-owned land being utilised as a means of generating surplus for the borough which is prioritised over the long term supply of low income housing (traditionally socially rented housing). For LBBD specifically, that model of housing has an additional purpose of the borough looking to increase economic growth, jobs and middle income residents within the borough. As a result of the above, the conceptual framework has been updated as per the below. This conceptual framework demonstrates that the policies of austerity have influenced delivery of rental housing within the case study area in that they have resulted in alternative means of delivery of rental housing. Financialisation is then viewed as the intervening variable because those alternative means represent the components of financialisation: accumulation of land and housing for the purpose of generating returns and increasing shareholder value, the increased presence of financial narratives and the delivery of rental housing as a means to generate and maintain an income product. Importantly this role of austerity and its impact on the delivery of rental housing was a strong theme through the interviews with those respondents who are outside of direct delivery in the case study area, for example in housing advocacy, architects and homelessness services.

Figure 6 Updated Conceptual Framework for boroughs and housing associations, by author
Chapter 5: Conclusion and Recommendations

This research sought to explain how financialisation influences the delivery of rental housing in East London based on qualitative case study research approach that unearthed perceptions, insights and opinions of those involved in the direct delivery of housing within the case study area. These were then balanced with interviews from those outside the direct delivery of housing with further support from government documents (at a central and local government level).

It can be suggested from this research that within the case study area financialisation influences the delivery of rental housing in terms of the type of tenure categories to be delivered within the case study area, through a change of narrative with regards to the meaning and purpose behind the delivery of housing and through the use of speculation strategies adopted by delivery sectors. However the extent of this influence has shown to be limited, with the policies of austerity considered to have a considerable influence on why certain decisions were made by those who deliver housing within the case study area, particularly the boroughs. The intrinsic relationship between austerity, financialisation and the delivery of rental housing adds new insights into the growing literature on rental housing and has important implications for the ongoing delivery of rental housing by local boroughs within London, as will be discussed within this chapter.

This chapter concludes the research by answering the main research question and providing recommendations for future research and policy. But first in order to answer the main research question, the sub questions will be answered.

5.1 How is rental housing delivered in East London?
This descriptive question was answered in detail in the first part of chapter four. Rental housing is delivered by both boroughs, housing associations and the private sector. Rental Housing is delivered through a categorisation of tenures that are determined differently depending on who is delivering them. Each sector utilises models of delivery which result in a combination of different tenure categories. As per Kemps (2015) research the legislative framework (including planning) was shown to influence how rental housing is delivered and planned for by all delivery sectors. Importantly, as this research is about unearthing the influences on the delivery of rental housing in the context of financialisation, it is important to emphasise that this question has been answered in the context of models of delivery and tenure categories – not looking at a quantitative analysis such as the number of rental housings being delivered (as was explained in Section 1.5 of this research).

5.2 What factors influence the delivery of rental housing East London?
Coding of interview data revealed that the factors that influenced the delivery of rental housing within the case study area are diverse. The influential factors closely align with the literature examining the financialisation of rental housing in that the focus on using rental income as an ability to maintain long term income and the notion of a transformation of traditionally non-financial firms such as local governments (Edwards 2016 and Aalbers 2016). However other influences were shown to influence the delivery, including the need for local boroughs to compete with the private sector to increase the overall standard of delivery, the issues of perceptions of “genuine affordability” for Housing Associations and the influence of planning obligations on the delivery of affordable rental tenure. While some of these influences are discussed in housing literature, particularly notions of genuine affordability (Edwards 2016 and Colenutt et al. 2015), influences associated with public sector competing with the private sector
are considered to be new revelations revealed in this research and warrant further exploration (see recommendations).

5.3 What factors influence the decision-making processes of rental housing in East London?

The decision making processes were able to be understood through semi-structured interviews with key respondents involved in the delivery of rental housing. Coding of interviews revealed a myriad of factors that influenced the decision making that informed the models of delivery. The most prominent related to income generation, government regulations, politics (both local and central). Kemp’s (2015) analysis on the institutional shift in the role and delivery of rental housing in London argued that following the GFC austerity measures and changes to the legislative framework for rental housing resulted in rental housing being viewed as a means to boost private investment and as a macroeconomic policy to boost economic growth. The findings presented in this research support this proposition; however go beyond Kemps (2015) broad analysis and show that Local Boroughs who are now actively participating in the delivery of housing have been influenced by these austerity measures that have subsequently informed decision making associated with the operation of their models of delivery. This impact of austerity on local government decision making is also reflected in the work of Peck (2012). As detailed; both boroughs see the creation of separate subsidiaries that operate under traditionally commercial frameworks as means to both deliver housing but with the generation of long term income to increase surplus spending available to the boroughs.

While the need to supply more housing is agreed upon across all respondents; the most significant factors that were shown to influence decision makers was the ability to generate a return from market housing (either sale or rent) that subsidised the delivery of affordable housing and provided an additional source of revenue for borough services or provide a return on profit that could be distributed to shareholders or other partners of a business, which correspondence with findings in the research of Wijburg et al (2018) and August and Walks (2018). The need to provide socially rented housing did influence the decision makers of boroughs and housing associations however it was felt that there was not enough resources available to really contribute to addressing this need and this was largely attributed to austerity measures by the government. More broadly the decision making associated with the delivery high quality, well serviced tenancies informed the decision making of the private sector as a means to protect their long term incomes.

5.4 To what extent do financial interests influence the delivery of rental housing?

A key component of financialisation is role of external financial interests outside of traditional banking, fiscal subsidies and loans (Rolnik 2013). As a part of this research a core component of understanding the operation of the models of rental housing delivery was to understand the role of external financial interests. While this is not the only component of financialisation, it is needed to be understood in order to unearth its influence on the delivery of rental housing.

Interviews and government documents reveal the following. Both boroughs generate funding for their housing delivery programs through the PWLB and the LBBD, RTB receipts. There is no funding from local or global institutional funds or private equity firms. The assumption initially for this research was, based from research undertaken by Beswick and Penny (2018) that there would be a strong reliance on external finance; and therefore this research has shown to present a model of delivering housing by London Boroughs that has not yet been explored by other literature. The housing associations represented in this research make use of local and global institutional funds in order to engage in investment activity that will help to generate a
surplus that can be reutilised for the delivery traditionally socially rented housing. The private sector represented in this research made use of private equity, REITs and institutional funds (both local and global) to invest in the delivery of rental housing. For REITs and Private Equity the perceptions of respondents in the private sector (and HAs) reflects existing literature on financialisation of rental housing (August & Walks 2018, Field and Uffer 2016): that it is a short term investment that is looking to generate as much income in a period of 5-10 years and then exist the market. Respondents noted that there is very little of this activity within the case study area because the rents are not high enough to generate a significant return within this small time period. However, insights and perceptions from respondents were that institutional funds were investing in the case study area and that they planned for a lifespan of 50+ years, this external financial interest was perceived by respondents in the local boroughs to be a good thing because it meant long term investment in the boroughs and the assumption was that this bought more professional rental sector which would help (in addition to the boroughs also competing in the rental sector) increase the overall standard of the private rental sector in the area. For respondents who worked outside of direct delivery, institutional investment was viewed positively in terms of its ability to increase supply, however whether it can increase affordable housing supply was questioned, these concerns are echoed in the work of Beswick et al. (2016) and August and Walks (2018).

5.5 How does financialisation influence the delivery of rental housing in East London?

Financialisation literature looking at cities across the globe has argued that the increased financialisation of rental housing results in a transformation of rental housing being viewed as a way to maintain a long term income product to generate a shareholder value, has social implications with regards delivery of affordable housing and results in increase speculation to the extent that housing can be viewed as a liquid asset tradable across a global scale. However the empirical research in this space, particularly London is limited. The primary objective of this research is to explain how financialisation influences the delivery of rental housing.

As per Chapter 4 key to explain this was first unearthing the factors of financialisation on the delivery of rental housing in the case study area. The influences and decision making factors were then matched against these factors as to analyse what aspect of financialisation was influencing the delivery. It is suggested from this research that within the case study area financialisation has influenced the operation of models of delivery from both boroughs in that their focus is not only on profitability, but on a cycle of profit that will ensure continuous ‘capital gains’ to the borough in order to increase their budgets. This research’s findings are similar to that of Beswick and Penny (2018) in that boroughs are engaging in new methods of delivery rental housing that is increased focused on the treatment of government land as an income generating asset, however the boroughs in this case study were shown to be cognisant of risk than that in the Beswick and Penny (2018) study whereby they continued to rely on PWLB funding rather than engage without larger scale institutional investment. This ongoing circulation of income and arguably what could be perceived as a transformation of the perception of government owned land also confirms influences of financialisation as argued by Aalbers (2017) and Christophers (2019). For the HAs and the Private Sector this influence can be seen in the engagement of funding with local and global institutional funds who view the investment as a means to store tradeable value in the land and housing.

There are also considered to be limits to the influence of financialisation on borough led delivery of rental housing. The decision making factors show that austerity policies introduced by the central government, as are well document in the research of Bailey et al. (2015), were a
key instigator in local governments setting up models of delivery rental housing, not just to increase the supply of housing but to provide a new mechanism of increasing borough revenue. Paradoxically, a reliance on central government remains given that the delivery models of both boroughs rely on borrowing from the PWLB. While the intention is to eventually be financially independent from the PWLB, this has not yet occurred, and represents a challenge for the boroughs, as revealed in both cabinet papers and from respondents. This research has shown that local boroughs perceive themselves to be in a position where their current models of delivery will ensure future financial sustainability and that the prospect of being able to truly meet the needs of low-income residents via the increase supply of traditionally rented housing is not feasible. A much more in-depth analysis of boroughs finances and individual decision making should follow this research as to further question the validity of this research’s finding.

The research offers explanation as to how financialisation influences the delivery of rental housing within the area of the LBBD and LBN. It has also been able to demonstrate how austerity policies are perceived to be impacting the way in which housing is delivered, particularly by local boroughs and shows that this in itself is perhaps more influential than financialisation and that financialisation is a variable that intervenes in the influence of austerity on the delivery of rental housing rather than the initial conceptualisation which argued that the delivery of rental housing was dependent on financialisation.

This research has shown that the role and implications of the state in shaping housing markets should not be underestimated (as also argued by Aalbers 2016 and Christophers 2015). But furthermore, that one cannot assume that because local boroughs are becoming more involved in the delivery of rental housing that this will be the answer the housing crisis. The models of the two boroughs in this case study show that because of issues with funding they are have designed financialised models (albeit reliant on public borrowing capacity) to deliver housing that prioritise the long term return on investment, not only to ensure the funding of the ongoing management of the housing but to increase the availability of financial resources to the boroughs. Interviews revealed that this done at the consequence of being able to provide more affordable housing, despite the significant waiting lists in both boroughs of social housing.

5.6 Recommendations

5.6.1 Further Research
A key challenge to this research is that the chosen fields of study, both financialisation and rental housing (in the context of London) are extraordinarily complex. This research has provided a valuable contribution to the increased understanding of this complexity also providing explanatory insights into the influences of financialisation. However, as per chapter three due to challenges encountered during fieldwork, time limitations and financial constraints there are limits to these insights. These challenges have resulted in a more high level analysis than was initially anticipated.

However it is suggested that the most significant contribution this research has made is with regards to the analysis of the models of rental housing delivery by the two boroughs within the case study area. The research raises the question as to what is the most appropriate utilisation of government owned land, in the context of housing crisis and significant need. It is recommend that further research be done on the models of housing delivery being developed across the different boroughs in London. This will enable this research and the research of Beswick and Penny (2018) to be further expanded on and for their reliability to be tested.
Furthermore, there were limitations on the depth of insights able to be provided with regards to the PS and HAs. It is suggested that further research be done that focuses on these two sectors alone (not bounded by geographical case study area) to understand the influence of financialisation.

The literature of financialisation is very focused on processes and not outcomes. This research has attempted to unpack the influences of financialisation to begin explain a greater understanding of those outcomes. The focus has been on qualitative explanation of delivery models. Further research should be done that examines the influence from the perspective of the tenants and to understand whether the planned financial rewards for the boroughs the model of delivery result in broader public benefit to residents. Particularly when considering whether the involvement of local boroughs acting as market rent landlords results in the PS increasing their own standards, as it is still too early to understand the full impacts of this.

5.6.2 Policy Recommendations

The following policies and actions are recommendation based from the information gathered throughout this research process:

- Increase the direct provision of funding to build more traditionally socially rented housing. This could be funded through the provision of land tax mechanisms which could also serve to help reduce the speculation on increase land values.
- Look at policy mechanisms that could help local boroughs increase their revenue base to provide services beyond relying on the growth the private rental market.
- Re-regulate the shared ownership model to reduce its profitability for providers and make it more affordable option for households in the long run. This could involve capping the return on investment able to generated from the shared equity arrangement.
- A broader discussion as to the appropriateness of the growing private rental market needs to be had across all levels of government. This should be supported by further research into tenant experiences and affordability.
- A policy on the extent and role of external finance from institutional funds needs to occur. This needs to address the questions as to whether there should be limits placed on capital gains associated with the delivery affordable rental products.

Although this research was not able to engage directly with higher levels of government, it is clear from existing literature, from interview respondents (both public and private) and from review of central government White and Green Papers on housing that there is not a coordinated effort across all levels of government to address the housing crisis. As per the work of Bailey et al. (2017) the impacts of austerity measures on different levels of government may not always be intentional, but without a coordinated discussion between levels of government the true impacts of these policies cannot be understood.

Financialisation, despite its perceived negative qualities, can be seen as a way to increase the delivery of housing due to its income producing qualities resulting in increased investment in the sector, but what this research suggests is that that in itself may not produce equitable outcomes. There needs to be a coordinated effort of action that enables a transparent discussion on funding, the role of external finance, housing tenure and the future of London, otherwise the problems of the housing crisis are likely to persist.
Bibliography/References


London Borough of Barking & Dagenham, 2016, Reside – A Reinvigorated Approach. [Online] Available at:
London Borough of Newham, 2014, Cabinet Papers. Available at: https://mgov.newham.gov.uk/mgListCommittees.aspx?bcr=1


## Annex 1: Research Instruments and Time schedule

### Annex 1.1: Case Study Plan, Rules and Time Schedule

Fieldwork Period: 23 June to 19th July 2019

Researcher: One (Brighid Sammon)

<table>
<thead>
<tr>
<th>Time-period</th>
<th>Data Collection Anticipation</th>
<th>Rules</th>
<th>Goals / Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-fieldwork period</td>
<td>nil</td>
<td>nil</td>
<td>Identify and send emails/make calls to potential interviewee respondents selected from quotas</td>
</tr>
</tbody>
</table>
| **Week 1: 24/6 - 28/6** | • Secondary qualitative (SQ) data  
• Pilot interview | • Keep data records of all content analysis documents | • Complete considerable content first analysis  
• Undertake pilot interview  
• If necessary, reframe questions based on new knowledge |
| **Week 2: 1/7 - 5/7** | • SQ data  
• Semi-structured Interviews | • Keep data records of all content analysis documents  
• Record and transcribe all  
• Keep checklist of indicators in interviews | • Undertake 10 interviews max (Govt & Private)  
• Transcribe interviews same day as interview  
• Summarise key thoughts from interviews based on indicators  
• Continue SQ content analysis |
| **Week 3: 8/7 – 12/7** | • SQ data  
• Semi-structured Interviews | • Keep data records of all content analysis documents  
Record and transcribe all interviews  
• Keep checklist of indicators in interviews | • Undertake 15 interviews max (Govt & Private)  
• Transcribe interviews same day as interview  
• Summarise key thoughts from interviews based on indicators  
• Finalise SQ content analysis |
Week 4: 15/7 – 19/7

Semi-structured interviews

- Record and transcribe all interviews
- Keep checklist of indicators in interviews
- Undertake 10 interviews max (other professionals)
- Summarise key thoughts from interviews based on indicators
- Transcribe interviews same day as interview

Analysis Period: 19th July – 13th August

Researcher: One (Brighid Sammon)

<table>
<thead>
<tr>
<th>Time-period</th>
<th>Data Analysis</th>
<th>Rules</th>
<th>Goals / Actions</th>
</tr>
</thead>
</table>
| Week 1: 22/7 - 26/7** | Secondary qualitative SQ data          | Utilise single method of analysis for all variables to ensure consistency (Atlas TI) | Review SQ analysis and data collection
|                      | Interview data                         |                                            | Re-listen and review of all interviews               |
|                      |                                        |                                            | Begin interview data analysis via program            |
| **If necessary this week can also be utilised to collect interview data** | Semi-structured Interviews | Utilise single method of analysis for all variables to ensure consistency (Atlas TI) | Finalise interview analysis
|                      |                                        |                                            | Begin to triangulate and compare data analysis from the two methods |
| Week 2: 29/7 - 2/8   |                                        |                                            |                                                      |
| Week 3: 10/8 – 13/8  | Nil (finished)                         | nil                                        | Write and finalise chapter 4 prior to colloquium    |
Annex 1.2: Interview Documentation – given to Respondents

My name is Brighid Sammon, I am an MSc student at the Institute for Housing and Urban Development Studies at Erasmus University Rotterdam. I am carrying out research seeking to explore and explain how the increasing presence of financial actors (such as Real estate investment trusts (REITs), private equity funds, financial asset management firms and other investment vehicles) may alter the role and nature of rental housing. Please let me know if you have any further questions about this research.

I seek you opinions and expertise on various aspects regarding this study. Our discussion will take between 30-45 minutes of your time.

Prior to starting, I would like to seek your permission to record this discussion to assist with future coding and analysis for the research. The information gathered is strictly confidential and will only be utilised for academic purposes.

Date of interview:

Time of interview:

Name:

Position:

Telephone (optional):

Institution:
Annex 1.3: Example Question Guide

The interview format was semi-structured. These questions were used as a guide, with some more relevant to certain respondents dependent on whether they were involved in the direct delivery of rental housing or not. These questions were a guide only and often interviews were allowed to flow into different (relevant) paths as is the purpose of the a semi-structured interview.

Introductory Questions
- Can you tell me about the type of work you do?
- How long have you worked in this position?
- In terms of your work, how involved are you with the rental sector? And in what way?
- At a local level, what policies determine rental housing?
- As a professional, how would you explain the role of rental housing?

Supply
- What are your opinions on the supply of rental housing within the borough?
- Depending on the final user is there a difference in the way in which rental housing is supplied?

Demand
- What are your opinions on the demand for rental housing?
- And what do you think is influencing that?

Boroughs Role
- What do you use as the boroughs role in the delivery of rental housing?
- Do you think that role is changing? If yes, in what way?

Delivery
- Can you talk me through the tenure breakdown of developments?
- How does the financial structure of the model of delivery work? Can you talk me through the processes?

Financialisation
- In the scenario whereby you’re acquiring land for future rental investment, what are some of the key considerations that inform decision making?
- If you’re acquiring an already built property for rental housing, what are some of the key considerations that inform decision making?
- In terms of the life-time of an investment, how far in advance is considered? i.e Do you work in 6 month cycles, 12 months etc
- In terms of increasing profitability of an asset, what are some of the key strategies to do this?
- In terms of financing investments – what does this look like? Is it the same for every project and if not, why does it differ?

Non-Delivery Sector Respondents
- What do you see as the Government’s role with regards to rental housing?
- What do you see as the private sectors role with regards to rental housing?
- Have you noticed any significant trends emerging in rental sector in recent years?
## Annex 2: Code Table

<table>
<thead>
<tr>
<th>Code</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tenure code</strong></td>
<td></td>
</tr>
<tr>
<td>Socially rented, DMR, IMR, LAR, LLR, Market Rent, SO</td>
<td>All individual codes used for earmark references to specific tenure categories to enable analysis against them</td>
</tr>
<tr>
<td><strong>Austerity &amp; Politics</strong></td>
<td></td>
</tr>
<tr>
<td>Austerity_financial restrictions</td>
<td>Refers to opinions and perceptions that reference central government funding cuts or financial restrictions</td>
</tr>
<tr>
<td>Austerity_human resources</td>
<td>Refers to opinions and perceptions that reference central government restriction that have impacted the capacity of an organization/company</td>
</tr>
<tr>
<td>Central Govt Ideological</td>
<td>Refers to opinions that refer to central government ideology that informs their funding strategies</td>
</tr>
<tr>
<td>Supply pressure from Govt to deliver</td>
<td>Comments/opinions from local government regarding pressure on central government to supply new housing</td>
</tr>
<tr>
<td>Borough_Political influence</td>
<td>This is referring to the influence of elected officials at a local level</td>
</tr>
<tr>
<td><strong>Influences and Decision Making</strong></td>
<td></td>
</tr>
<tr>
<td>affordable housing</td>
<td>Motivation is to provide affordable housing or promote the provision of affordable housing</td>
</tr>
<tr>
<td>balance use of land</td>
<td>Refers to opinions about the need to balance residential use of land verse commercial or industrial use of land</td>
</tr>
<tr>
<td>Borough shaping growth and demand</td>
<td>Refers to opinions and comments about local boroughs being motivated by the ability to shape the demand for who will occupy housing and having more agency over the direction of growth</td>
</tr>
<tr>
<td>BTR delivers quickly</td>
<td>Refers to opinion and comments about Build to Rent as a form of rental housing being positive because it delivers housing more quickly than traditional build to sell.</td>
</tr>
<tr>
<td>deliver housing</td>
<td>Refers to comments/statements that state that their motivation is to deliver housing</td>
</tr>
<tr>
<td>design quality</td>
<td>Refers to comments/statements regarding the importance of design quality as a motivating factor in the delivery of rental housing</td>
</tr>
<tr>
<td><strong>develop near infrastructure</strong></td>
<td>Refers to proximity to infrastructure being a motivating factor for acquiring land and delivering rental housing</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>exclude right to buy</strong></td>
<td>Refers to opinions and perceptions that the model of delivery has been designed by a motivation to ensure future housing is outside of the right to buy</td>
</tr>
<tr>
<td><strong>future land prices</strong></td>
<td>Refers to motivations for purchasing and acquiring sites for their future land value</td>
</tr>
<tr>
<td><strong>global competition</strong></td>
<td>Refers to motivations for investment or changes to regulation to ensure that London is globally competitive</td>
</tr>
<tr>
<td><strong>growth</strong></td>
<td>Refers to opinions/comments on the motivation for housing to boost economic growth</td>
</tr>
<tr>
<td><strong>housing benefit income</strong></td>
<td>Refers to opinions/comments on the motivation for delivering rental housing due to the ability to get from rent from housing benefit</td>
</tr>
<tr>
<td><strong>inclusion</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new housing to promote inclusion</td>
</tr>
<tr>
<td><strong>Investment diversity</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to diversity an investment portfolio</td>
</tr>
<tr>
<td><strong>long term revenue</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to generate long term revenue</td>
</tr>
<tr>
<td><strong>long term tenants</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to provide for tenants in the long term</td>
</tr>
<tr>
<td><strong>market certainty</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing because of the market certainty around rental housing</td>
</tr>
<tr>
<td><strong>ownership</strong></td>
<td>Refers to opinions/comments that ownership is the preference for consumers</td>
</tr>
<tr>
<td><strong>reduce homelessness</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to reduce rates of homelessness</td>
</tr>
<tr>
<td><strong>reducing transience</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to be able to reduce transience within a local community</td>
</tr>
<tr>
<td><strong>regeneration</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to regenerate an existing area</td>
</tr>
<tr>
<td><strong>rental income</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to generate long term income from rental tenants</td>
</tr>
<tr>
<td><strong>return on investment</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to generate a return on investment</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Revenue generation for Boroughs</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to generate a return on investment specifically for the boroughs</td>
</tr>
<tr>
<td><strong>social service</strong></td>
<td>Refer to opinions/comments on the motivation for delivery new rental housing to provide a broader social service</td>
</tr>
<tr>
<td><strong>subsidise affordable housing</strong></td>
<td>Refer to opinions/comments on the motivation for delivery and mix of new rental housing is motivated by the ability for market rent to subside affordable rent</td>
</tr>
<tr>
<td><strong>taxation efficiencies</strong></td>
<td>Refers to opinions/comments about taxation efficiencies being a motivating factor for the delivery of rental housing</td>
</tr>
<tr>
<td><strong>tenure certainty</strong></td>
<td>Refers to opinions/comments about the ability to provide tenure certainty being a motivating factor for the delivery of rental housing</td>
</tr>
<tr>
<td><strong>tenure diversity</strong></td>
<td>Refers to opinions/comments about the ability to provide tenure diversity being a motivating factor for the delivery of rental housing</td>
</tr>
<tr>
<td><strong>working people</strong></td>
<td>Refers to opinions/comments about the ability to provide housing for working people (middle income) being a motivating factor for the delivery of rental housing</td>
</tr>
<tr>
<td><strong>Localised Needs</strong></td>
<td>Refers to opinions/comments about motivation to deliver housing which can serve local needs (often in contrast to regional or central government needs)</td>
</tr>
</tbody>
</table>

**FINANCIALISATION - PRINCIPLE ACTIVITY OF FIRMS**

<table>
<thead>
<tr>
<th><strong>Provide affordable housing</strong></th>
<th>Refers to the strategy to deliver affordable housing where there is no expectation for profit – that is the strategy of the firm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintain income product</strong></td>
<td>Refers to the strategies to generate profit and long term income planning by maintaining onto rental stock and getting income from it – that is the strategy of the firm</td>
</tr>
<tr>
<td><strong>Buy low, sell high</strong></td>
<td>Refers to strategies that involving buying in a low-cost area with the intention of maximizing on profit via selling in the short-to-medium term – that is the strategy of the firm</td>
</tr>
</tbody>
</table>

**FINANCIALISATION- ACQUISITION STRATEGY**

<p>| <strong>Fiscal Subsidies</strong> | Refers to opinion/comments and strategies regarding the use of fiscal subsidies to delivery housing |</p>
<table>
<thead>
<tr>
<th><strong>Bank/Public Loan</strong></th>
<th>Refers to opinions/comments and strategies regarding schemes that have make use of traditional finance from banks or public loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low equity, high debt</strong></td>
<td>Refers to opinions/comments and strategies regarding schemes that have low equity (original ownership &amp; and other business interests with equity) and have a significant reliance on debt</td>
</tr>
<tr>
<td><strong>Capital Markets &amp; offshore finance</strong></td>
<td>Refers to opinions/comments and strategies regarding schemes to funding and acquisition via capital markets (stock market, pension funds etc) and offshore finance (finance not from the home country)</td>
</tr>
<tr>
<td><strong>FINANCIALISATION - PROFIT V RISK STRATEGIES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>not-profit, long term</strong></td>
<td>Refers to profit and risks strategies that seek are nonprofit and that plan to provide the housing continuously (50+ years)</td>
</tr>
<tr>
<td><strong>Medium profit (long term, low-to-med risk)</strong></td>
<td>Refers to profit and risks strategies that actively pursue a long-term profit strategy articulating that this will provide less return but over a longer period of time (10-50 years)</td>
</tr>
<tr>
<td><strong>Short term (high risk, high profit)</strong></td>
<td>Refers to profit and risks strategies that seek a high profit in a short period turn over (5-10 years)</td>
</tr>
<tr>
<td><strong>FINANCIALISATION - SPECULATION</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Relying on future income gains</strong></td>
<td>Refers to comments about capitalizing/relying on future income gains from rental housing</td>
</tr>
<tr>
<td><strong>Relying on future land values</strong></td>
<td>Refers to comments about capitalizing/relying on future growth in land values</td>
</tr>
<tr>
<td><strong>OTHER FINANCIALISATION FACTORS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Develop subsidiary companies</strong></td>
<td>Reference to the generation of subsidiary companies as a strategy to delivery rental housing</td>
</tr>
<tr>
<td><strong>income divided</strong></td>
<td>Refers to income divided being the decision making factor in the development of a rental housing delivery model</td>
</tr>
<tr>
<td><strong>REVENUE GENERATION STRATEGIES – RENTAL HOUSING</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Reduce management costs</strong></td>
<td>Refers to comments/opinions about how/if management costs are reduced in order to maximize revenue</td>
</tr>
<tr>
<td><strong>Increase revenue</strong></td>
<td>Refers to comments/opinions about strategies to increase revenue</td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>Need v Demand</strong></td>
<td>Refers to comments/opinions referring to the challenges of having a high housing needs (generally for lower and middle income) but also market demand for higher income products</td>
</tr>
<tr>
<td><strong>RISK STRATEGIES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Bank Finance Risk Management</strong></td>
<td>Refers to comments/opinions about risk associated with more traditional banking finance</td>
</tr>
<tr>
<td><strong>Market Uncertainty</strong></td>
<td>Refers to comments/opinions about market uncertainty being a risk factor in the delivery of rental housing</td>
</tr>
<tr>
<td><strong>Political Uncertainty</strong></td>
<td>Refers to comments/opinions about political uncertainty being a risk factor in the delivery of rental housing</td>
</tr>
<tr>
<td><strong>Risk Management Strategies</strong></td>
<td>Refers to comments/opinions about managing risk in the delivery of housing</td>
</tr>
</tbody>
</table>
### Annex 3: Thematic Coding of Influences, Decision Making & External Financial Influences

<table>
<thead>
<tr>
<th>Factors that influence delivery of tenure type by the provider</th>
<th>LBBD</th>
<th>LBN</th>
<th>Housing Association</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional Social Rented</strong></td>
<td>- No longer receives direct funding</td>
<td>- No longer receives direct funding</td>
<td>- Aligns with their purpose and remit</td>
<td>- Challenge: not financially feasible</td>
</tr>
<tr>
<td></td>
<td>- Not financially feasible for the borough to deliver</td>
<td>- Not financially feasible for the borough to deliver</td>
<td>- Challenge: no longer receives direct funding</td>
<td>- Will impact profitability</td>
</tr>
<tr>
<td></td>
<td>- Need to align services for tenants which makes delivery challenging</td>
<td>- Need to align services for tenants which makes delivery challenging</td>
<td>- Planning obligations influenced delivery</td>
<td>- Planning obligations influenced delivery</td>
</tr>
<tr>
<td></td>
<td>- Avoid due to RTB issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>London Affordable Rent (LAR)</strong></td>
<td>- Less financially viable than intermediate market rent</td>
<td>- Still achievable for low income and working people.</td>
<td>- Not discussed by Respondents</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>- Designed by GLA not the Borough</td>
<td>- Respondents argued that it viewed as politically palatable and therefore utilised by the borough</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Respondents noted that the borough include this within their local area plan as a requirement for private sector to include within their developments (via Sec 106 agreements)</td>
<td>- Respondents noted that the borough include this within their local area plan as a requirement for private sector to include within their developments (via Sec 106 agreements)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

22 Note that these have themes have been summarised based off the initial coding as detailed in annex 2 – that is why they don’t all have the same names.

23 This was crosschecked against the local area plans to confirm accuracy.

24 This was crosschecked against the local area plans to confirm accuracy.
<table>
<thead>
<tr>
<th>London Living Rent</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Not discussed by respondents</td>
<td>- Not discussed by respondents</td>
<td>- Not discussed by respondents</td>
<td>- Not discussed by respondents</td>
</tr>
<tr>
<td>Intermediate Rent &amp; Discounted Market Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ability to target ‘working people’</td>
<td>- Issues with “genuine affordability”</td>
<td>- Issues with “genuine affordability”</td>
<td>- Planning obligations influenced delivery</td>
</tr>
<tr>
<td>- Shape the future community</td>
<td>- Perceived negatively</td>
<td>- Issues with public accountability</td>
<td>- Viewed as preferable to deliver because it does not impact profit margins as much as LAR, however there are concerns over the calculation of 80% of market rent when they are delivering high end products</td>
</tr>
<tr>
<td>- Means to compete with the private sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Maximise return on investment.</td>
<td>- Maximise return on investment.</td>
<td>- Maximise return on investment.</td>
<td>- Maximise return on investment.</td>
</tr>
<tr>
<td>- Long term income</td>
<td>- Long term income</td>
<td>- Long term income</td>
<td>- Increases access to non-traditional bank financing</td>
</tr>
<tr>
<td>- Means to compete with the private sector</td>
<td>- Means to compete with the private sector</td>
<td>- Subsidise delivery of affordable rental housing</td>
<td>- More stable investment (over build to sell)</td>
</tr>
<tr>
<td>- Generate revenue for borough budget</td>
<td>- Generate revenue for borough budget</td>
<td>- Subsidise delivery of affordable rental housing</td>
<td>- Certainty: promoted by central government</td>
</tr>
<tr>
<td>- Subsidise delivery of affordable rental housing</td>
<td>- Subsidise delivery of affordable rental housing</td>
<td>- Short term ventures via equity investment</td>
<td>- Certainty: enabled within planning controls</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Long term income generation</td>
</tr>
</tbody>
</table>
### Factors that influence decision making of models of delivery by provider

<table>
<thead>
<tr>
<th>LBBDD</th>
<th>LBN</th>
<th>Housing Associations</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Promotes home ownership</td>
<td>- Not viewed as favourably by this borough – no specific reasons provided</td>
<td>- Promotes home ownership</td>
<td>- Promotes home ownership</td>
</tr>
<tr>
<td>- Politically palatable</td>
<td>- Only a limited included within the delivery models</td>
<td>- Politically palatable</td>
<td>- Politically palatable</td>
</tr>
<tr>
<td>- Long term return on investment</td>
<td>- GLA funding per home delivered</td>
<td>- GLA funding per home delivered</td>
<td>- GLA funding per home delivered</td>
</tr>
<tr>
<td>- Generate revenue for borough budget</td>
<td>- Challenge: difficult contractual arrangements for tenant</td>
<td>- Long term return on investment</td>
<td>- New income stream for larger funds</td>
</tr>
<tr>
<td>- Subsidise affordable rental housing</td>
<td></td>
<td>- Provides family style accommodation</td>
<td>- Long term return on investment</td>
</tr>
</tbody>
</table>

**Shared Ownership (SO)**

- Promotes home ownership
- Politically palatable
- Long term return on investment
- GLA funding per home delivered
- Generate revenue for borough budget
- Challenge: difficult contractual arrangements for tenant
- Subsidise affordable rental housing
- Increasing affordable housing provision
- Reliance on the private sector
- Austerity
- The availability of finance
- Public Accountability & Risk
- Political Influence
- Turn around on investment
- Higher levels of government
- Commerciality
- Economic growth

- Increasing affordable housing provision
- Austerity
- Public Accountability & Risk
- Political Influence
- Turn around on investment
- Higher levels of government
- Commerciality

- Government regulations
- Austerity
- Public accountability
- Economic stability

- Government regulations
- Development turnaround
- Supply pressure from the government
- Public accountability
- Economic stability
- Planning framework and legislation

<table>
<thead>
<tr>
<th>Role of external finance in the delivery models by each provider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LBBD</strong></td>
</tr>
<tr>
<td>Very limited external finance role:</td>
</tr>
<tr>
<td>- Finance comes via PWLB, RTB receipts &amp; GLA (for SO housing)</td>
</tr>
<tr>
<td>- In BeFirst’s original iteration there was the use of external finance by the private sector but that has since stopped</td>
</tr>
</tbody>
</table>
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