Privatizing social housing supply - the New-Build Agence Immobilière Sociale Model in the Brussels Capital Region

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Abstract

Nothing epitomizes the housing crisis in the Brussels Capital Region better than the ever increasing number of people qualifying for social housing. But the production of public social housing is not nearly keeping up with demand. Instead, other options for social housing provision have become more popular in recent years, the New-Build Agence Immobilière Sociale (AIS) Model, among others. This model depends on private actors offering newly constructed housing they purchased to agencies who will then let them at social rates that are below market value. In exchange the buyer is granted tax cuts. This paper scrutinizes this model, the actors involved, the financialization of real estate production and, in particular, which types of housing make their way from developers to the social rental market. I find that the new-build AIS units are not only badly attuned to the needs of the social rental market - units tend to be smaller than demanded - but also suggest that the risk of a development is considerably lower with the AIS model and allows financialized developers to enter areas that previously had not been commercially viable. The New-Build AIS Model is jammed between two mutually reinforcing interests: developers who build small, and buyers who invest for return and therefore buy small. This paper contributes to a better understanding of what drives residential real estate production and provides a detailed analysis and exemplary case study of the consequences of outsourcing social housing production to private actors.

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List of abbreviations

AIS	Agence Immobilière Sociale
AIS WSL	Agence Immobilière Sociale de Woluwe-Saint-Lambert
BCR	Brussels Capital Region
CPAS	Centre Public d'Action Sociale
IEB	Inter-Environnement Bruxelles
LPT	Logement Pour Tous
PPP	Public-Private-Partnership
RBDH	Rassemblement Bruxellois pour le Droit à l’Habitat
SLRB	Société du Logement de la Région de Bruxelles-Capitale
VAT	Value Added Tax

Introduction

The Brussels Capital Region (BCR) is in the midst of an affordable housing crisis. Nothing epitomizes this better than the ever growing list of households waiting to be granted access to social rental housing (RBDH, 2019a). But supply of public social housing is lagging shockingly far behind demand. The public authorities do not manage to produce more than 110 units of social rental housing per year (RBDH, 2019b). This undersupply of social housing combined with rising rents on the private market sometimes leaves no other option than to leave the city (Van Criekingen, 2008), opt for living in a smaller unit than intended or waiting years for an opportunity to arise on the social market (Dessouroux et al., 2016). In this context, a model of providing non-public social housing has begun to gain in popularity: the New-Build Agence Immobilière Sociale (AIS) Model. What the model effectively does is to rely on private actors to provide affordable housing. It offers tax incentives for buyers of new-build units if they give their unit to an AIS to manage and rent out as social housing, at below market rates for a predetermined number of years (RBDH, 2018). The volume of new-build units making it onto the AIS market, i.e. the social rental market, has skyrocketed in recent years and by far outnumbers the production of public social housing (ibid.).

But this model comes with various disadvantages: housing only remains on the social market for a limited number of years; tax breaks imply significant foregone tax revenues for the public authorities; and the spatial distribution of new-build AIS units reinforces socio-spatial divisions in the BCR, just to name a few. Past research has analyzed the New-Build AIS model in depth from a spatial angle, i.e. where these projects are sprouting (RBDH, 2018), but no research so far has attempted to find out what is actually being built, which type of units can be found on the AIS market and whether these units are actually what is demanded on the social market. My research attempts to fill this gap and move from a bird's-eye view of the AIS model to a detailed analysis of the projects and units.

This paper starts by describing the socio-economic context in the BCR and provides a detailed explanation of the functioning of the new-build AIS model. The following two sections are dedicated to methodology, a summary and analysis of the quantitative and qualitative data. The paper concludes with a discussion and explanation of the findings and provides a brief outlook as to likely future developments.

A poor region with rising rents and a lack of affordable housing

The BCR has experienced strong population growth since the mid-1990s and has become an attractive destination for both Belgian and international migrants. But the boom the region has experienced has not led to prosperity for many of its inhabitants, quite the opposite. Poverty rates are significantly higher than in Wallonia and Flanders. However, this is not true for all communes in the BCR. Measured by the Gini coefficient which shows how unequal societies are, the BCR scores higher - i.e. more unequal - than other large Belgian cities like Gent, Liège or Charleroi. Especially in the Western and Northern inner districts of the city region, the so-called "croissant pauvre" (Van Hamme, Grippa and Van Criekingen, 2016), wages are substantially lower than in in communes like Woluwe-Saint-Pierre in the West or Uccle in the South (Observatoire de la Santé et du Social de Bruxelles-Capitale, 2019).

The BCR not only stands out in terms of higher poverty rates but also in the composition of the local real estate market in terms of homeowners versus tenants. Whereas only a minority of the population are tenants in Wallonia and Flanders - 34% and 29%, respectively, - in the BCR a whopping 61% live in rental units. This is also substantially higher than in other large Belgian cities. Especially in inner districts, which often overlap with the "croissant pauvre", the percentage of tenants is strongly elevated compared to outer districts (ibid.).

This high poverty level, a large share of tenants in the population as well as stagnant wages (on average for the region) are compounded by rising rents (RBDH, 2019a). This leads to a situation in which households often have to pay between 50% and 60% of their disposable income just for rent. To make the situation even worse, even though a large part of the population would qualify for social housing (rental), the latter only makes up 8% of the overall housing stock (RBDH, 2019b). Although the waiting list for social housing is growing year by year - in the past 15 years alone the number of applicants has doubled from around 22'000 to around 45'000 - the supply of new social housing is lagging massively behind demand - a mere 110 units are constructed per year (ibid.). The increasing demand and lack of supply means that in many cases it takes up to ten years to gain access to social housing (RBDH, 2019c); especially larger families must expect a prolonged wait until they are provided with social housing (Dessouroux et al., 2016). In the current situation of extreme undersupply of affordable housing new ideas have sprung up of how to cover housing needs of the low-income population. One of those are the Agences Immobilières Sociales (AIS).

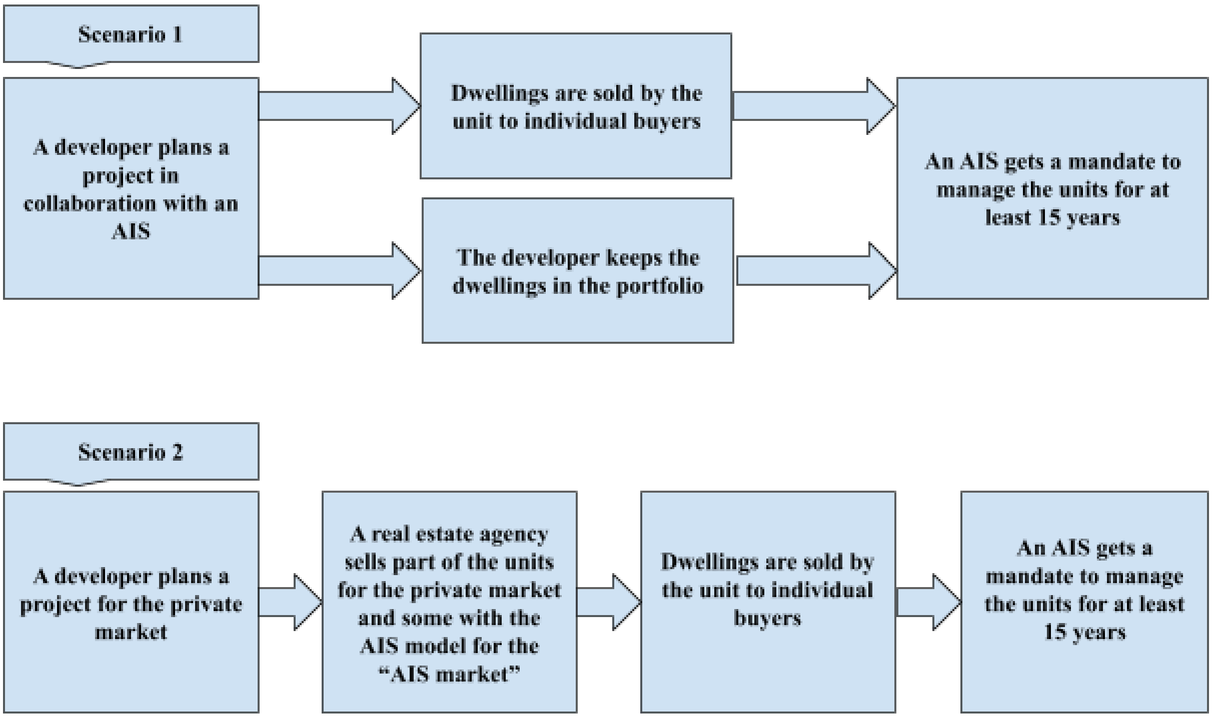
The AIS model: overview

Since the late 1970s a new form of social housing came about, units managed by so-called AIS. These agencies are intended to "socialize" dwellings from the private market for a finite number of years. The original idea behind the AIS model was that people owning a dwelling could give it to an AIS which would manage it for the owner. In exchange, the units would be rented out to low-income groups for a finite amount of years, the so-called socialization period. After this period, the owner can decide whether to keep renting via an AIS, rent on the private market or sell the unit (RBDH, 2018). As such the AIS units can be seen as temporary social housing similar to units under the *Bindungsfrist* in Germany, for example, which lowers rents for certain dwellings for a predetermined period (Die Linke, 2019). This model was thought to have advantages for both the authorities and homeowners. The BCR can provide social housing in the entire BCR without public authorities actually having to build themselves. And the homeowners are guaranteed a stable revenue and are not in charge of maintenance. The AIS are in charge of managing the units and are therefore a kind of intermediary between the owner and the tenants. This appeared to be a win-win situation for all parties involved. Due to the benefits of the AIS model the number of units grew continuously. Whereas in 1998 there were seven AIS managing around 450 units, 20 years later, in 2018, the number of active AIS had more than tripled and the number of units had risen to 5'500 (ibid.).

The New-Build AIS Model

In recent years, an alteration to the initial idea behind the AIS model has taken place. Whereas a majority of AIS housing used to be "existing" housing units - e.g. an inherited apartment or a flat in need of renovation that could benefit from subsidies by working with an AIS - more and more newly built - henceforth called "new-build" - units are making their way into the AIS portfolios immediately after a real estate project has been constructed. New-build has nothing to do with the year of construction but simply means that when a unit was first given to an AIS it had just been freshly constructed. Unlike the "original" AIS model the new-build model specifically plays to investors who want to place their capital in real estate. There are two ways a new-build unit can be transferred to an AIS after construction has been completed (see image 1).

Image 1: New-build AIS, scenarios 1 and 2



(Source: RBDH, 2018)

Keeping the units in their portfolio and renting with the AIS model is a low-risk option for developers. Rental income is lower but guaranteed due to the high demand for affordable housing, vacancy rates are low, management has been outsourced to an AIS, and after the socialization period the unit can still be rented or sold on the private market. For individual buyers/investors the New-Build AIS Model has the same advantages as when a unit is kept in the portfolio. But on top of that at purchase the buyer benefits from a reduced VAT and do not have to pay annual property tax which is based on an index for cadastral revenue (Fiscalité Brussels, n.d.). Under normal circumstances a buyer would have to pay a VAT of 21% when purchasing a unit, but when buyers decide to rent on the AIS market the VAT is only 12% which considerably lowers the final price a buyer/investor has to pay for a dwelling. When taking all these incentives into account the AIS model delivers a net return that is nearly as high as for a traditional real estate investment on the private market. That makes a new-build AIS unit an ideal, low risk investment opportunity (ibid.).

Real estate developers in the BCR and beyond

In the BCR, private developers make up a huge share of supply. According to Romainville (2015) who studied the building permits granted to developers between 2003 and 2011 a mere 9% of developers were public entities[1] and another 4% were developed in Public-Private-Partnerships (PPP) between the public entity CityDev and a private developer. Romainville is one of several authors who study the supply side of real estate. An important reason for looking at private developers, especially in a context in which they account for a majority of housing supply, is their role in literally producing urban space based on capitalist logics, i.e. the maximization of profit (ibid.). Authors studying real estate developers and their strategies to maximize profit have tended to focus on their location as a key variable driving a developers decision-making process. Callen (2011) and Baudewyns (2007) claim that developers adapt the location of construction to the population's spatial preferences. Preferences could, for example, depend on accessibility by transport, private and public (Callen, 2011; Doi 2005), which facilities are available and the social image of a site (Topalov, 1974; Luna Rodrigo, 1987; Ananian, 2010). In one way or another all these variables influence the geography of housing prices (Romainville, 2015). Furthermore, the geography of land prices is often mentioned as a determining variable of developments, since it is the difference between the land price and selling price that determines a development's profit margin. Smith's (1979) rent gap theory - the difference between the current and the potential land rent - explains, for example, why private developers at one point see an interest in the redevelopment of central districts. In line with Smith (ibid.), Callen (2011) explains the extensive construction of residential real estate in Paris' periphery by middle-class demand for housing that could not be met in the city center and the low cost of land in the suburbs.
The aforementioned studies almost exclusively focus on the impact of location on a developer's potential profit rate, while always balancing risk with the possible financial gains (Romainville, 2015). To my knowledge only few researchers have paid attention to a developments' characteristics other than location. Halleux (2005), for example, specifically

[1] E.g. Société du Logement de la Région de Bruxelles-Capitale (SLRB), Centre Public d'Action Sociale (CPAS), the communes.

investigates incentives behind the construction of single-family houses in the Belgian suburbs. Other authors acknowledge that the way real estate projects are envisioned and designed depends strongly on the desired end-user whom a project was conceived for. Especially research into commercial real estate projects - mainly office buildings or mixed use projects - shows how these considerations shape the final product (Guironnet and Halbert, 2014; Guironnet et al., 2015). There is, however, a serious lack of research focusing on factors other than location, e.g. residential unit typology, that may also influence a developer's profit rate and risk calculations, especially for residential real estate.

Developers and the New-build AIS Model

In the New-Build AIS Model private developers play a key role - they build the projects and units that will contain AIS dwellings of the future. By being the agents covering the supply side of the real estate market they essentially predetermine what will be available to purchase on the private and put on the AIS market. As mentioned above, "traditional" real estate developers base their existence on the maximization of profits. Some developers, however, who produce for the AIS market, have distinct traits which distinguish them from "traditional" developers. There are certain developers who pursue other goals than pure profitability. On the one hand, there are developers, whose main goal apart from seeking to be financially profitable is to produce affordable housing (RBDH, 2018) - I will henceforth call them More-Than-Profit developers.

> *"It is important that the projects are profitable but relatively profitable. They must be profitable for the organization to be sustainable and for us to be able to continue our social mission while finding investors. However, for real estate, the profitability is rather low since the main object of [name of developer] is its social mission. [...] We want the gross profitability of the projects to be +/- 4%. This allows us to cover the operating costs of the cooperative and to distribute a dividend to the co-operators (maximum 2%). Then, the second criterion is that we generally try to meet the demands of the AIS according to their target audience and the types of housing that are missing. We often make a mixed typology, making sure that we offer large housing for large families because this is the*

most difficult to find in Brussels." (Interview, developer 5)[2]

On the other hand, there are developers who focus specifically on AIS dwellings, opposed to other, "traditional" developers who tend to build for the free market but just happen to produce units that end up with an AIS (ibid.). As such they differ in their target group - certain target the private market and other the AIS market.

"Our policy is to sign an agreement with the chosen authority for each project. We want AIS to be part of our vision of the accompaniment of the housed public and of the expected public mix. We wish to develop a close collaboration with the AIS in order to obtain good results with the internal accompaniment that we do." (Interview, developer 3)

"The statutes require that each AIS has a seat on the board and that the chair of the board is a representative of an AIS. [...] We decide this in collaboration with the AIS and the selected architect. [...] we talk to the AIS to find out which typologies of housing are missing and are suitable for their target public. For example, if there are a lot of large families (large houses) or if AIS wants to work for the reintegration of homeless people (studio)." (Interview, developer 5)

Financialization of real estate developers

In recent years, research on the financialization of the production side of the real estate market - i.e. of actors building real estate - has become more prominent in the literature on financialization (see e.g. Romainville, 2017; Halbert, 2013; Guironnet and Halbert, 2014; Guironnet et al. 2016). There are many definitions of financialization. I will follow Kripper (2005) in defining financialization "*as a pattern of accumulation in which profit accrues primarily through financial channels rather than through trade and commodity production*". By "financial" Krippner "refers to activities relating to the provision (or transfer) of liquid

[2] A detailed description on the interview methodology can be found in the section "Method triangulation: Interviews with developers and real estate brokers".

capital in expectation of future interest, dividends or capital gains." The reason for choosing this definition is that it allows for easier quantification as it is more concerned with flows than with a change in mindset of investors (ibid.). It also allows me to compare results with Romainville (2017), who studied the financialization of developers in the BCR and used the same definition. The increasing prominence of financial actors with ties to real estate developers as well as the connection of developers to global financial markets, among others, has made researchers think about how financialized developers, and implicitly financial logic, shapes the urban environment (Halbert, 2013; Guironnet and Halbert, 2014; Guironnet et al. 2016; Romainville, 2017). Guironnet and Halbert (2014) note that developers "*have grown alert to their [investors as preferred clientele] expectations in terms of buildings' location, characteristics, and tenants – and seek to anticipate them.*" In other words, investors' preferences in a way determine what is built in which location. Guironnet and colleagues (2016) investigate the negotiating process between developers and local authorities in a large scale urban development project. Using the case study of Saint-Ouen in the Paris metropolitan region they show how an authority's objectives can clash with a developer's objectives which is to provide investors with "*quasi-financial assets*" (ibid.). In her study of financialization of real estate production in the BCR Romainville (2017) shows that locational choices, i.e. where to build, also depends on whether a developer is financialized or not. Risk-benefit-calculations a developer undertakes when deciding where to build leads to variegated spatial patterns for (non-)financialized developers. Whereas financialized developers prefer to build in upmarket areas, business districts and middle-price inner suburbs, non-financialized developers are overrepresented in areas that are being gentrified, like Danseart and along the canal (ibid.). Financialized developers prefer to reduce risk by investing in already expensive neighborhoods, whereas non-financialized developers are more daring and in many instances attempt to close the rent gap (Smith, 1979).

Research questions and hypotheses

With my research I would like to combine the various topics outlined above. Considering the extreme lack of affordable housing in the BCR and, in particular, the reluctance on the side of the authorities to construct new units themselves, it is ***my main goal to assess whether the New-Build AIS Model is a positive alternative to public social housing***. Furthermore, I want to broaden the literature on the production side of the real estate market by assessing *whether there are not only* ***differences between developers in terms of where but also what they build***. Last but not least, it is my goal to ***extend and further the literature on the financialization of real estate developers*** with a focus on the BCR. In order to do this, I investigate the real estate projects that contain new-build AIS units and look "behind the scenes" to see who developed these projects, if developers can be considered financialized, and in which ways this may affect their locational strategies. I focus on what kind of units are being built. More specifically, I use the number of bedrooms per unit as a proxy to evaluate whether supply overlaps with demand on the social market - indicated by the SLRB waiting list. Breaking down my analysis, I pose the following more precise research questions:

1) AIS market versus social rental market

What kinds of units are available on the AIS market and does the AIS market supply what is demanded on the social rental market?

2) Categories of developers and unit typology

Are there differences between the supply of AIS units depending on which developer constructed the project?

3) AIS market versus private market

Within the same project, are there differences between which types of units end up on the AIS and which on the private market?

4) **Financialization of real estate developers**

How does financialization of AIS social housing producers impact locational strategies?

Based on the literature on the supply of real estate, the AIS model and the financialization of developers I set up the following hypotheses which would answer my research questions. 1) **AIS market versus social rental market**: I expect, grosso modo, that the percentage per unit type on the AIS market to mirror demand on the social rental market, i.e. the SLRB waiting list, because the AIS will want to counteract the housing crisis in the BCR. 2) **Categories of developers and unit typology**: I expect that the capitalist logic of "traditional" private developers also influences the units they build, i.e. developers will select a typology of units which promises the highest profit margin. On the other hand, I expect developers, who pursue other goals than pure profitability - i.e. More-Than-Profit developers and those producing specifically for the AIS market -, to differ from "traditional" developers in terms of unit typology. These developers will take demand for certain types of affordable housing into consideration and will be driven to build for the needs of the social housing market. They will possess the necessary knowledge of the local real estate market by working more closely with an AIS when working out the types of dwellings - e.g. they should be more aware of local housing needs and the dilemma larger families are in when looking for a suitable dwelling. When distinguishing between developers, I especially expect developers, who pursue more than profit and those building for the AIS market specifically to show a strong overlap with what they built and what is demanded on the social rental market. 3) **AIS market versus private market**: I expect there to be a difference between the units on the private and those on the AIS market. As the AIS provide social housing and there is specifically a need for larger units, I expect units on the AIS market to be larger (on average) than units on the private market. 4) **Financialization of real estate developers**: I expect that financialized developers differ in terms of locational strategies. According the Romainville (2017) financialized developers will build mainly in upmarket regions and non-financialized developers will build in poorer neighborhoods undergoing gentrification processes.

Methodology

As mentioned above it is my intention to shed light on (mainly private) real estate developers producing dwellings that end up with an AIS, the types of units they build, which of those end up on the AIS and the private markets, respectively, to what extent the developers can be considered financialized and how this impacts their locational strategies. More generally, my research investigates whether the AIS model is a useful substitute for state-produced social housing in terms of WHAT types of units the AIS provide. For my research, I focus exclusively on new-build real estate because I assume that in those cases developers are more free and flexible to decide which types of dwellings to supply in contrast to when renovating a dwelling, for example. Apart from certain urbanistic regulations, binding energy standards, etc. for a new-build project developers can create a project from scratch. Hence, they can also determine what types of units to build.

"There are the urbanistic regulations on the one hand. What are the key points for the authorities? If, for example, you let the developer do, they would foresee maybe five to ten percent three-bedroom apartment. But the city authority obliges us to have between 15-20% of three-bedroom apartments." (Interview, developer 1)

"Once you have bought the plot and then you need to fill it up. What are we going to build? Then we start to say, how do we determine how many studios, one- and two-bedrooms? We do try to mix our projects. Until a couple years a lot of high rises were the same, every floor was the same. It's easy to construct. You can just multiply the floor plan. It will mean that you always target the same people. You fish in the same pond. And by diversifying within the project, by offering different types, studios, one- to three-bedroom apartments, maybe a four-bedroom or a completely different sort of unit." (Interview, developer 2)

"The project will be designed according to the land envisaged, exchanges with the municipalities, urban planning regulations and the needs of the environment. We do not envisage buildings with less than 10 dwellings and with the possibility of community premises. The size of the dwellings is fixed according to a criterion of mixity (in each building there will be studios, 1-4 bedroom apartments, etc.)." (Interview, developer 3)

To answer the question whether developers supply products that match demand for rentable social housing, looking at new-build real estate will therefore deliver more clear cut answers. The focus on new-build residential construction guides my methodological decisions. In the following I present a step-by-step guide to the methodology which I use to approach the research questions posed above.

Quantitative data collection: AIS housing portfolio

To collect data for my research I emailed all the AIS active in the BCR asking them whether they had any new-build dwellings in their portfolio. If they did, I went on to ask where those dwellings stand (address or at least the commune), how many dwellings per project are in their portfolio, who developed the project, and how many of each type dwelling they have in their portfolio per project - divided into dwellings with zero (= studio) to six bedrooms, and units larger than six bedrooms[3]. This division is intended to mirror the data received by the SLRB on households on their waiting list per dwellings type. Additional information such as the year of construction, since when the dwellings are in their portfolio and the duration of socialization was also collected but will not be featured prominently henceforth.

Sometimes contacting an AIS was sufficient to identify the developer(s), the address, number of dwellings and division of dwellings per type without further research. If, however, an AIS could only provide an address or incomplete information, e.g. they named types of dwellings and an address but they have no further information about the developer(s) or the project as such, I used three complementary sources to identity the projects and the actors involved: 1) Google search, 2) Google Street View, 3) Enquête Publique.

Identifying developers and projects: three complementary approaches

The simplest way of identifying a project and developers is a Google search. A combination of key words such as “real estate development”, “promotion immobilière” and the address was enough to identify a project. The search engine either directs you straight to the project website, from which you can derive the developer, or you land straight on a developer’s website where you can find more details on the project. In other cases, a Google search directs you to real estate agencies in charge of commercializing a project.

Once the project's address and the year of construction are known, I was able to use the Google Street View function on Google Maps to identify projects and developers. On Google Street View you are able to virtually go back in time - only when streets have been filmed several times throughout the years, however - and look for promotional renderings on billboards which developers frequently set up throughout the construction phase. So, knowing since when the dwelling has been on the AIS portfolio or the year of construction, I was able to go back in time on Google Street View until prior to completion of the project and look for a billboard showing the project. On the billboard it is common to find the project’s name as well as the developer(s) involved. If only one of the two is visible or legible - developer or project name -, I then followed the Google search method to complete the information on a specific project/developer.

[3] From now onwards when talking about a “type” of dwelling I am referring to the difference in the number of bedrooms

Image 2: Google Street View, Voltaire

(Source: Google Street View, March 2019, Avenue Voltaire 66, 1030 Schaerbeek, accessed June 2020)

Inter-Environnement Bruxelles' (IEB) data bank for enquêtes publiques is the third way of identifying projects and developers. If somebody asks for a building permit for a project that falls under certain planning regulations, a publicly accessible session is organized by the commune during which all interested parties can access detailed information about the project - in the BCR these sessions are announced by red posters hanging near where the project will be implemented. On the red posters you can find who asked for the planning permit, which in many cases is also the developer (BRAL, n.d.)[4].

IEB has been following enquêtes publiques in the BCR for years and has set up an open source database where they can be accessed. Occasionally I was able to search the database for the known address some years before completion of the project and to identify the developer. Since IEB does not keep track of all enquêtes publiques this method does, however, not always yield useful results. If I was able to identify the developer I continued to identify the project thereafter using steps previously mentioned. So as not to include a project and a developer in my sample by mistake - e.g. in cases where there might be projects with similar names - when in doubt about the accuracy of a project I used one strategy for preliminary identification and double checked with one of the other two methods.

[4] For more details on the enquêtes publiques visit https://bral.brussels/fr/pagina/enqu-tes-publiques-faq

Number and types of dwellings per project

An AIS in many cases is able to provide information on the types of dwellings in their portfolio. But with the exception of some cases - i.e. a handful of developers that specialize on the AIS model and therefore produce nearly exclusively for AIS - only a fraction of the projects' total dwellings end up with an AIS. Often other dwellings are put up for sale on the private market. But I was also interested in knowing the projects' total number of dwellings - i.e. AIS and those sold on the private market - and the number of different types of apartments for each project. This information can be used to 1) calculate the ratio of AIS dwellings to dwellings on the private market; and 2) to see whether there is an apparent difference between the type of apartments in the AIS' portfolio and those which are put on the private market. Comparing the private market with the AIS "market" will, first of all, tell us whether the AIS units match the demand for affordable housing better than the private market in terms of the size of the dwellings. And secondly, due to the fact that it is essentially the buyers who decide whether to give their unit to an AIS, put it on the private real estate market or live in it, comparing these two market segments can tell us a lot about the buyers' incentives and what drives their decision-making process.

As mentioned above, many projects have their own promotional website. Frequently these websites show several of the projects' features - amenities, retail space included in the project, information about the neighborhood, and, fortunately, also the residential offer. These promotional websites often present a detailed list of all sold and available dwellings with the respective number of bedrooms. In other cases project websites do not provide a detailed overview of dwellings but instead developers work closely with selected real estate agents - the two real estate brokers *Trevi Group*[5] and *We Invest Real Estate* stand out in particular - who sell the dwellings for the developers in my sample. The real estate agents' websites are a second source to resort to when project websites do not provide conclusive information. Last but not least, other property websites pooling real estate offers such as *Immoweb*, *Immo Vlan*, or *Zimmo* can be consulted but rarely are able to provide a project-wide overview of the total dwellings and the corresponding types of units.

[5] Trevi launched a product called Trevi Valuable Invest that specifically sells units with the new-build AIS model described above. For more information visit https://www.trevi.be/fr/residentiel/investir/valuable-invest-rendement-securise

Categorization of developers

As mentioned in the literature review much of the current literature on the production side of real estate focuses on a spatial analysis of real estate production. The authors of those studies use different categories to identify individual spatial strategies and incentives. Romainville's (2015), for example, distinguishes between developers, depending on the developer's core activity and the origin of invested capital and then compares their spatial strategies in the BCR. Callen (2011) distinguishes developers that are listed on the stock market from others that are not and whether they are foreign or local. Others distinguish between developers based on their official headquarters and their core activity (Ananian, 2010), the core activity of the group they belong to (Pollard, 2009) or whether they can be considered financialized (Romainville, 2017) - in this specific case meaning that a developer either has a "financial" core activity, is listed on the stock market or makes more money through financial transactions than with constructing buildings. And again others distinguish developers depending on their productivity, i.e. how many dwellings they produce per year (Luna Rodrigo, 1987), or the number of employees per firm (Doi, 2005). The studies mentioned above almost exclusively focus on the impact of the categories on locational strategies. But to my knowledge no research has looked into the connection between residential real estate developers and the types of dwellings they erect measured in terms of numbers of bedrooms.

The characteristics mentioned above can lead to distinctive spatial production strategies (Dessouroux and Romainville, 2011; Romainville, 2015; Ananian, 2016; Romainville, 2017). In other words, different types of developers build in different places. But it is not obvious that the same distinctions will also affect the type of units that are constructed. Therefore working with the same assumptions as the authors mentioned above, using the identical distinctions will not answer my research questions adequately. Considering the specificities of my sample and my research questions, I distinguish developers based on following variables: 1) Profit: Are they pure **for profit** developers or are they explicitly pursuing **more than profit**, i.e. a social goal of providing affordable housing?; 2) Target Group: Who does a developer build for in general, **AIS** or the **private market**?; 3) Financialization: Is a developer **financialized** or **non-financialized**? This produced six categories, two per variable, which will be compared during the analysis.

Variable 1) and 2) will provide insights into whether developers, especially private developers, are able to supply what is demanded on the market for social housing. Splitting developers into groups and not comparing each one individually allows us to see whether developers with certain characteristics cater better to demand than others. Furthermore, it will help us understand whether the AIS are an adequate substitute for more traditional social housing providers like SLRB. The "financialization" variable will shed light on whether AIS housing and the developers, respectively, are financialized and how this impacts unit typologies and locational patterns. This will broaden the existing literature on the financialization of the production of housing and social housing. I will briefly explain why I choose these variables, which measurements I use to distinguish developers.

Profit: "For-Profit" versus "More-Than-Profit"

A developer is classified as More-Than-Profit when he fulfills two conditions: 1) A developer is legally classified as a non-profit or represents a public entity - *CityDev* is the only public developer that is part of my sample (CityDev, n.d). In certain cases, cooperatives are also included in this group. Cooperatives differ from pure for profit organisations insofar as their members work towards common goals and share common values (economie, n.d.). When a cooperative's members clearly pursue a goal of covering social housing needs, I equate it to a non-profit or a public entity. Information about what kind of companies we are dealing with in terms of their legal status can be deduced from *Le Moniteur Belge* or *De Staatsbladmonitor*; 2) The developer pursues a clearly stated social goal of providing affordable housing for socially disadvantaged groups. The developers' website, in particular their mission statements, is consulted to find out whether a developer is seeking to provide affordable housing.

Who is the target group?

To make the distinction between developers based on their target groups I follow three complementary selection criteria: 1) The ratio of AIS to dwellings on the private market per project: For the majority of developers this distinction is pretty obvious when looking at the percentage the AIS units that make up the entire project. Developers producing for AIS have 100% of their units managed by an AIS for the majority of their constructions. Sometimes the ratio is lower when, for example, several developers collaborate on a project. In that case some units would be given to an AIS and others would be used differently, e.g. rented/sold on the free or subsidized market. 2) The target group for other projects: For some developers even having 100% of their project with an AIS does not automatically mean that producing for AIS is their core business[6]. So looking at who they usually tend to build for reveals their common target group. 3) Mission statement and partner organisations: Based on information a developer's partners and mission statement gathered from their websites you can see who is their target group[7]. When a developer fulfills all three selection criteria he is classified as "Target Group: AIS", otherwise as "Target Group: Private Market"

Financialization

According to Romainville (2017) a developer should be considered financialized when 1) he and/or one of his shareholders is listed on the stock market 'as national and regional stock exchanges are interconnected, institutional investors from around the world are able to invest, through quoted developers, in the production of housing in Brussels'; 2) he and/or at least one of his shareholders has a core activity in the finance sector (see 'Developer's core activity' for more information); or 3) the ratio of a developer's financial revenues compared to his cash flow is larger than 1 for several years. Due to a lack of access to the Bureau Van Dijk database I am not able to estimate the developer's ratio of financial revenues compared to the cash flow. Therefore, I consider a developer to be financialized when he and/or one of his shareholders fulfills criteria 1) and/or 2). Since I drop one of the selection criteria I most likely underestimate the extent of financialization within my sample.

Method triangulation: Interviews with developers and real estate brokers

All the assembled data constitutes the quantitative data set that flows into the mapping exercises and analysis which will be presented in the next sections. On the one hand, the data will be input into the QGIS mapping software in order to visualize the spatial distribution of

[6] ION and Matexi, for example, both produced two projects in my sample with 100% AIS, but looking at the projects they usually construct shows that this is more of an exception to the rule

[7] Habitat & Humanisme, for example, partners up with the AIS Baita and LPT. Livingstones, as mentioned earlier, was founded by the AIS IRIS, Baita and Quartiers. And Inclusio's mission statement mentions that most of their buildings are rented to AIS.

real estate projects in the BCR. On the other hand, I provide descriptive, quantitative data comparing categories.

To gain a deeper understanding of what drives developers' decision-making processes and understand the investment dynamics on the AIS market I *triangulate* my research methods - i.e. I combine different research methods to gain a deeper understanding of certain phenomena and cross-validate findings (Carter et al., 2014) - by conducting interviews with some selected developers. The quantitative data may not show clear differences between developer categories, between financialized and non-financialized developers, but the decision making process, incentives and individual rationale may still vary substantially between different developers. Therefore, I add some qualitative aspects to my research to gauge nuanced differences between categories that do not appear in the quantitative analysis and further use this information to interpret and discuss quantitative findings. This methodological choice is also used to test some hypotheses that stood at the very beginning of my research - e.g. that developers could basically design a building from scratch after acquiring the plot of land. This also explains why some excerpts from the interviews appear before the analysis and discussion section.

I conducted semi-structured interviews (Cohen and Crabtree, 2006) with questions which were composed after my data analysis had already been completed. The questions are formulated in such a way as to help interpret the quantitative findings. For the developers explicitly focusing on the AIS market I add some questions to discover how the developer and the AIS work together[8]. At the same time, I was open to leave enough room for the interviews to move in a different direction if interviewees chose to in order to enrich my results. In order to select interviewees I followed the *purposive sampling* method (Patton, 2014) and requested an interview with the two to three most productive developers per category - either measured in the number of separate projects that contain AIS dwellings or the total number of AIS dwellings produced.

During the quantitative data collection phase and from literature on AIS active in the BCR I realized that in the past years the AIS model had become an attractive selling point for real estate brokers. The real estate agency *Trevi* even offers a product, *Trevi Valuable Invest*, which is tailored to the AIS model (RBDH, 2018). Therefore, apart from conducting interviews with representative developers from each group category, I conducted an interview

[8] An overview of the questions can be found in the Appendix

with *Trevi* to ask, what precisely makes the AIS model a valuable investment option. Furthermore, real estate brokers play an important role in estimating demand for housing for developers as they possess extensive knowledge about the localities they work in. As such they constitute a decisive link between the real estate market, developers and AIS.

> *"You have to find a balance in the mix of your project. (...) Who are you aiming at? Families, investors, small families, big families, one-person households. We analyze this on the demand side. What is wanted? We check this with market research companies or real estate brokers. They sell apartments every day. They help us to conceive the right product." (Interview developer 1)*

Real estate agents and developers work together closely in conceptualizing projects and, therefore, are key stakeholders in deciding what type of dwellings to supply. The interviewees' responses will pop up now and again throughout the coming sections to underline certain quantitative findings with inherent expert knowledge from within the real estate sector.

The sample

In the following I will provide an overview of the quantitative data collected on the various projects - e.g. percentages of dwelling types, data on the AIS market, etc. - and the interviewees. This section will not provide an in depth analysis of the sample but is only supposed to provide an overview of the data I will be working with later on.

Quantitative Data

Of the 23 AIS active in the BCR 18 replied to my email and were willing to provide information on their portfolio[9]. Of those 18 AIS, twelve have new-build dwellings in their portfolio, six do not. The remaining five AIS did not respond to my request despite several efforts to contact them. I was, however, able to get in touch with the RBDH researchers who had conducted the study on AIS in 2018 (RBDH, 2018). They were able to provide data on another two AIS that had not responded to my prior request.

[9] For a complete list of AIS active in the BCR visit https://www.fedais.be/

Identifying projects and developers

Using the various procedures described in the methodology section I am able to identify both projects and developers for a majority of the dwellings. The total sample consists of 63 real estate developments. For 51 of these 63 projects a developer can clearly be identified. For twelve projects none of the strategies yields usable results. 36 different developers produce these 51 projects, meaning that some developers are involved in several projects. In various cases there is more than one developer collaborating on the same project[10].

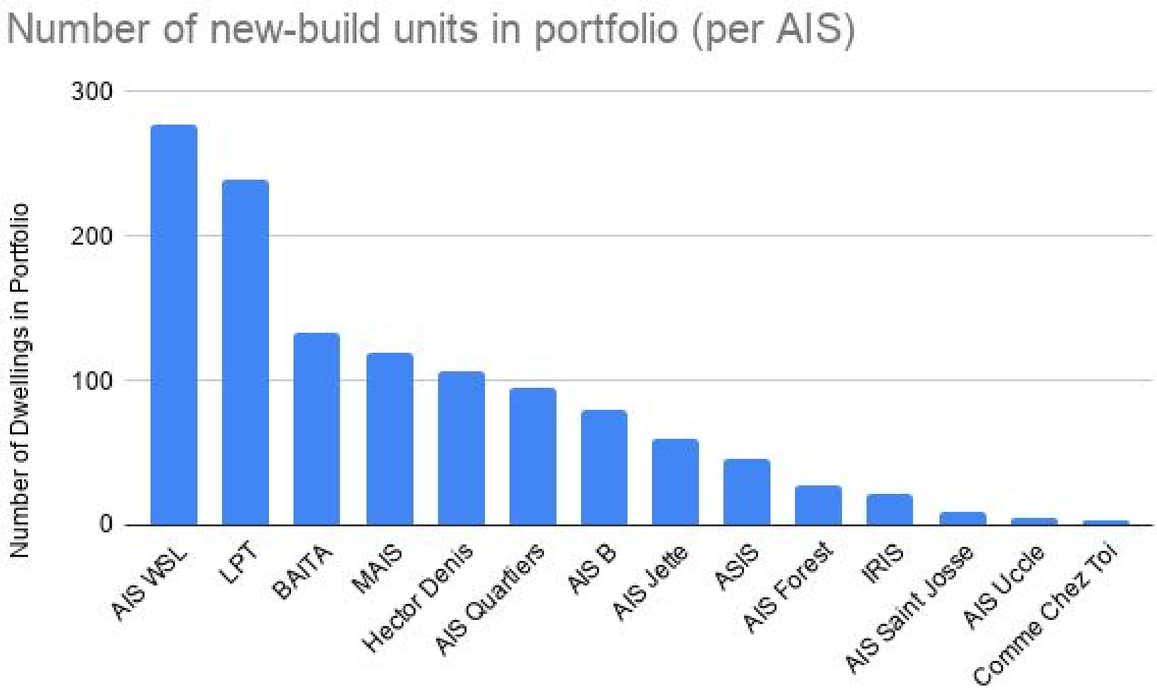
New-build projects with AIS dwellings

As mentioned earlier, in many cases the AIS dwellings only make up a fraction of the total number of dwellings in the project. In total, projects contain 4’395 dwellings - including the projects where no developer can be identified. Of those 4’395 new-build dwellings all the AIS combined possess 1’218 units in their portfolios. This means that more than 60% are on the private market. Some projects are still under construction or are currently in the planning phase. In the following I will not make a distinction between completed and incomplete projects, i.e. buildings still under construction, since I was assured that dwellings currently under construction will definitely end up with an AIS.

Not all AIS have jumped onto the new-build bandwagon as eagerly as others. As shown below (see graphs 1 and 2) there are significant differences in the size of new-build portfolios and in the number of different projects the AIS are involved in. AIS Woluwe-Saint-Lambert (AIS WSL) and Logement Pour Tous (LPT) own the two largest portfolios with 277 and 239 units, respectively. The range of portfolio sizes is substantial as certain AIS possess only a handful of dwellings while others possess dozens. Apart from LPT and AIS WSL all other AIS have dwellings in fewer than ten projects, more than half of the AIS have three or fewer new-build projects in their portfolios. The leading position of AIS WSL can to a certain extent be explained by the recent collaboration with *Trevi*. AIS WSL is *Trevi*’s key partner for the T*revi Valuable Invest* product I mentioned earlier.

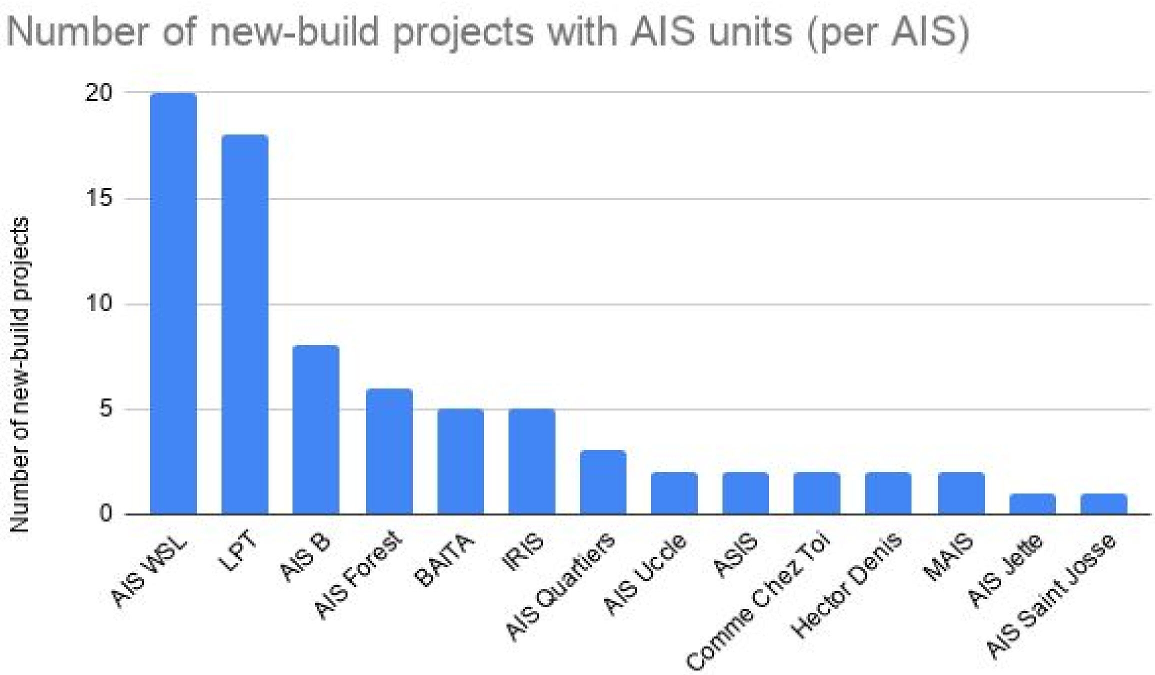
[10] see Appendix for a full list of developers and the total amount of projects.

Graph 1: Number of new-build dwellings per AIS



(Sources: All AIS; RBDH 2018)

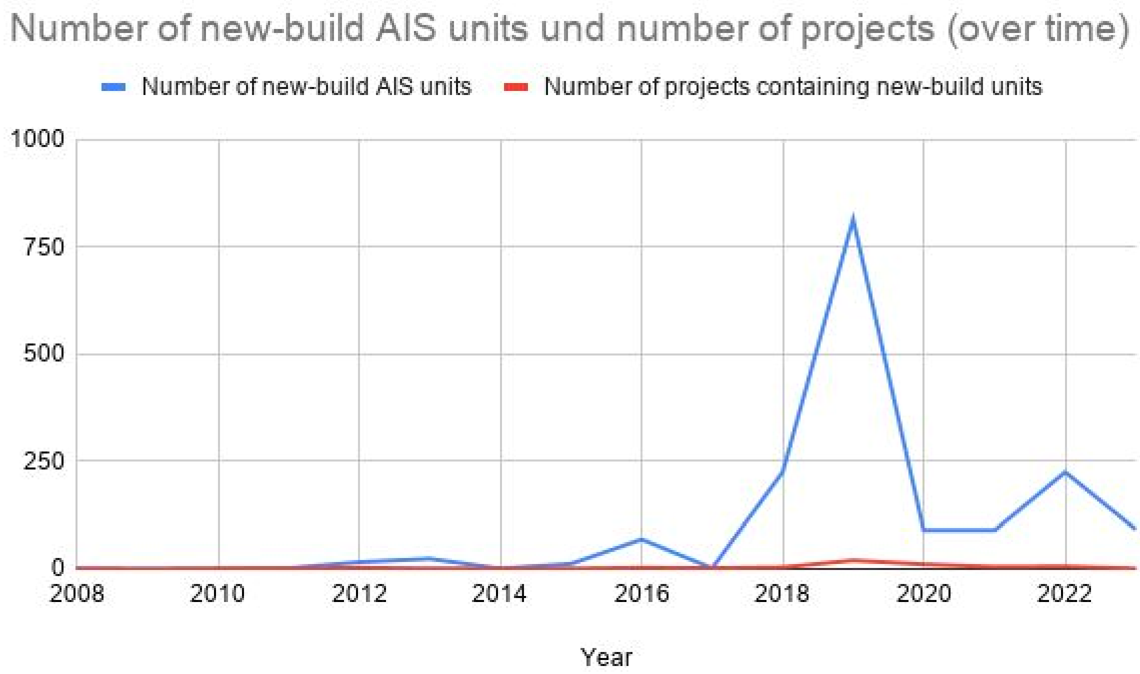
Graph 2: Projects that contain AIS dwellings per AIS



(Sources: All AIS; RBDH 2018)

It is a rather recent phenomenon that AIS started having new-build dwellings in their portfolios (see graph 3). The first such dwellings were delivered to the AIS Quartier in 2008. In the following ten years around 17 new-build dwellings were added to AIS' portfolios on average. In 2018 growth started picking up and surged after 2019. Between 2019 and 2022 an average of nearly 200 new-build AIS dwellings will have been added per year. This sharp rise in production points towards the growing popularity of the AIS model in the BCR.

Graph 3: Development of new-build AIS over time (constructed and planned units)



(Sources: All AIS; RBDH 2018)

The projects are distributed very unevenly across the BCR. As map 1 shows, the majority of projects can be found in the Western and North-Western part of the capital region, especially in the communes of Anderlecht, Haren, Schaerbeek and Molenbeek. Anderlecht is by far the most targeted commune, both in terms of AIS units and total dwellings produced. Apart from some rare projects - one project by *Inclusio* in Woluwe-Saint-Lambert and a couple of projects in Uccle and Forest -, the East and South of the BCR have not seen a similar surge in new-build AIS. There is a high (negative) correlation between income and where the AIS dwellings can be found as a majority of the projects are built in communes with lower socioeconomic standing (RBDH 2018).

Map 1: All new-build AIS dwellings

(Sources: All AIS; RBDH, 2018; additional data processing; Base maps: UrbIS, Bruxelles Environnement)

In a next step I break down the dwellings into the different types, from studios to units with more than six bedrooms. Of the 4’395 total dwellings only 2’361 can clearly be categorized. This is mainly due to the large *Erasmus Gardens* project in Anderlecht that consists of approximately 1’300 dwellings on its own but where I could not find accurate information on the percentage per dwelling type despite enquiring with the developer[11]. Of the 1’218 AIS dwellings 1’163 can clearly be categorized into studios or one to five bedroom dwellings.

[11] For more information on the project visit https://erasmusgardens.be/fr/

Only a small fraction of future projects had to be excluded because the plans had not been finalized yet. There are no dwellings with more than five bedrooms. This will be the sample I will continue to work with in the analysis.

Categorizing developers

Table 1 provides an overview of the categorization of developers. I do not combine the variables to form a category but I am simply interested in comparing them with each other, e.g. "For-Profit" with "Target Group: AIS". This automatically means that developers will appear in several categories[12].

Table 1: Categories of developers

Categories	Number of developers	Number of projects per category	Number of dwellings produced (total)	Number of dwellings produced (AIS market)	Average project size (number of units)	Average number of AIS dwellings per project	Percentage of AIS dwellings to total dwellings
For-Profit	33	39	4159	1043	107	27	25%
More-Than-Profit	3	15	901	342	60	29	38%
AIS	3	18	792	601	44	33	76%
Free market	33	34	3979	819	117	24	21%
Financialized	18	29	3432	919	118	32	27%
Non-financialized	14	26	1821	640	70	25	35%
Financialization status unknown	4	4	357	5	89	1	1%

(Sources: All AIS; Le Moniteur Belge; De Staatsbladmonitor; Developers' and promotional websites[13])

Taking a quick glance at table 1 already reveals a couple of general trends. Compared to Romainville's (2015) data set projects are very large. Even when we exclude the giant

[12] A developer can, for example, have a core business of constructing units that are destined for an AIS and at the same time be for-profit, as is the case for *Inclusio*, for example.
[13] For a full list of sources access the complete data set.

Erasmus Gardens construction projects are still larger on average than the majority of projects in Romainville's sample. What stands out in particular in my sample compared to Romainville's research is the strong presence of financialized developers - 50% are financialized. This is much higher than the 14% which Romainville (2017) found when investigating all real estate developers in the BCR.

Qualitative data

In total, I sent out eleven interview requests to developers and real estate agents. Requests were aimed at the three to four most productive developers of each of the aforementioned categories. *Trevi* was the obvious choice to represent real estate brokers due to their explicit focus on the AIS model with their Valuable Invest Product. No request was sent to developers that could not be categorized. I ended up conducting semi-structured interviews with a predetermined set of questions (see appendix) with five developers and one real estate agent from the *Trevi Group* working with the *Trevi Valuable Invest* product. Interviews lasted between 20 minutes and one hour. Two developers were not available for an interview by phone but agreed to answer the questions in writing[14].

Data Limitations

Before entering into the analysis, I would like to address some data limitations that could be obstacles for a sound quantitative analysis. First, the data set is quite limited, in terms of the number of developers for which all the information is available. A lack of information on developers impedes a clear categorization and, therefore, reduces the number of developers that can be compared with each other. The smaller the number of developers per category, i.e. the smaller the sample size, the less telling the results will be. Second, data on types of housing was incomplete in numerous cases. Either the total number of dwellings for the project or the distribution per apartment type was missing. Since I did not want to fully exclude a project due to missing data, e.g. in case one of the two numbers was missing, I assumed that the information I had was complete, even if this was not the case. For example if a project of 30 dwellings in total has five AIS dwellings with two studios and three one-bedroom apartments, but I did not know the percentage per type for the entire project I

[14] Transcripts of the interviews can be found in the Appendix. Interviewees have been anonymized, except Trevi which was the only real estate agency that was interviewed.

assumed that the distribution for the entire project was identical to the AIS dwellings. Also, if, for example, I did not know the total number of dwellings for a project I assumed that the AIS dwellings make up the entirety of the project. Although the way I handle incomplete dwelling data lessens the explanatory power of my data set I followed this path as otherwise the data set would have shrunk even further. Third, as I relied on interviewees to respond to my interview request, this may lead to a sample bias in my qualitative sample. But since this information does not form the core of my research but is just "icing on the cake", so to speak, I consider this sample bias to be negligible as it does not affect the findings in my quantitative data analysis. Fourth, I was not able to gather information on new-build construction from all AIS. I simply do not know whether they have any new-build dwellings in their portfolio and if they do, what type they belong to. But since I was able to gather information from 20 out of 23 AIS and the sample contains two AIS - LPT and AIS WSL - which seem to be significantly more active in managing new-build constructions than others, the findings are most likely representative for the entire sector. And last but not least, there are many variables that might implicitly influence my findings. The communes possibly might influence the developers and guide their project design to a certain degree. Some developers work with local demographic statistics to estimate demand in a certain area. As such data will vary across the region this may influence which kinds of units will be constructed. Given the limited sample size and, therefore, the inability to undertake rigorous statistical analysis, I am, of course, unable to control for this or other (missing) variables.

As it is not my main goal to analyze in depth the difference between the categories in terms of characteristics such as number of dwellings, projects, AIS dwellings, average (AIS) dwellings per project and the ratios, I will stop here. The previous section has described who we are dealing with on a more general note, without analysis of the internal characteristics of dwellings themselves. Some of these indicators would help explain locational choices, as described above, but cannot provide insights regarding what kinds of dwellings developers construct. The information provided above therefore purely acts as a starting point for my core research objectives, which go beyond a dwelling's facade. I will now move on and attempt to answer my research questions: How do the developers, depending on their characteristics, differ in terms of type of dwellings they produce? Are the products suitable as social housing, i.e. is there an overlap between demand for social housing and what is being supplied on the AIS market? How does financialization affect the locational choices of developers?

Analysis

Tables 2 and 3 show the absolute and relative numbers of units per type and category[15]. The purple and yellow columns on the far right side show all units without a categorization and the number of households on the SLRB waiting list per unit type. Since my work focuses on the supply side of housing and I do not have the means to estimate demand the SLRB waiting list for rental housing acts as a proxy for demand on the social renting market for 2019[16]. All but the SLRB column are divided into three: on the one hand, into AIS units and, on the other hand, the units on the private market and the total number of units when counting all of a project's dwellings - this is the sum of AIS and the private market. Numbers may differ from those in Table 1 because I only included units that could clearly be ascribed to a type.

I am interested in answering the following questions: 1) What is being built in general?; 2) Does the supply for the AIS market overlap with demand for affordable housing, measured in the type of housing produced? And which units are most numerous per category?; 3) Are there differences between what ends up with an AIS and the private market? I will undertake several comparisons within and between categories and between the categories and what is demanded on the social housing market.

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[15] Let us look at an example to understand how these numbers have to read. In Table 3 the "For-Profit" column and "AIS" subdivision, for instance, of a total 998 units 210 units are studios. This means that in this category 998 units are on the AIS market and 210 of those are studios. Table 4 provides the relative number. So sticking with the same field, 210 of 998 are studios which is equal to 21%.

[16] Numbers were provided by SLRB on request. Numbers show the waiting list on the 31.12.2019.

Table 2: Number of units per units type and category (separately per segment, AIS market, private market and total)

	For-Profit			More-Than-Profit			Target Group: AIS			Target Group: Private Market			Financialized			Non-Financialized			All Categories Combined			SLRB
	AIS	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**AIS**	**Private Market**	**Total**	**Waiting list (no. households)**
Studio	210	56	266	108	28	136	158	13	171	173	56	229	205	49	254	125	42	167	234	57	291	548
1-Br	274	212	486	47	88	135	112	44	156	214	212	426	247	180	427	146	122	268	307	221	528	21’247
2-Br	346	603	949	84	266	350	190	22	212	283	603	886	309	518	827	226	398	624	406	582	988	12’773
3-Br	127	296	423	72	150	222	109	12	121	108	296	404	116	255	371	106	205	311	161	294	455	8’691
4-Br	27	33	60	25	27	52	26	0	26	26	33	59	28	33	61	31	31	62	41	33	74	3’678
5-Br	14	11	25	6	0	6	6	0	6	14	11	25	14	11	25	6	11	17	14	11	25	1’325
6-Br	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	340
>6-Br	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	73
Sum	998	1211	2’209	342	559	901	601	91	692	818	1211	2’029	919	1046	1’965	640	809	1’449	1163	1198	2361	48’675

(Source: All AIS; Le Moniteur Belge; De Staatsbladmonitor; Developers’ and promotional websites[1])

[1] For a full list of sources access the complete data set.

Table 3: Percent per unit type and category (separately per segment, AIS market, private market and total)

	For-Profit			More-Than-Profit			Target Group: AIS			Target Group: Private Market			Financialized			Non-Financialized			All Categories Combined			SLRB
	AIS	Private Market	Total	AIS	Private Market	Total	AIS	Private Market	Total	AIS	Private Market	Total	AIS	Private Market	Total	AIS	Private Market	Total	AIS	Private Market	Total	Waiting list (no. households)
Studio	21,0%	4,6%	12,0%	31,6%	5,0%	15,1%	26,3%	14,3%	24,7%	21,1%	4,6%	11,3%	22,3%	4,7%	12,9%	19,5%	5,2%	11,5%	20,1%	4,8%	12,3%	1,1%
1-Br	27,5%	17,5%	22,0%	13,7%	15,7%	15,0%	18,6%	48,4%	22,5%	26,2%	17,5%	21,0%	26,9%	17,2%	21,7%	22,8%	15,1%	18,5%	26,4%	18,4%	22,4%	43,7%
2-Br	34,7%	49,8%	43,0%	24,6%	47,6%	38,8%	31,6%	24,2%	30,6%	34,6%	49,8%	43,7%	33,6%	49,5%	42,1%	35,3%	49,2%	43,1%	34,9%	48,6%	41,9%	26,2%
3-Br	12,7%	24,4%	19,1%	21,1%	26,8%	24,6%	18,1%	13,2%	17,5%	13,2%	24,4%	19,9%	12,6%	24,4%	18,9%	16,6%	25,3%	21,5%	13,8%	24,5%	19,3%	17,9%
4-Br	2,7%	2,7%	2,7%	7,3%	4,8%	5,8%	4,3%	0,0%	3,8%	3,2%	2,7%	2,9%	3,0%	3,2%	3,1%	4,8%	3,8%	4,3%	3,5%	2,8%	3,1%	7,6%
5-Br	1,4%	0,9%	1,1%	1,8%	0,0%	0,7%	1,0%	0,0%	0,9%	1,7%	0,9%	1,2%	1,5%	1,1%	1,3%	0,9%	1,4%	1,2%	1,2%	0,9%	1,1%	2,7%
6-Br	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0,7%
>6-Br	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0,1%
Sum	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

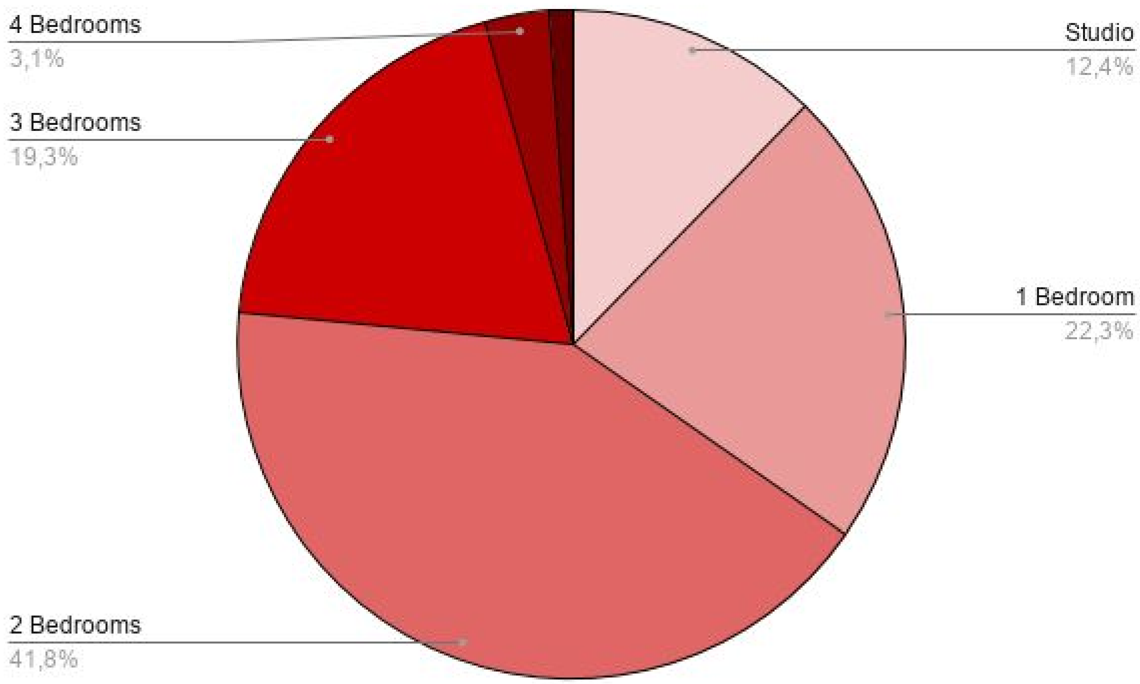
(Source: All AIS; Le Moniteur Belge; De Staatsbladmonitor; Developers' and promotional websites[2])

[2] For a full list of sources access the complete data set.

What is being built?

Looking at the column containing the total number of dwellings per type in the section "All categories combined" tells us that around 95% of all units have three or fewer bedrooms (see table 3). Around three quarters of all units have two or fewer bedrooms. This is true for all categories when looking at total units produced. The two-bedroom unit is the most constructed type for the projects within my sample across all categories. Small units, studios and one-bedroom units make up between one third and nearly 50% of all dwellings, although the percentage of each differs depending on the category. None of the categories stands out by producing substantially more units with four or more bedrooms than the mean. And none of the developers builds units containing more than five bedrooms (see graph 4).

Graph 4: Total production per unit type, all categories combined



(Sources: Developers' and promotional websites[17]*)*

[17] For a full list of sources access the complete data set.

Does supply of AIS housing overlap with demand? A general comparison

The simple answer is a resounding "no". In absolute numbers AIS units can only provide a fraction of what is demanded on the affordable rental market (see table 2). But to assess whether the AIS model is a viable alternative for affordable rental housing and in particular whether it is a model worth expanding, looking at the percentage distribution is more conclusive. If the percentage per type of unit mirrors the SLRB waiting list to a certain extent, then promoting and ramping up an AIS model could contribute to reducing housing needs. Looking at table 3 and comparing the AIS units in the column "All Categories Combined" with the SLRB waiting list shows that units with three bedrooms and more make up a relatively small percentage of AIS housing, only 18,5% of units. But according to the SLRB waiting list 29% of households are looking for units with three or more bedrooms. This imbalance is mainly due to a severe shortage of dwellings with four bedrooms or more. More than twice as many households, relatively speaking, are looking for that sort of housing than is provided by the AIS. And as mentioned earlier, there is no supply at all for the 1% most numerous households, i.e. those looking for units with six and more bedrooms.

On the flipside, looking at smaller units with two bedrooms or fewer also reveals a lopsided picture. 20,1% of AIS units are studios but only 1,1% of households are on the waiting list for a studio. Two-bedroom units are oversupplied as well although not as strongly as studios. The two-bedroom unit is also the most common dwelling type in AIS portfolios. The opposite is the case for one-bedroom apartments. They only make up 26,4% of AIS supply but 43,7% of demand. In a nutshell supply is not very well tuned to demand. When looking at AIS units without categorization compared to the SLRB waiting list we can sum up the findings in following key points: 1) There is a strong oversupply of AIS studios; 2) There is a strong undersupply of one-bedroom apartments; 3) The two-bedroom unit is the most numerous and it is oversupplied; and 4) There is a severe undersupply of AIS units with three bedrooms or more. My first hypothesis, i.e. the expectation that the AIS market mirrors demand for social housing and the composition of households on the SLRB waiting list, is incorrect.

But are these disparities true across the board or do certain categories of developers perform better than others in matching demand? In the following three sections I will assess whether there is a difference between the categories with different target groups and profit goals. This will show whether developers pursuing an explicit mission of producing affordable housing can better gauge the demand side.

Does supply of AIS housing overlap with demand? Comparing categories

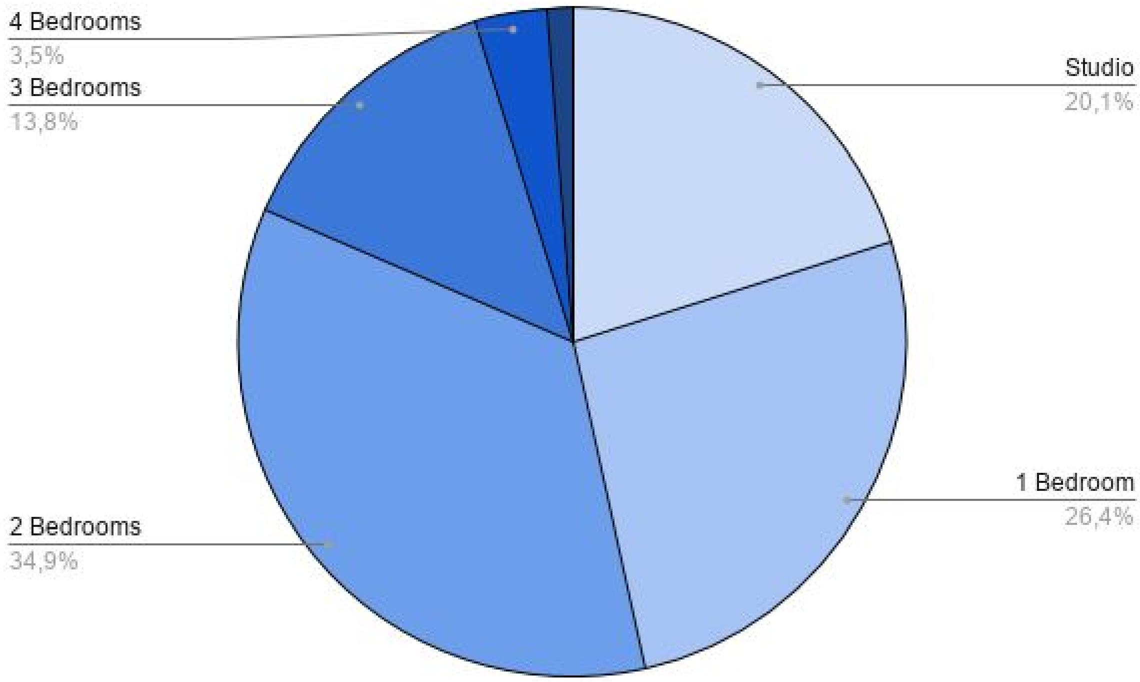
Categories “More-Than-Profit” and “Target Group: AIS” seem to provide more larger dwellings for AIS use than others. Whereas for the groups “For-Profit” and “Target Group: Free Market” around 17% of AIS units consist of three or more bedrooms, for the other two categories this number lies above 23%. The category “More-Than-Profit” has the highest percentage of large AIS units with just above 30%. This category is also the only group that comes close to producing enough four-bedroom units, relatively speaking (see table 3). It also has the highest share of five-bedroom AIS units. Unfortunately, it is also the least productive group in terms of constructing AIS dwellings in absolute numbers (see tables 1 and 2). The two-bedroom unit is the most prevalent AIS unit for all categories except for the group “More-Than-Profit” where it is the studio. This is, however, mainly due to the project *Ekla* at Gare de l’Ouest in Molenbeek that largely contains studios. Without this project the two-bedroom dwelling would be the most prevalent across the board. All categories show a strong oversupply of studios compared to the SLRB waiting list. This oversupply is most pronounced for the categories “More-Than-Profit” and “Target Group: AIS”, i.e. the two groups specifically trying to provide affordable housing in the BCR. On the flipside those two groups have a lower share of one-bedroom units than the others do.

When looking at AIS units per category we can sum up the findings in the following key points: 1) There is a strong oversupply of AIS studios across the board. This oversupply is especially pronounced for those categories vowing to produce affordable housing and specializing on the AIS model; 2) There is a strong undersupply of one-bedroom apartments for all categories. The groups “More-Than-Profit” and “Target Group: AIS” are the two most extreme cases; 3) The two-bedroom unit is the most numerous and it is oversupplied, except for the category “More-Than-Profit”; and 4) The categories “More-Than-Profit” and “Target Group: AIS” provide sufficient three-bedroom units, the other two do not; 5) There is a severe undersupply of AIS units with four bedrooms or more. The category “Target Group: AIS”, but especially the category “More-Than-Profit”, fares less badly in this respect. My second hypothesis - i.e. that “traditional” developers build the most profitable units but developers pursuing other goals than pure financial profitability and who produce specifically for the AIS that show a stronger overlap with demand for social housing than “traditional” developers - is partially true. There is a difference in unit mix depending on the categories of developers. Traditional” developers, according to the interviews, select the mix of units depending on profitability. Large units, for example, are no worthwhile building because nobody will be willing to purchase them. Specialized types of developers show a different unit mix but they do not build fully according to demand, as there is not a complete overlap with their production and the SLRB waiting list.

AIS units versus units on the private market

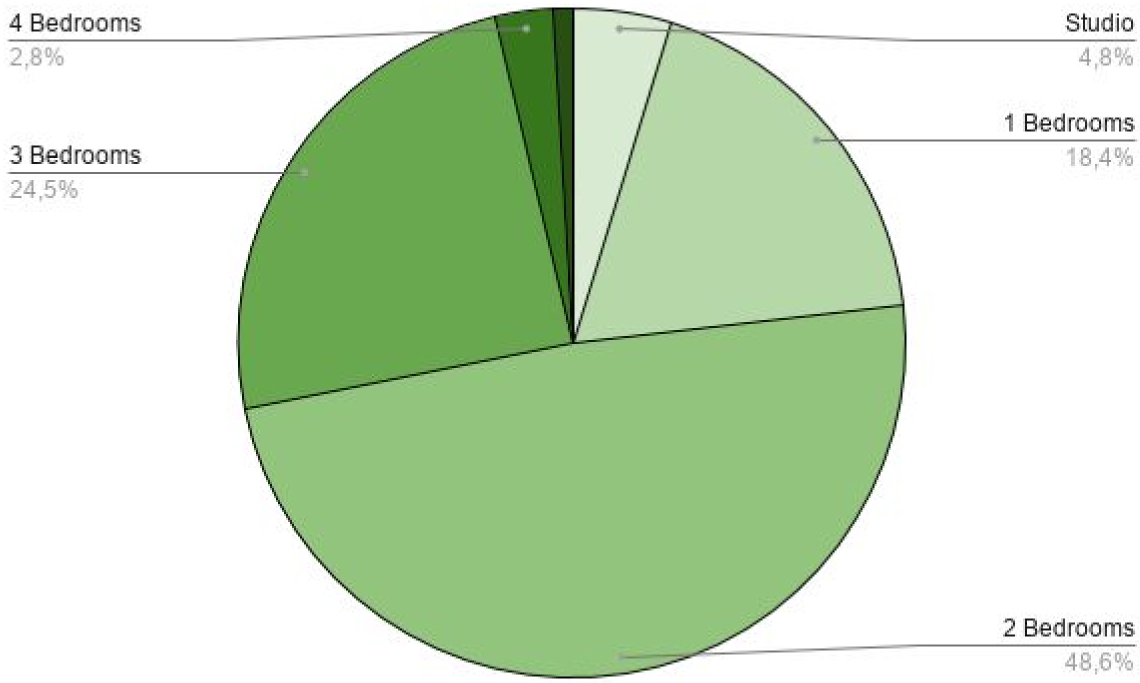
Graphs 4 and 5, respectively, show the percentages of each type of dwelling - AIS and private market. For both the private and the AIS market around 95% of dwellings consist of three or fewer bedrooms. But the percentage distribution per dwelling type differs quite substantially between AIS portfolios and the units on the private market (see graphs 4 and 5). Whereas, for the private market around 73% percent of the dwellings are two- (48,6%) or three-bedroom (24,5%) apartments this percentage sinks to about 49% for AIS dwellings - 34,9% are two-bedroom and 13,8% three-bedroom. AIS dwellings consist to a large extent of studios (20,1%) and one-bedroom dwellings (26,4%). Smaller apartments are much rarer on the private market for the projects in my sample - 4,8% are studios and 18,4% one-bedroom apartments. Units with four and more bedrooms are rare, both in AIS portfolios and the free market. In absolute numbers, despite producing far fewer units in total, there are more units with four and five bedrooms in the AIS segment than on the private market (see Table 2). Breaking down the findings per unit type tells us: 1) On average units on the AIS market are smaller than units on the private market; 2) The AIS market contains more studios and one-bedroom units compared to the private market; 3) Especially the studio takes up a much higher ratio - a difference of factor four - on the AIS market than on the private market; 4) Both two- and three-bedroom units are much rarer on the AIS market - there are 50% more two- and almost 100% more three-bedroom units on the private market, relatively speaking; 5) The AIS market offers slightly more units with four or more bedrooms. Hence, my third hypothesis, i.e. that units on the AIS market are larger on average than those on the private market, is false. The opposite is true, in fact.

Graph 5: Percentage per unit type, AIS market



(Sources: All AIS; RBDH, 2018)

Graph 6: Percentage per unit type, private market



(Sources: Developers' and promotional websites[18])

How does financialization impact locational choices?

For both groups "Financialized" and "Non-Financialized" there seems to be no clear evidence for diverging spatial strategies (see maps 2 and 3). Both categories build mainly in the West and North communes of the BCR as is the case for the totality of projects. It becomes interesting, however, when comparing these findings with Romainville's (2017) sample. According to her sample of projects financialized developers "*are over-represented in expensive areas; the upmarket peripheral and business districts. Financialized developers only have a marginal presence in the central, poorer and cheaper areas, whether undergoing gentrification or not, where they are under-represented*." (ibid.). The opposite is true for non-financialized developers in Romainville's sample (see map 4 and 5). According to her research non-financialized developers have mostly been excluded from upmarket neighborhoods due to fewer financial resources. Instead they have adjusted their strategies, which among others include trying to close the rent gap in areas Romainville (2015) calls "*centre gentrifié*", "*croissant pauvre sous pression*" and "*croissant pauvre*". The "*centre gentrifié*" refers to the central, dense neighbourhoods that were under gentrification in the 1990s. Population turnover is high, median income is below the Brussels average, rents take up a large part of incomes and a large proportion of housing has been renovated. The area "croissant pauvre sous pression" includes poor neighbourhoods, where houses are generally semi-detached, dating from the 19th century. They are often over-occupied and homeowners are overrepresented. Housing prices are below average but rising, and the ratio of rents to incomes is above average. The "*croissant pauvre*" has the same characteristics as the "*croissant pauvre sous pression*" but house prices are not increasing and the ratio of rents to incomes is within the regional average.

[18] For a full list of sources access the complete data set.

Map 2: Projects with AIS units, Financialized developers

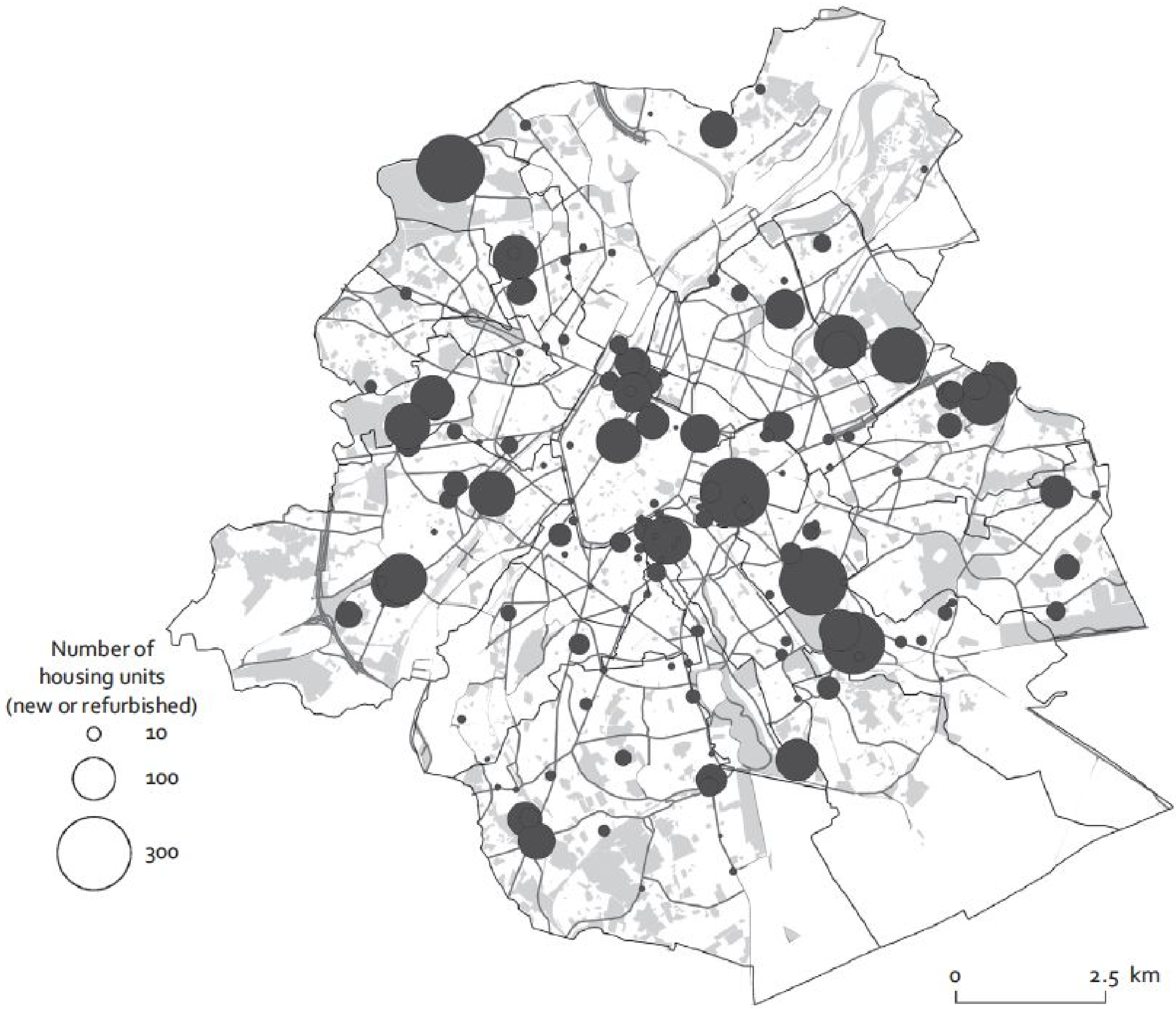
(Sources: All AIS; RBDH, 2018;Le Moniteur Belge; De Staatsbladmonitor; additional data processing; Base maps: UrbIS, Bruxelles Environnement)

Map 3: Projects with AIS units, Non-Financialized developers

(Sources: All AIS; RBDH, 2018; additional data processing; Base maps: UrbIS, Bruxelles Environnement)

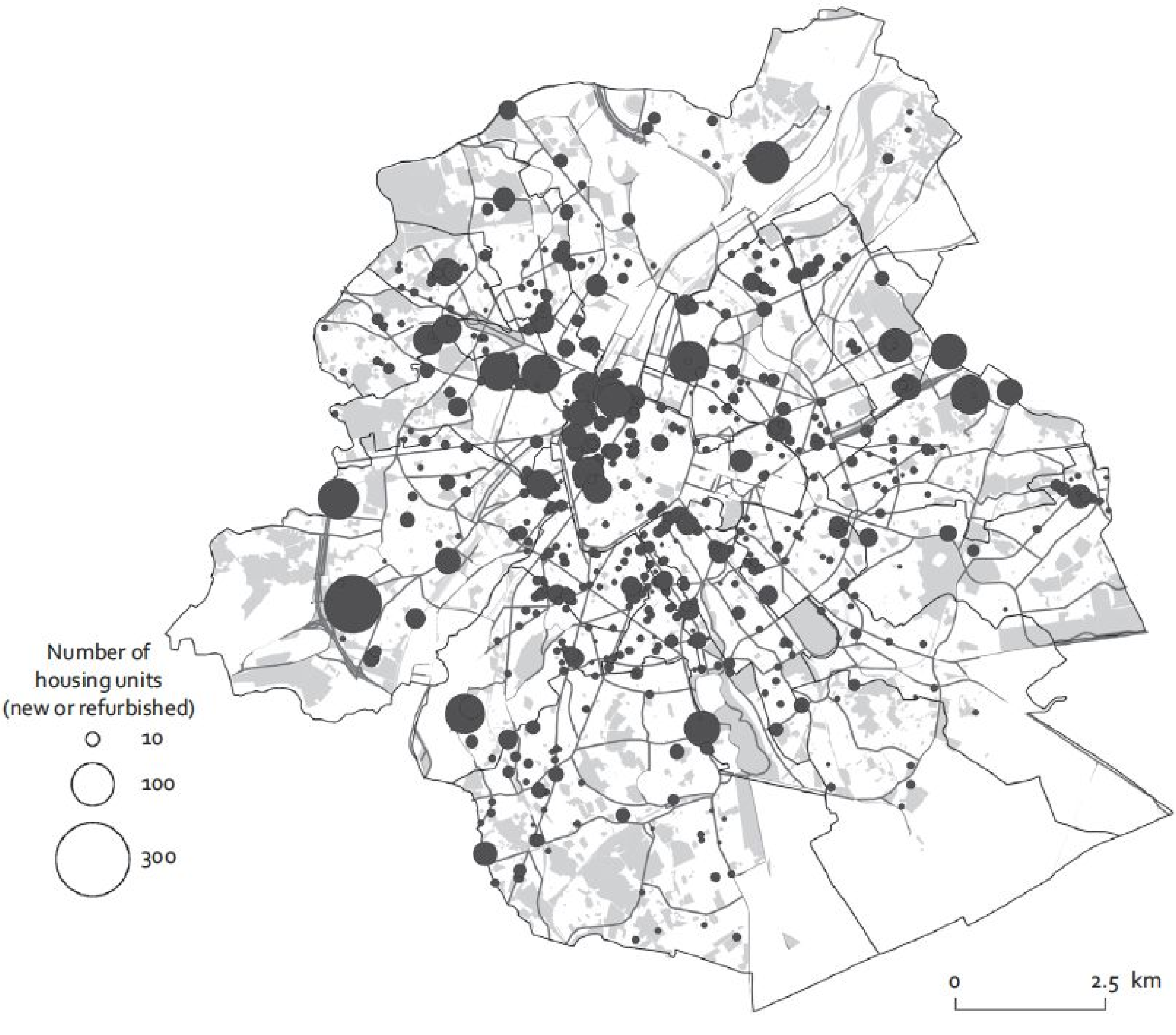
One must say that this pattern may have changed due to the time that has elapsed since Romainville conducted her study - she looks at building permits that were handed out in the years 2003, 2007, 2008 and 2011. And there may be different reason for the disparities between my and Romainville's (ibid.) sample. But in any case, my fourth hypothesis, i.e. that locational patterns differ depending on whether a developer is financialized, is not true either.

Map 4: Financialized projects (Romainville)



(Source: Romainville, 2017)

Map 5: Non-financialized projects (Romainville)



(Source: Romainville, 2017)

In the following section I will elaborate on the findings from the quantitative research and put them into a wider context of issues surrounding lack of affordable housing, moving patterns and the gentrification debate in the BCR and beyond. I will use both fragments from the interviews and other research to make sense of the findings and try to explain why we see certain differences in typology and locational patterns.

Discussion

At this point I would like to mention that the following explanations cannot be statistically proven due to a limited sample size. Nevertheless, it is worth doing this exercise, in particular to guide future research in certain directions that would be able to test the following claims. It is my goal to selectively provide potential reasons that can explain certain aspects of the typological and spatial patterns described above. I will start by describing what could cause the distinctive typological patterns and then move on to what might drive spatial choices, with a focus on financialized developers.

The dynamics behind the AIS market

Let me recap some of the key findings from above that stand out the most. 1) Developers in general have a preference for smaller units - three bedrooms or fewer. In general when comparing AIS units with the SLRB waiting list we see that 2) there is an extreme oversupply of AIS studios; 3) there is a severe undersupply of AIS units with three or more bedrooms. Focussing on the individual categories and comparing them to the SLRB waiting list tells us that 4) the categories "More-Than-Profit" and "Target Group: AIS" are more adept at covering demand for large units with three or more bedrooms, relatively speaking. When looking at what makes its way to the private and what to the AIS market we see that 5) for all categories combined there are far more smaller units, i.e. studios and one-bedroom apartments, on the AIS than on the private market. The difference is especially large for the groups "For-Profit" and "Target Group: Free Market".

Acknowledging these findings we can ask ourselves: Why do developers build what they build, i.e. why do they seem to have a preference for smaller units? What is the reason for the popularity of the AIS studio? Why do the categories "For-Profit" and "Target Group: Private Market" contain fewer larger AIS dwellings with three or more bedrooms when the other categories do better in this respect? Why do groups "For-Profit" and "Target Group: Private Market" have significantly fewer one-bedroom and studios, in particular, on the private than on the AIS market and why is this pattern reversed for two- and three-bedroom units?

Adapting to demographic factors

“Traditional” developers seem to follow demographic trends of their target audience, i.e. buyers that can afford and are looking to purchase a unit, either to live there themselves or as an investment. When the household size of the target audience is small they will adapt their products accordingly. In the BCR as a whole the household size has been growing slightly over the past 20 years. This is mainly due to an increase in household size in poorer communes, like Anderlecht, Koekelberg, Molenbeek, Saint-Josse-Ten-Noode and Schaerbeek, whereas richer communes have not experienced a similar increase (Brussels Institute for Statistics and Analysis, 2019a; Brussels Institute for Statistics and Analysis, 2019b). At the same time the BCR is experiencing a large influx of young, mostly single migrants, both Belgian and international, but families with children are leaving the BCR (Deboosere et al., 2009).

> *“We see the population numbers and how it evolves. We also see the amount of households. Our demand is the amount of households. We adapt our product to trends which are clear in the households over time. That is why we adapt to those future trends, new ways of living. We are not building what is currently existing in the place. We are building what will be requested in the future. [...] If you build a four-bedroom flat, nobody is asking for that.[...] Households are getting smaller and smaller. Who needs four bedrooms nowadays? I need four bedrooms for example, I have three children, but that is not in the city center. If you have many children, you often live in the outskirts, have your children play in the more rural area, let’s say. But if you have one to two children it is easy to live in the city as well.” (Interview developer 1)*
>
> *“The first question is who are we doing it for? It depends on who you build for. The definition on what you are going to do depends on what the target public needs. For instance, it would not work if you built four-bedroom flats in the city center. If you target your four-bedroom flats for families, that is a dead end. Because the surface is too big, so the apartments are too large, so they cost too much for that family. [...] We cannot invest in four-bedroom flats if nobody will take it on at a price where we do not make a loss. [...] A*

family that can afford 1'000'000€ for a home will not move to a four-bedroom flat in the city center. They will move to the outskirts. So either those families in need of a four-bedroom apartment in the city center are pushed towards subsidized housing and the public sector or they have to leave the city. Unfortunately, there is no middle way." (Interview, developer 2)

"I mean before buying a property we go for walks in the area, to restaurants, we are trying to understand the environment, the people who are living there to define the target. [...] The meaning [of Belgian Land] was really to build first step accommodation for young people in Brussels and other big cities. [...] We are looking at okay: "what are young working people earning?" But if they do not have help from their parents or so they do not have access to projects from CityDev. What is the price they can pay? Taking into account that they will spend 1/3 of their revenue to real estate, it was about 2300-2500€/m^2 excluding VAT. So that was our target. [...] And there are lots of developers who are doing middle- to high end apartments. It was related to that particular market. It [our product] is between social and middle housing." (Interview, developer 4)

Demographic change and migration patterns of young people may create a trend towards an increased supply of smaller units by developers in general. The quantitative data shows that this claim seems to be accurate. But demographic trends cannot explain why there is such a divergence between what is demanded on the social rental market and what is offered by the AIS market and why categories differ significantly among each other in this respect. To answer those questions we must look no further than the inherent set-up of the AIS model.

Investors prefer more "liquid" units with higher returns

As described above a unit can make its way to an AIS from a developer in two ways. Either the units stay (partially) in the developer's portfolio, a deal is struck between an AIS and the developer and the unit is rented out by the AIS. Or a developer sells the unit to an individual (or institutional) buyer/investor who then decides to rent out the unit with an AIS. The main differences are that in the latter case a sale must precede the rental via AIS which is not necessarily the case for the former and the developer cannot influence whether a unit will make its way onto the private or the AIS market. The buyers/investors are the key players who decide which market their unit will be placed on to generate a return, the private or AIS market. Developers specializing on the AIS model tend to maintain ownership over (some of) the units they produce or at least they sell the units with a predetermined rental agreement with an AIS to investors who are seeking more than financial returns. It would not fulfil their mission if their units did not make their way onto the social AIS market.

"Currently, all projects remain in our portfolio. We are looking at the possibility of doing otherwise but then this will have to be conditioned and if we sell a project, we have to make sure that it remains rented to an AIS since our social mission is to produce housing for AIS in the long term." (Interview, developer 5)

Developers, on the other hand, who do not focus on the AIS model but the AIS units just make up a fraction of their usual products have the pressure to sell a unit on the private market. So what is being built in the first place and what is being bought by investors depends on what kinds of units investors favor financially.

"Yes [we adapt our product to the buyers needs]. Of course we have the regulations of minimum standards - minimum dimensions of the bedroom, kitchen, etc. This of course we respect. But we make more of an effort to get closer to this minimum standard, which is obliged. That is a fact." (Interview, developer 1)

"Are there certain types of units that we always want to construct because we know they are way less risky? Yes absolutely. Studios and one-bedroom flats are the best way to reduce your risk. Why? Because they are way more liquid. Meaning that in absolute terms they cost less, they are cheaper. Although by m^2 they are more expensive. This is logical as you concentrate all functions on a smaller space meaning you have to invest more per m^2 the smaller the unit it. But as in absolute terms the budget is affordable to a much larger public, many more people can buy it. Whereas the bigger the unit the more it will cost, inevitably, also to the final buyer. And as prices go up people who can afford it

become less numerous. [...] In absolute terms what you pay [for a studio or one-bedroom flat] will return more on investment than a two-bedroom flat where you pay much more in investment upfront for that second bedroom but you cannot charge much more in rent. The one does not compensate the other. The return on investment on the rental market is much higher on smaller units." (Interview, developer 2)

"We are not looking at it from that perspective [to purely be profitable] but from the need for quality housing for lower income groups. We seek to make our work known to [...] private investors who are looking for something other than a lucrative financial investment." (Interview, developer 3)

"I am developing for owner-occupiers. That is the way we design apartments. That is our target. But I will not choose our clients. If they want to buy, they buy. In our projects it is about 50/50 [investor versus owner-occupier]. The investment market is very important for new-build projects. [...] The investor looks at the price and looks in what he can invest. And in general they are buying smaller apartments. Studio, one bedroom, sometimes two bedrooms. Some investors are just looking at the price and the rents. And others are investing in a place they want to live in the mid to long-term. Those people are buying bigger in general." (Interview, developer 4)

"It is the natural market effect. If you have two apartments with two-bedrooms one with 80m^2 and the neighboring apartment has two bedrooms but with 100m^2. It [the bigger apartment] is more expensive but has less rendement [= return]. So it is less interesting for an investor to buy the big apartment instead of the small one. As usual the investor prefers to buy compact and small apartments: a small studio or small one-bedroom apartments." (Interview, real estate broker)

Smaller, compact units are more "liquid", meaning a larger part of the population can afford them, the studio being the most "liquid" of all. Larger units, especially those with four bedrooms and more, have a larger surface and therefore cost more, and so the pool of potential buyers shrinks. The high liquidity of a unit type makes certain units more attractive to build in order to attract investors. Investors in general shy away from purchasing larger units. Except, of course, if you can find investors whose goal it is to specifically provide housing for lower income groups. They will be willing to buy even the larger units at a substantially higher price and lower return on investment to fulfill this goal. This is the case for developers of the type “More-Than-Profit” and “Target Group: AIS”. So the high liquidity of and the return associated with smaller units can explain why developers building mainly for the private market lean towards smaller units, despite higher construction costs per m^2, and investors prefer purchasing them. Since the AIS model depends on investors placing their units on the AIS market this logically means that the smaller units will be more numerous in the AIS market than larger ones. This is especially the case for developers from the categories “For-Profit” and “Target Group: Private Market”. Due to the fact that categories “More-Than-Profit” and “Target Group: AIS” have investors who care about more than returns, these categories also contain more larger units. But these arguments still do not explain the differences between the percentage distribution per unit on the private versus the AIS market. For this we must look more closely at how demand is made up on the private market because demand does not only consist of investors but also of owner-occupiers.

Investors versus owner-occupiers

Buyers can purchase a unit for two reasons: 1) Either they buy to live there themselves (or for a family member to live there) - let us call them “owner-occupiers”; 2) They view the purchase of real estate as an investment to generate returns, a revenue stream which they consider an option that is not particularly risky and still generates a steady revenue, either through rental or resale - this group will henceforth be called “investors”. But how does this split cause alter the configuration of units on the AIS or the private market, respectively?

> *“The most important difference to make is between investors and owner-occupiers. Investors will always look at their rental revenue. And which percentage of return he can get on his investment. We see also for this kind of client that they want to have compact apartments. Not the big rooms, the penthouses. They are looking for the compact ones. Studios, one-bedroom apartments but smaller than 65m^2 because the rental revenue for a one-bedroom apartment of 65m^2 or 75m^2 is almost the same revenue but the investment*

is around 20% higher. That is why the investor will always look at the more compact units. Then you have the owner-occupiers. They will be ready to pay for the 10m^2 extra to have the extra space if they are living in that space every day. [...] The amount of investors has increased a lot over the past ten years. This is a general trend for the whole of Belgium. Real estate is getting more and more expensive. They [investors buying real estate] are starting to enter in this rental market. They are also looking for an easygoing life. [...]. The average today is 50/50, investors versus owner-occupiers. [...] But we always make a split. Not all units must be small and compact. You can also give bigger surfaces to certain apartments of the projects, penthouses, larger balconies, etc.. You can more easily give more m^2 because you will find an owner-occupier who is willing to pay a little more than an investor in order to get this little bit higher quality of life. Because he sees this not as a temporary solution but as a more permanent location." (Interview, developer 1)

"We also know that for studios and one-bedroom flats, there are either people with their little savings who say:"I just want to live in a comfortable new home, with contemporary comfort, but I know I will not have kids, I just live outside, am in bars, with my friends, and I do not care about three bedrooms. I just want to live comfortably." That is a target group that will invest to live there themselves. But at the same time that unit is also the ideal investment unit." (Interview, developer 2)

"Of course [this split is the same for the AIS market]. For private and social market the rendement (=return) is the same. It is better to buy a small apartment than a big one. For example, you buy a two-bedroom apartment [on the private market] with 80m^2, you rent it for 850€. You buy the same apartment but 100m^2, you rent it for 1000€. The difference in price is 20% but the difference of rent is not 20%, it is 10% maybe. So it is just math. The investor on the private and social market prefers small apartments because they have better rendement. [...] For me people who buy big apartments for renting or investment, they are not real investors. They often buy an apartment and say "ok I buy a big apartment, I rent it now, and maybe in 5-10 years I go to live there myself." They do not buy with their wallet, they do not buy with the rendement. They buy an apartment they like

because maybe they themselves will go inside one day. It is not the same vision of investment." (Interview, real estate broker)

This split between investor and owner-occupier which exists for profit-driven developers selling on the private market creates a distinct pattern for units on the AIS and the private market, respectively. It leads to the paradoxical situation in which the private market actually consists of fewer smaller units - studios and one-bedroom flats - than the AIS market despite the severe difficulties larger households encounter when looking for affordable housing (Dessouroux et al., 2016). However this makes total sense, when considering how the AIS model is constructed. Investment logic, i.e. returns as the driving force, is at the core of the AIS model. Therefore, considering the return on investment, a buyer will most probably opt for a smaller unit. As seen in the interview fragments, this is the case for both the private and the AIS market. The difference between the two market segments is that the AIS market consists exclusively of units that were purchased for investment purposes. During the AIS socialization period 100% of buyers can be seen as investors, what happens after this period has ended is up to the investors. They might keep being investors or move into that unit and become owner-occupiers. According to investment incentives AIS units will have the tendency to be small. I have shown this extensively above. But this is not the case for the private market. Assuming that buyers currently consist of 50% investors and 50% owner-occupiers, which was suggested by several interviewees, tells us which part of the demand can be found on the private market of the projects in my sample. Assuming that the AIS market consists of 100% investors it is safe to assume that for the projects in my sample the private market will be a majority of owner-occupiers. Owner-occupiers will be willing to pay more for the extra space, the additional room, for the second or third bedroom, and therefore units on the private market will be larger on average. You will, however, still not find many very large units with four bedrooms or more on the private market. First, barely any are being built in the first place. And secondly, they are simply too expensive (see previous two sections).

I will offer an easy example from my data set to show exactly how this split between investors and owner-occupiers affects the size of units on the AIS and private market (see Table 4). *Belgian Land* is a developer that fulfills the criteria to belong to categories

“For-Profit” and “Target Group: Free Market”. One of their projects is called *Emaillerie* and is located in Molenbeek. The project contains 63 units in total - three studios, 19 units with one bedrooms, 32 with two, and nine with three bedrooms. There are no units with four or more bedrooms. Now let us assume that the buyers’ market consists of around 50% investors and 50% owner-occupiers as was stipulated during the interviews. Let us say that 31 units will be bought by investors and 32 by owner-occupiers. The investors will base their purchase on return on investment and will accordingly buy all the studios and one-bedroom flats, plus the nine cheapest two-bedroom units with the highest return. After the purchase has been completed the investors will ask themselves whether they should rent out the unit on the private or the AIS market. From my sample I know that 21 units ended up on the AIS market - all three studios, 13 one-bedroom and five two-bedroom units. Two thirds of all investors’ units are rented out on the AIS market - 21 of a total of around 31 units - and only one third on the private market. This again means that ten of the remaining investors’ units - i.e. six one-bedroom and four two-bedroom units - are being rented out by the investors and 32 units - i.e. 23 two-bedroom and all the three-bedroom units - are being occupied by owner-occupiers themselves. On average there will be fewer small units on the private market and the average unit on the private market will be bigger.

This example shows how the split between investor and owner-occupier influences which units end up on the AIS and which on the private market and that those on the private market tend to be larger. Now I would like to move on from discussions about typological patterns to interpreting developers’ spatial choices. RBDH’s (2018) research on the AIS model already revealed a lot about spatial distribution of AIS units and how it is reinforcing the socio-spatial divide in the BCR. While my findings confirm this claim I would like to focus on financialized developers and assess the spatial patterns of their projects and mainly discuss how the presence of AIS units might influence this distribution.

Table 4: Example investor versus owner-occupier

	#Studio	#1-BR	# 2-BR	# 3-BR	Sum	Average unit size
Total project	3	19	32	9	63	1,7
Sum	3	19	32	9	63	
Investor	3	19	9	0	31	1,2
Owner-occupier	0	0	23	9	32	2,3
Sum	3	19	32	9	63	
Investor (AIS)	3	13	5	0	21	1,1
Investor (Private market)	0	6	4	0	10	1,4
Owner-occupier	0	0	23	9	32	2,3
Sum	3	19	32	9	63	
AIS market	3	13	5	0	21	1,1
Private Market	0	6	27	9	42	2,1
Sum	3	19	32	9	63	

(Sources: All AIS; Developers' and promotional websites[19])

Drivers of locational choices for financialized developers

Let us quickly refresh our memory on the key findings regarding the distribution of financialized projects: 1) There seems to be no evidence that could let us believe that spatial patterns differ between financialized and non-financialized developers; 2) Contrary to Romainville's (2017) sample financialized developers mainly build projects with AIS in neighborhoods she classifies as "*centre gentrifié*", "*croissant pauvre sous pression*" and "*croissant pauvre*" and they do not appear to construct in upmarket areas. These findings

[19] For a full list of sources access the complete data set.

should make us wonder what the difference is between financialized projects in my sample and other financialized projects?

The AIS model: increased speed of sale, lower immobilisation of capital

In Topalov's (1974) work on real estate developers in France he puts forward the following equation to calculate a developer's net profit rate which is key in deciding which project opportunities to pursue and which to pass on.

$$M' / CT$$

M' is the net margin, which is equal to the turnover (= number of units multiplied by their respective price) minus the costs of construction and the price of the land. *C* is the capital for project development, i.e. the equity capital committed by the developers themselves excluding loans. And *T* is the duration of immobilisation of this capital, i.e. the time the capital is "illiquid" by being bound up in concrete. From the equation you can easily see that the lower *T* the higher a project's net profit rate[20]. According to Topalov (ibid.) to reduce the length of time its capital is tied up, the developer will mainly try to reduce the sale period - the other elements of *T* being largely beyond his control, i.e. the time it takes to obtain authorizations and the duration of the work, among others. However, this sales period depends on the units' selling price chosen by the developer, which in turn depends on the state of demand for real estate. In general you can say that the lower the price, the faster the dwellings will sell.

"We try to sell as much as quickly as possible to reinvest the money in another project. We will not sell the whole project in one month at a 10% discount. We need a margin as well. So we cannot sell at any price to go for a very fast sell. We need a balance between the price and the speed of sale. The balance between those two is the challenge." (Interview, developer 1)

"Yes, absolutely. It [lower immobilisation of capital] would make it much cheaper. And that is not a secret. As an internal valuation we say. Every Euro that is being blocked for

[20]For example, both the expenditures during the planning/construction process and interest rates payments for loans that have taken to finance a development are less high the shorter *T*. See Topalov (1974) for more details.

one year costs us 10% because we could have made money out of that Euro. But when we buy a plot and we pay an architect, our staff, for all the studies, etc. all that is being done upfront. All that money is being invested but does not generate anything. It is sitting there. And that costs like 10% a year. Even for a regular plot, even for 20 apartments, that will easily go above 1'500'00€. That is a lot of money every year in time lost. Time lost has its immediate repercussions on the final price that the market has to pay for new construction. That slowness of decision-making is one of the reasons why real estate is so expensive and so much more expensive than elsewhere. [...] You can sell faster [with the AIS model], yes. But the thing is, the selling process is one thing. But it is making sure you have your permit. You cannot sell before having your permit. Which is logical because the project does not exist as long as you do not have your permit. [...] If I would just give you a rough idea. Getting the permit takes three years. Selling takes one and a half years. Depending on the size of the project this increases by the same factor. A permit takes twice as long as commercializing a project in general." (Interview, developer 2)

"I think it [the AIS investor] is a third type - there are classical investors, owner-occupiers, and AIS investors. So you have more potential clients. With the AIS the return is around 2.5-3% maximum. Many investors want to have more but with that system they do not have to take care of and pay anything. So it is a third kind of client for me. The total project will be sold faster because you have three clienteles instead of two. For me that is the way I see that. [...] At the start of projects you usually sell to investors because they can wait for two years to get the apartment and at the end to owner-occupiers. [...] The project Emaillerie at Gare de l'Ouest, for example, is the least expensive project in Brussels. Everything is sold. Completion is between the end of this year and February 2021. It is very fast. [...] Les Sources is going well. For the first phase we have 110 apartments and only 6 are left. The completion is also next year which is very good." (Interview, developer 4)

"For the developers it [selling with the AIS model] is a good solution to sell more fluently. To seduce the investors. So at Trevi we put the product on the market, we make nice beautiful marketing [...]." (Interview, real estate broker)

Developers cannot go down further and further with their prices just to increase the speed of sales and reduce the duration of immobilisation of capital. They need to find a "balance between price and speed of sale". But what if someone told developers that lowering sales prices was not the only option of increasing sales speed? What if prices were the same for the developers but for the buyers the final price somehow was lower? What if suddenly the pool of potential buyers were to increase? Well this is exactly what is the case for the AIS model.

The way the model works is that developers can sell at the same price but the final price the buyer pays is lower. This is due to the lowering of the VAT from 21% to 12% when a buyer decides to rent the unit out via AIS. The lowering of the VAT is kind of a subsidy that should incentivize buyers to opt for the AIS model[21]. This lower final price due to a lower VAT can be seen as another factor lowering *T* and, hence, increasing a developers net margin.

Furthermore, the AIS model can increase speed of sale in two more significant ways, which do not have anything to do with price. The model simply increases the pool of possible buyers and mainly of potential investors. With an AIS model you now not only have traditional investors who let their unit on the private market and owner-occupiers, but you also have AIS investors who, according to one developer I interviewed, differ from the traditional investor. Increasing the pool of potential buyers obviously increases demand and may lead to faster sales. But increasing the number of investors also implicitly increases sales speed because investors seem to have the tendency of buying earlier than owner-occupiers. So increasing the share of investors will likely mean that a bigger part of a developer's project is sold earlier in the commercializing period. Both these factors will lower *T* and increase a developer's margin.

But what does a lower *T* and a higher margin for the developer have to do with spatial distributions? According to Romainville (2017) financialized developers *"prefer to reduce risk by investing in already expensive areas, rather than taking a gamble and trying to close the rent gap by producing high-end housing in low- or middle-income areas."* If risk is the main determinant when deciding where to build, then lowering the risk of a venture could

[21] A small example will highlight the benefit for a buyer at sale. Let us assume a one-bedroom flat is for sale for 150'000€. If the buyer decides to live in the flat or rent it out on the private market, he/she will have to pay another 21% VAT on top of the sales price. This adds up to 181'500€, 150'000€ sales price plus 31'500€ VAT and another annual tax. If, however, the buyer opts for an AIS, the final price is only 168'000€, 150'000€ sales price plus 18'000€ VAT. This is a difference of 13'500€ when going for an AIS instead of the private market.

entice developers to invest in cheaper neighborhoods. And this is exactly what the AIS model seems to do, it lowers the risk for a developer by reducing the immobility of capital without having to lower sales prices. This could, at least partially, explain why financialized developers are becoming keener to invest in the West and North districts of the BCR.
Especially considering the fact that the AIS model is gaining in popularity and is actively being heralded as a valid investment option by real estate agencies. The rising numbers of new-build units with the AIS model show developers that this is an attractive option for investors. The interviews reveal that developers are very aware of this option although it currently it may only subconsciously guide spatial choices - several developers did not explicitly state that the New-Build AIS Model alters locational strategies. If this trend continues, however, if developers recognize the added value in it for themselves and begin to more actively integrate this model in their marketing, this could significantly alter spatial patterns in the BCR and enable more financialized developers to enter into locations that previously would not have been profitable.

Conclusion

In the past twelve years new-build AIS units have become a significant part of AIS portfolios. But from a typological perspective this model is flawed in two ways. On the one hand, production is being outsourced to mostly private developers who build what is least risky and most profitable for them. This means that in general there is a tendency to build smaller units with three or fewer bedrooms - these make up around 95% of supply, even more when you exclude developers who explicitly are trying to produce for low-income groups. On the other hand, more and more developers usually producing for the private market are jumping on the new-build AIS bandwagon. For those developers a sale must precede the entering of a new-build unit into the AIS portfolio. Investors prefer smaller units because they are more “liquid” and, above all, provide higher returns on investment. These two flaws in the AIS New-Build AIS Model are mutually reinforcing and lead to a situation in which 1) a majority of AIS portfolios consist of units with two or fewer bedrooms; 2) there is a serious lack of larger units with three or more bedrooms compared to the SLRB waiting list and; 3) due to split between investors and owner-occupiers there is paradoxical tendency that units on the private market are larger, on average, than those on the AIS market for the same projects.

But there are not only serious flaws in the New-Build AIS Model in terms of unit typology, the availability of public subsidies when purchasing a unit with the AIS model may actually allow financialized developers to enter market segments that previously had been too risky. The AIS model allows a developer to sell units faster. By doing so the time capital is illiquid is reduced and a endeavour becomes less risky. Development capital becomes less immobile which is an important factor in determining a project's profit rate. Whereas up to a few years ago financialized developers would stick to expensive areas, now we see them entering poorer neighborhoods in communes in the West and North of the BCR like Anderlecht, Molenbeek, and Schaerbeek. Is this a sign that global capital has reached the local neighborhood scale which marks the latest phase of gentrification (Smith, 2007)?

A substantial part of the population on the waiting list for social housing will not be served by the New-Build AIS Model. Moreover the New-Build AIS Model may actually be a factor in heralding a period of increased presence of financial players in poorer neighborhoods. This may drive up rents even further, lead to further displacement and forced migratory movement away from gentrifying neighborhoods, which has already been going on for years (Van Criekingen, 2008). What will the future of social housing look like if this model continues to prosper? Will the problem of overcrowding become even more severe for lower income groups (Dessouroux et al., 2016) as households squeeze into units which are too small for them? Will the waiting time to be granted large units increase even further? Will large families have no other option than to leave the city? And what will happen after the socialization period has passed and units enter the private market? And, most importantly we have to ask ourselves: Do we want a city that cannot accommodate those most in need of affordable housing?

Considering the obvious downsides of the New-Build AIS Model and the uncertainties associated with it, authorities have to ask themselves, whether it is worth the public subsidies. RBDH (2018) has shown that building public social housing is not much more expensive per unit than the New-Build AIS Model. If governments took up a more active role of providing social housing, then they could make their products suit demand. Units would have no socialization period and the pressure to make profit would be lower. This is of course the obvious answer and has been suggested by many urban actors in the BCR (RBDH, 2019a). If the AIS model is to persist, then it would need quite some fixes. The socialization period could be extended to prolong the availability of the units on the social rental market. The VAT reduction could be adjusted to the size of the unit - e.g. buyers would have to pay a higher VAT for smaller units than for larger ones - to incentivize the purchase of larger units with the New-Build AIS Model. Even under these circumstances it it very unlikely that very large units would be purchased, or even constructed in the first place, which would leave large families underserved. Maybe a mixture of the New-Build AIS Model with a VAT relative to the unit size and public social housing - i.e. the AIS market would provide housing with three or fewer bedrooms and the public social market would provide housing for large families - is the way to go? But until anything in that direction happens research should continue to pay close attention to the developments on the AIS market. It should continue to scrutinize the actors involved - the AIS, authorities, developers and investors/buyers -, and be aware of their incentives and activities. There is still much to be understood. Who are the investors? Is the AIS model also becoming interesting for institutional investors, like pension funds? What is the AIS' role in this process? Why do even specialized developers closely collaborating with the AIS and with the mission to provide affordable housing fail to construct units that match demand for affordable housing? By continuing the research it will hopefully become clear that subsidizing the current New-Build AIS Model under the impression that private actors could cover demand for social housing is not and cannot be the solution to the affordable housing crisis in the BCR.

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Appendix

Table 6: Full list of identified developers with their projects

NAME OF DEVELOPER	NAME OF PROJECT
Alphastone	CENTRAL GARDENS
Amitech	RESIDENCE BEMPT
Atenor	CITY DOX
Bam Belgium	BARA DE LIJN
	BERVOETS
	DOMAINE DES ETANGS
Belfius Immo	ERASMUS GARDENS
Belgian Land	EMAILLERIE
	HAUT PRETS
	LES SOURCES
Bervoets Real Estate S.A.	BERVOETS
BESIX RED	LES PROMENADES D'UCCLE
Bluestone Invest	DOMAINE DES ETANGS
Bostoen	THE FOREST
BPI	VOLTAIRE
	HAUT PRETS
	ERASMUS GARDENS
Bricks & Leisure (European Land Company Holding)	WATERFRONT 35
BROGNIEZ BRUXELLES MIDI sa	BROGNIEZ
CBRE Group, Inc.	HAUT PRETS
	LES SOURCES
CityDev (SDRB)	CITY DOX
	BARA DE LIJN
	BERVOETS
	EKLA
	MIDDELWEG
COFYNA	MERCATOR GARDEN
Cores	LA LAITERIE
Eaglestone	NAUTILUS
	ATLANTIS
EK Development Belgique	L'ILOT DECOSTER-EDISON

Groep Bouwen	**JARDINS D'UNIONS**
	HOOGVELD
Habitat et humanisme	**SAMBRE**
	LECLERCQ
	PALAIS
	PERLE
	JOLLY
Immobilière de la Petite Île SA	**CITY DOX**
Inclusio	**BON PASTEUR**
	SERMON
	PETER BENOIT/VERKMANS
	EKLA
	DOMAINE DES ETANGS
	PAVILLON
	ANTARES
	MIDDELWEG
ION	**CENTRAL GARDENS**
	NAVEZ
IWARDO	**LEMON TREE GARDENS**
Kovalam SPRL	**L'ILOT DECOSTER-EDISON**
Lindbergh SPRL	**LINDBERGH**
Living Stone	**RESIDENCE COCON**
livingstones	**HELMET**
	DANEMARK
	PORTAELS
	CASA VIVA
	NINOVE
Matexi Group	**VERDUN**
	HARENHEYDE
	LES PROMENADES D'UCCLE
	LES AMANDIERS
Re-vive	**EKLA**
Rest Island SA	**CITY DOX**
SA Union	**JARDINS D'UNIONS**
SWITCH CONCEPT sprl	**SECOURS**
The Liedel Village SPRL	**LE VILLAGE**
Urbinvest	**THE EDGE**

Questionnaire developers

General, personal:

1. Could you tell me who you are and what's your role at *NAME OF DEVELOPER*?

Projects General (comment in red are for me, will not necessarily be asked):

1. Could you explain the development process of one of your real estate projects? Are there certain steps that you always follow?
2. How do you decide what is going to be built and where? Brussels context but also elsewhere.
2. As a developer you are active on the supply side of real estate, but there is also demand side, people looking for apartments/houses. Do you in anyway try to estimate demand and do those estimations flow back into your decision about what will be built?
3. How do you gain knowledge of the local market?
4. Do you pay attention to messages/plans of local authorities (regarding urban planning, investments into the built environment, etc.) and in which way would do you process them? Do they in any way affect what and where you build?
5. Do you build differently in different places? Or is more or less the same everywhere? Has this been the same over time or have their been shifts in the type of buildings being constructed? What is the norm?
6. Is there something like a global standard for building? By that I mean a stereotypical building type that is built everywhere (in large cities) around the world. If yes, why?
7. Specifically in Brussels: have locational choices changed over the past years? Yes, why? Are you active in different communes?
8. What kind of models do you use to determine profitability of projects?

9. Do investors/shareholders in any way influence the development process? How do their interest drive your choices?
10. How important is it for you as a developer to sell apartments fast? How long does it take on average to sell your projects? Do smaller apartments sell faster than larger ones?

A closer look at the specific projects in Brussels:

1. Looking at the projects in my sample (*NAMES OF PROJECTS*) it seems like the *NUMBER OF BEDROOMS* apartment is the most common type of dwelling. Was there something particular about these projects or is this a general trend?
2. What makes this type of dwelling that attractive? Is there a type of dwelling that is associated with little risk? If yes, why?
3. For these projects, who is/was the target audience? Local vs. global? Investor vs. owner-occupied? How do you promote your projects?
4. When looking at the projects, it seems like a majority of apartments were sold before completion. Is this normal? Faster than for other projects?

AIS related questions:

1. What I have also realized is that some of your apartments are sold and given straight to an AIS (Agence immobilière sociale) as a kind of social housing. How much do you know about this model?
2. Is this a conscious decision? If yes, why?
3. What makes the AIS model attractive for you as a developer?

Questionnaire developer (Target Group: AIS)

General, personal:

1. Could you tell me who you are and what's your role at *NAME*?

Projects General (comments in red are to give an idea of what I'm asking for):

1. Could you explain the development process of your real estate projects? Are there certain steps that you always follow?
2. How do you decide what is going to be built and where?
2. As a developer you are active on the supply side of real estate, but there is also demand side, i.e. people looking for apartments/houses. In your case, I assume in many cases it will be people looking for an apartment with an AIS. Do you in anyway try to estimate demand and do those estimations flow back into your decision about what will be built?
3. How do you gain knowledge of the local rental market? Do you work closely with the AIS you are partners with? Or with other authorities providing affordable (e.g. the communes, or SLRB) housing?
4. Can you tell me what your collaboration with the AIS looks like? *Pouvez-vous me dire à quoi ressemble votre collaboration avec l'AIS ?*
5. Do you pay attention to messages/plans of local authorities (regarding urban planning, investments into the built environment, etc.) and in which way would do you process them? Do they in any way affect what and where you build?
6. Do you build differently in different places? Or is more or less the same everywhere? Has this been the same over time or have their been shifts in the type of buildings being constructed (e.g. studio or 1/2/3/4 room unit)?
7. Is there something like a "standard" for building? By that I mean a stereotypical building type that is in all you projects? If yes, why?
8. Is it important for you to build profitable projects?

9. Do investors/shareholders in any way influence the development process? How do their interest drive your choices?
10. Do the projects you construct stay in your portfolio?
11. What happens after the “durée du socialization” with an AIS has passed?

Transcript interview developer 1, 15/6/20

What is your role at BPI?

I’ve been working at BPI all my professional career. I did several functions, from client services, until project management, developer, now responsible for half of Belgium. Half of Brussels and Flanders. We try to develop projects of minimum 5000m^2, there is no maximum. We prefer working in the major cities. Identify opportunities, calculate feasibility, make offer to landlord, buy the plot, try to get a building permit and try build and sell it according to our assumptions from the beginning.

Why min 5000m^2?

We have general contractor in our group. That’s why we focus on big projects, larger than 5’000’000€. Small projects have the same effort as large projects. The amount of competitors is smaller for bigger projects. We can obtain our financial targets with bigger projects.

The size also limits where you can build?

Urbanistic reality determines where we are looking at. Canal, where there are still some industrial sites. We convert them into high quality residential buildings. Old office buildings which are not useful anymore are converted into mixed use schemes. We aim at bigger projects and try to make them future proof for the coming decades.

Canal area: has anything changed about your locational choices over the past years?

We are focusing on the opportunities. What are the conditions? What is the land price? What is the urbanistic risk we take? For example, Key West at the canal with new Masterplan. It is easier to work if we know that there is a master plan in place. Then we know which risk we're taking. We know which density will be allowed by city authorities. We have less surprises at the end of the development.

So you must follow closely what is happening in the urbanistic department?
Yes.

Do you try to estimate what the potential buyers/tenants want?
There are the urbanistic regulations on the one hand. What are the key points for the authorities? If, for example, you let the developer do, they would foresee maybe 5-10% 3 bedroom apartment. But the city authority obliges us to have between 15-20% of 3 br apartments. This is one parameter. The other parameter is: What is wanted in that area? Which product is most suitable in the complete story of your project. For example if you do a lot of studios and only 3 bedroom apartments the problem is that 1 and 2 bedroom apartments are missing. The public you attract will be too monofunctional. Either students or rich people with kids. You have to find a balance in the mix of your project. So this is one reason: who are you aiming at? Families, investors, small families, big families, one-person households. We analyze this on the demand side. What is wanted? We check this with market research companies or real estate brokers. They sell apartments every day. They help us to conceive the right product. This is what we give to the architect, a program with the desired percent per type of apartment. We determine the dimensions and the percentages of apartment types. Sometimes this ratio isn't always possible in the configuration of the building or the urbanistic rules. So we deviate from the original plans sometimes. For us it's a dream to respect these percentages of certain type of apartments, the maximum/minimum dimensions because then we know which is the total selling price we can ask for each type of product. We try to think up front. We try to adapt to the demand of the market and we try to respect the wishes of the authorities not to have to design the building twice.

Estimate what future demand will be. Do you try to adapt to future demand? Adapt to population that lives there?
We see the population numbers and how it evolves. We also see the amount of households.

Our demand is the amount of households. We adapt our product to trends which are clear in the households over time. That is why we adapt to those future trends, new ways of living. We are not building what is currently existing in the place. We are building what will be requested in the future.

For your current projects: is there a standard that is most in demand? A certain percentage distribution?

The most important difference to make is between investors and owner-occupiers. Investors will always look at their rental revenue. And which percentage of return he can get on his investment. We see also for this kind of client that they want to have compact apartments. Not the big rooms, the penthouses. They are looking for the compact ones. Studios, one-bedroom apartments but smaller than 65m^2 because the rental revenue for a one-bedroom apartment of 65m^2 or 75m^2 is almost the same revenue but the investment is around 20% higher. That is why the investor will always look at the more compact units. Then you have the occupier-owner. They will be ready for the 10m^2 extra to have the extra space if they are living in that space every day. The average today 50/50, investors versus owner-occupier.

Has this changed over last years?

The amount of investors has increased a lot over the past ten years

Is this for certain areas or a global trend?

This is a general trend for the whole of Belgium. Real estate is getting more and more expensive. They are starting to enter in this rental market. They are also looking for an easygoing life.

Trend of increasing investor. Are you also adapting you product to investors?

Yes. Of course we have the regulations of minimum standards - minimum dimensions of the bedroom, kitchen, etc. This of course we respect. But we make more of an effort to get closer to this minimum standard, which is obliged. That is a fact.

But we always make a split. Not all units must be small and compact. You can also give bigger surfaces to certain apartments of the projects, penthouses, larger balconies, etc.. You can more easily give more m^2 because you will find an owner-occupier who is willing to pay a little more than an investor in order to get this little bit higher quality of life. Because he sees this not as a temporary solution but as a more permanent location.

How important is it to sell apartments fast? To turn them into liquid capital?
We try to sell as much as quickly as possible to reinvest the money in another project. We will not sell the whole project in one month at a 10% discount. We need that margin as well. So we cannot sell at any price to go for a very fast sell. We need a balance between the price and the speed of sale. The balance between those two is the challenge.

How do you determine the selling price?
Determined by the market and our competitors. What is surrounding the project? What is the market price of a similar product in the same location? We are not looking at what is costs. We are only looking at what is the market price at that location, what are all the costs we will have. Then we see what we can offer to the landlord for the plot.

Some short questions about the projects in my sample (Voltaire, Erasmus, Hauts Prets). Who was the target audience for these projects? The same as usual? Investor vs. owner-occupied?
Voltaire: slightly larger apartments aiming at more owner-occupiers. But at the end we see it again is 50/50. Erasmus it is also 50/50. For Hauts Prets it is more people living there, maybe 60/40. Uccle is a a little bit more expensive zone. So there we will have more easily people who really want to live there and are willing to pay a little bit more than the investor. In Schaerbeek and Anderlecht it is more the popular scheme, the 50/50 rule that comes back a little bit for every project. We see this is more or less realistic.
We have a project in a more rural area. There we see that we have more owner-occupiers. It really depends on project by project. We make an estimation at the beginning but nobody says that at the end it will be correct. But this is our guess. And in 4/5 years we can see if we were correct or not.

Do you sometimes have changes in mind along the process?
Of course we only know afterward. If you launch the construction of a building, the chance to modify something are really reduced. With some few exceptions. On special request we can make some small changes, e.g. enlarge the balconies.
But you are quite limited due to the construction and speed of construction and the time it takes to obtain a new building permit.

Is there a certain type of apartment that you would consider not risky? Or is it more the mix of different apartments?
No, for me it is more the density you can get for a project that makes up the risk. Can you build 10’000m^2 or 50’000m^2? You know what you would like to build but you will not know what you can build. You don’t know what your building permit will be. That is your biggest risk. I think the size of products... As I said the authorities do not like studio and they want to have more three-bedroom apartments. That is always so. I don’t find that very risky if I know that up front. Then I just offer less to the land owner.

You don’t ever build bigger than 3 br?
If you build a four-bedroom flat, nobody is asking for that.

Why is that so?
Households are getting smaller and smaller. Who needs three bedrooms nowadays? I need four bedrooms for example, I have three children, but that is not in the city center. If you have many children, you often live in the outskirts, have your children play in the more rural area, let’s say. But if you have one to two children it is easy to live in the city as well.

AIS questions:
Do you anything about this model? Is it maybe even a conscious decision?
For certain projects, we tried this and we checked whether this is a possibility. But for example for Voltaire it was specifically the agent who was selling the flats for us who was in contact with the AIS. (explains AIS model, knows it pretty well). Certain advantages, disadvantage is a lower rental level. Lower returns.

For us we like both if we have a mixture of people in the project. We are open for those kind of things.

For you as a developer, what makes this model attractive?
For me as a developer, I have no advantage. Personally, we do not reduce the price of the apartments. It is the choice of the buyer, to do or not to do this. For us, we don't have a direct advantage by this.

You don't increase prices for example due to tax breaks?
No.

Do you maybe sell those apartments faster?
I don't think that a client will buy this flat just to have an AIS model. I think they look at it, they buy the flat and then they have a more detailed look at how the AIS model works. Unless you have some specialized people that know the model and want to have less trouble (e.g. steady tenants, instead of looking for new tenants every 2 year).

Transcript interview developer 2, 24/6/20

What is your role at Matexi?
I'm a project developer, so at the core business of Matexi. Project developers are the project's leads, the managers if you want. We tap into the expertise of others, depending on the complexity of the project. Sometimes it's more technical, sometimes more commercial. Every project is different and asks for a different approach. And in function as what we identify as strong points or question marks, we know where to look for the answers. And sometimes we don't have them.
It's very hard to decide what to build. And sometimes there's no right answers. It also depends also on what you want from a city. How mixed do you want it to be? At what level do you want to introduce mixity? There are two forms of mixity: 1) in terms of functions 2) what public are you building for. And that's when we asks ourselves: should we work with

an AIS. Those questions are also asked before buying a plot. Before you buy you have to know before you what you're going to do with it and to whom you will sell. Because those two essential questions will determine what it is worth to you. We often decide not to buy or not to make an offer. Those questions are asked before we accept a project. And once we have it, we try to remain critical with what we do and ask ourselves the same questions again, hoping we didn't get it wrong and that we do not regret paying a certain sum for a plot of land.

A regular thing that happens, is that our vision doesn't overlap with the vision of the authorities. And that is very difficult to anticipate in a place like Brussels. There's always multiple authorities involved. There not only one partner you work with - Region, municipalities, etc. As soon as one of them opposed one thing, even a minor detail, it can costs you months in permit flow. That is a complexity that is very present in Brussels.

You must pay a lot of attention to what is happening in local politics?

Politicians have to know how the real world works. And sometimes you can see in Brussels that many investments are not being done anymore but left to the public sector. CityDev, etc. is a good example. It is not logical that the public sector is doing the work for the private sector. CityDev is usurping on private activity. They are buying up all the land that nobody else wants, because it's not profitable anymore to build new construction for lower income on the free market. It's just not affordable anymore.

Construction prices are too high. Costs are too high in general. Construction costs have always been higher in Brussels than elsewhere, e.g due to traffic. At least 15% more expensive than elsewhere. Also energetic norms are exaggerated, in our opinion. Combined with an exaggerated pricing of land and exceeding long procedures to get a permit. Just because it has become so complex. At the end our costs are too high. And we have to recover our costs and make a margain. If we don't, we simply don't start. This means that sales prices are going up as well and at some point you leave a certain part of the market behind that can't keep up with the free market prices of real estate, especially new real estate. This leads to social exclusion of a whole bottom chunk of the market which is always getting thicker with people who can't afford new constructions. The may leave the city. That's when the authorities push a solution, which is more a battle against the symptoms. This is when CityDev buys up all the land that wouldn’t be affordable for us in certain areas. We couldn’t sell expensive enough there. Whether you construct in an expensive area or a poorer area, in the poorer area the land will be a little cheaper, but the construction costs are similar. It’s just in the finishings. Which means you build almost just as expensive in poorer areas as in richer areas. And the deduction of the land doesn’t compensate for the differential in the market. A rich person who pays 500’000 for a 3 br flat will not want to live in a poorer area.

So we base what to build where for who. It is often based on who lives there now. Who lives there now? Who lives around? Where is the plot? What is the current demography?

A project is by definition expensive. Real estate is often the biggest investment of a lifetime. And when we have a clear view of our costs, how long it will take for permit, etc. Every project has its own risk assessment. When all this is done, we look at who lives there now. And we ask ourselves: “is there any chance we will attract a target group that can afford what we put on the market and is willing to live there”. This leads to a vicious circle of investment in richer areas and underinvestment from the private sector in poorer areas. You can see that on the map. On the left side, the public sector builds. On the right side, the private sector. There no right solution to this. My personal opinion is to tax the value of land. What the authorities tax is the project that is being realized. But that’s already after we paid the land owner. You can sell at whatever price without being taxed. There should be a charge d’urbanisme that can be reinvested in the area around it.

As you may know, alongside the canal in Anderlecht there’s a lot of private investment. Everything had been erased. In the mind of people it’s a completely newly built up area. There's no poverty around. There’s no signs of degradations. Some observations may be based on facts, others on emotions. But we can’t convince to move to, let’s say, Molenbeek. They have to be willing to move to Molenbeek. For that the municipalities have to invest in quality of living in public spaces. And this is not done enough to mitigate what is happening on the left side of Brussels.

You work a lot with assumptions. It takes a long time to develop a project. How do you work to gain a deeper understanding of the area?

We work a little with everybody. Every source is a valid source. We don’t base ourselves on one person. According to real estate agents every area is a good area, developing or going to be. Nobody would say there’s a trash area. We know which areas are better than others in sense that they are easier to commercialize. How do we to that upfront? We have our internal tools. We check what’s allowed? There is planning regulation that is applicable to the site. If there is for instance a municipal development plan or reglementation that exists, we have to know which context we are working in. That does not exclude that later on after we bought we will not stumble upon administration that opposes the project. We will not necessarily get what was in the development plan. That makes it very hard. But on paper we have to know what is happening. If we have the time, we consult with the applicable administration. But it’s difficult to get tangible information from those meetings. So we have to work with what’s on paper.

Then we pull certain statistics from our statistical office. The office provide statistical data on joblessness, age, number of family members. Is it a area with many family members? A lot of single people? Numerous families? An elderly area, without kids? That is really the core business. This is one thing what we are going to do. But that’s the second question. The first question is who are we doing it for? It depends on who you build for. The definition on what you are going to do depends on what the target public needs. For instance, it wouldn’t work if you build 4 bedroom flats in the city center. If you target your 4 bedroom flats for families, that’s a dead end. Because the surface is too big, so the apartments are too large, so they cost to much for that family. A family that can afford 1’000’000€ for a home will not move to a 4 bedroom flat in the city center. They will move to the outskirts. So either those families in need of a 4 bedroom apartment in the city center are pushed to towards subsidized housing and the public sector or they have to leave the city. Unfortunately, there is no middle way.

However, we know currently there is a lot of cohousing in the city center. We conceive a four-bedroom apartment differently to suit them. E.g. a four-bedroom apartment with same sized bedrooms each with a little bathroom. That is project designed for cohousing instead of families. Apartments for families are built differently. That is a mistake still being made. Just producing because we are used to building certain things. But now when the market has evolved and the product has become so expensive, not by our own will, but by market forces, you have to ask yourself: is this project still going to bought by people we thought

we would sell to. It is not an option to systematically reduce prices. Often we build and by the time we deliver there's no target group. Then we have to reduce prices and sell it at a loss.
Real estate is very slow. It takes years and years to conceive something, ask for the permit, build and sell. By the time you sell it market conditions have changed and your project is out of market. Either certain things are missing people want today or it is not sexy enough. Now, in times of the Corona crisis, we are thinking a lot about outdoor space (e.g. balconies). So we think about how the market will evolve in the coming year. That's a permanent reflection we have to have in order to mitigate the risk of building something out of date that has to be built.

Investor versus owner-occupiers: How does this split influence the process?
We have to find a public that can buy a public willing to buy and live there. That is the buyers' market. The people who buy to live. The investment market is completely different. And it is actually a sort of exit way for us for now. We can sell to investors that can rent at more than correct rental prices to get a revenue, which is not very high maybe. But at least it is not as exposed to risk as other kinds of investments.
And until two to three years ago when we talked about selling to investors, those investors had their own home and had money to spend on real estate. That is the typical investor's profile of three years ago. But as of last year, finally, Belgium is changing in the direction of the Netherlands and Germany where you have many institutional investors. Like pension funds. That buy up buildings to rent out to have a rather stable revenue. They buy up entire buildings. Instead of selling unit by unit to individual investors, who either are lucky and have a good tenant or unlucky to have bad one or not any. When we think a project is too expensive for the private buyers' market for the area it is located in, plan B is could we sell it as a block sale to an institutional investor at a certain price. Then we can start thinking: okay these are our costs, this is the margin we need to make a project interesting to us. But as we may sell it just to one client all at once, we would get all our money back in one go, rather than having to spend years trying to sell the final penthouse. There's an interest to accelerate that and sometimes incentivizes us to reduce the price in order to make sure that the institutional investor can still make a profit. The higher we sell, the better for us. But

this will reduce the return on investment for the buyer. This will less interesting for the buyer. This is on the private market.
But there's also a public component to that as well and that's the AIS. The AIS doesn't buy projects. For example the projects in Haren. Why did we do it like that? Why didn't we sell it apartment by apartment to people wanting to live in the area? By the time the building was about to be constructed there was no market for the project. Haren had changed. It used to be local middle class. Ten years later the profile had changed, it was lower middle class and foreigners. When we built with local, middle class people in mind was simply to expensive for the local buyer's market in Haren at the time. Then we went to the AIS and said: "look, it may be too expensive for the local buyers' market but the prices are still reasonable. We can sell at a reasonable price. It's a reasonable price for a private investment. But we know that private investors, individual investors, are reluctant to invest in poorer areas because the profile they fear to have in tenants. They would not take care of the apartment, etc. The AIS offers an ingenious solution (explains AIS model). We are in turn are a municipal tool to create public housing that isn't public, accessible housing without subsidies. There's a win-win for everybody. And it doesn't compete with the private market. Whereas CityDev in some ways does by falsifying the value of the land in the plots they take up. They take it up because it is left aside by the private market. But it's a thing that reinforces itself. Because we know that if we buy a certain plot of land, let's say in Anderlecht, if there is a huge risk the plot next door will be bought up by CityDev a couple of years later. Which will attract a different sort of public. It will not help convince our private buyers that the area is going and be lifted up. I'm not saying CityDev is junk or has a junk target group. Far from that. I'm not saying that. But I'm saying that in the heads of our clients there is a concern when it comes to public housing and social housing and the stigma that is put on it. Even though the projects they do are qualitatively sound, but they do attract another public than we do. (34:04)

As developer you are in this very uncertain situation at times (permit, target audience, etc). Those are all risk factors for you. How do you try to reduce risk? Is there a certain kind of dwelling that carries the least risk?

We do do that, yes. Maybe not up front way before we start conceiving the building. But once you have bought the plot and then you need to fill it up. What are we going to build? Then we start to say, how do we determine how many studios 1-3 bedrooms? We do try to mix our projects. Until a couple years a lot of high rises were the same, every floor was the same. It is easy to construct. You can just multiply the floor plan. It will mean that you always target the same people. You fish in the same pond. And by diversifying within the project, by offering different types, studios, one- to three-bedroom apartments, maybe a four-bedroom or a completely different sort of unit. Diversifying within a project is one way to mitigate the commercial risk and accelerate the sale, because you've got more sources from where interest could come.

Are there certain types of units that we always want to construct because we know they're way less risky? Yes absolutely. Studios and one-bedroom flats are the best way to reduce your risk. Why? Because they are way more liquid. Meaning that in absolute terms they cost less, they are cheaper. Although by m^2 they are more expensive. This is logical as you concentrate all functions on a smaller space meaning you have to invest more per m^2 the smaller the unit it. But as in absolute terms the budget is affordable to a much larger public, many more people can buy it. Whereas the bigger the unit the more it will cost, inevitably, also to the final buyer. And as prices go up people who can afford it become less numerous. We also know that for studios and one-bedroom flats, there are either people with their little savings who say:" I just want to live in a comfortable new home, with contemporary comfort, but I know I will not have kids, I just live outside, am in bars, with my friends, and I do not care about three bedrooms. I just want to live comfortably." That is a target group that will invest to live there themselves. But at the same time that unit is also the ideal investment unit. In absolute terms what you pay will return more on investment than a two-bedroom flat where you pay much more in investment upfront for that second bedroom but you cannot charge much more in rent. The one does not compensate the other. The return on investment on the rental market is much higher on smaller units. Which means for us we have to integrate that to accelerate sale and mitigate risk.

Making a bridge to AIS. Do you also see more smaller apartment are sold that go to an AIS?

I don’t think so. Do you know why? Because the AIS has an interest in larger units. Smaller units are more liquid and more easily rentable on the free market. When you rent with an AIS as an investor you have to sacrifice a part of your rent. (Explains AIS model) About a quarter or a third of your rent which you could have had on the free market. Which means for small units it becomes quite expensive. The rents are not gigantic either. To sacrifice 200€ on the rent of maye 600€ for a 1 bedroom or a studio. There’s almost no return anymore. On the other hand, the AIS also prefers larger units because they know who’s in difficulty of housing. That’s especially families. 4 bedroom flats in new construction are very very rare but should be subsidized in my view. Because otherwise you will keep pushing out people to either very old houses which are also increasing in price due to the increase in demand. Which means everybody is going to old houses and it becomes substandard housing and there is no budget left to renovate. That’s a big problem. If you want to favor new construction because it a better idea environmentally, it’s a good opportunity to densify a city in a smart and modern way, at some point there should be stop on increase of land and construction costs. It’s a battle on many fronts. As a private player it’s very hard to play with that.

It sounds like you personally are very aware of what this lack a larger apartments can mean for larger families. But as a private player you can’t really do anything due to market forces?

It’s very difficult and we at Matexi we do try to think of our building or the area we build up as a living space that should address the needs of everybody present in the market. But there are limits to it. We cannot invest in four-bedroom flats if nobody will take it on at a price where we do not make a loss. Indeed we work with market forces. But the art of development is trying to be creative within those market forces and still offer something that can be of quality and address an as large public as possible without losing financial feasibility out of sight. On a personal note: sometimes I regret having to scrap something. I think we have a societal responsibility as property and city builders to integrate certain things in our projects. But at the end of the line I always have to make concessions and ditch things that I think are absolutely necessary for the longer term, for example bicycle stand/storage. But where can you put your bike? They want more people to cycle in the city but for that you have to provide enough storage which is extremely expensive. (example from Uccle) By being creative you can go beyond what market forces would enable you to do. If you build now, it has to live at least 50 years. We shouldn't have to back in 5 years and regret what we have done.

So there is still a certain degree of flexibility possible before the permit has been handed out?

What is sometimes tiring for us. You have to do many preconsultations. It is very heavy to introduce a permit. It's a lot of plans in Brussels on paper. Sometime they ask 19 times the same piece of paper in A0. When we introduce a permit the printing costs alone already costs 3000€. That's what I mean. Sometime the authorities do not realize how their legislation and by the way they work just how much they cost us. But we have to translate that in the price we ask on the market. Which means prices go up also because costs go up. That's the main driver. As long the market can follow and absorb those price increase, fine, that works. But I'm starting to see that a big chunk is falling off the lorry. They can't afford new housing anymore without it being subsidized. And that's in part - of course we have our traffic jams and increasing construction costs, energy regulations, we don't think it through properly, the time to deliver the permit etc. - do due the obstacles described above. Even with preconsultations, you will go have a chat with everybody involved in the authority. "If we introduce this, is this good for you? Yes, change this change that" That process alone sometimes takes 1-2 years before asking a permit. And then you ask the permit and at some point they make more changes despite prior agreements. That is very confusing for us, impossible to manage and often leads to deadlock where one administration wants one thing and another wants another.

Do you feel like Brussels is an extreme case?

I think it is more difficult than elsewhere as the Region has much more to say than in Flanders and Wallonia. There the communes have more autonomy. Decision-making is concentrated at their level for standard projects. Which means we have far fewer administrations to take into account. Here in Brussels, everybody has a word to say. Everybody is responsible for the permit. This has to be changed.

You were alluding to the long duration of the process. If you could speed up the whole process, getting a permit, salling, would that change what you build?

Yes, absolutely. It would make it much cheaper. And that is not a secret. As a internal valuation we say. Every Euro that is being blocked for one year costs us 10% because we could have made money out of that Euro. But when we buy a plot and we pay an architect, our staff, for all the studies, etc. all that is being done upfront. All that money is being invested but does not generate anything. It is sitting there. And that costs like 10% a year. Even for a regular plot, even for 20 apartments, that will easily go above 1’500’00€. That is a lot of money every year in time lost. Time lost has its immediate repercussions on the final price that the market has to pay for new construction. That slowness of decision-making is one of the reasons why real estate is so expensive and so much more expensive than elsewhere.

That this also maybe make an AIS model attractive for you? Because you can sell faster?

You can sell faster, yes [with the AIS model]. But the thing is, the selling process is one thing. But it is making sure you have your permit. You cannot sell before having your permit. Which is logical because the project does not exist as long as you do not have your permit. It is essentially in the permit timing. If I would just give you a rough idea. Getting the permit takes 3 years. Selling takes 1.5 years. Depending on the size of the project this increases by the same factor. A permit takes twice as long as commercializing a project in general. Which means there is a lot of area of improvement on the side of the authorities. I’m not saying we should scrap public enquiries and participation of inhabitants and interest groups. I’m not saying that. I’m saying it should happen right away and the authorities should deliver right away afterwards, by putting interventions by the public in the right perspective, rather than - and that sometimes happens - trying to keep nimby's happy, and thereby unbalance the feasibility of a project (financially, architecturally or otherwise) when the whole thing has been studied in detail. There is much to leeway for individuals in the administration to translate their own feelings and preferences in they permits they deliver. I feel like the authority has the obligation to give you a permit. You are by definition allowed to build, in the right way, because in the end what we build is housing for those who don't have a home yet. But when that objectively is the case, and nobody is opposed, everything is in order, you're in the frameworks, etc. then the authority should not start discussing details of the projects like the color of the inside of the bricks or whatever. Sometimes it goes as far a that, which is completely nuts. The problem is we can't do anything about it. Because if we do, they put the permit request in a drawer and go on holiday or play dead. It's good the power lies with the public. But the administration should understand they represent the public interest. And not their individual point of view. And that is what costs a lot money for us. It is very tiring and demotivating. It doesn't encourage good collaboration with all parties. We're there to make profit, that's how our economy works. But we're also there, intrinsically, I believe this goes for us and our competitors, there's a lot of goodwill with everybody who works in project development. Because we often live in the same cities, we have to look at those buildings every day, we want them to be pretty, we want them to be nice and future-proof. We want to be proud. I think the public sector often underestimates the goodwill. There's a lot of room for improvement on their side. Indeed, on that fort, more on their side than on our side. Because we have two constraints, the market and reality, and decision-making. Whereas they make decision but sometimes have no clue of the market and underestimate the impact this way of working has on the ever increasing housing prices.

Transcript interview developer 3, 3/7/20

General, personal:

1. (Pourriez-vous me dire qui vous êtes et quel est votre rôle chez Habitat & Humanisme ?)

Je suis assistante de Direction depuis septembre 2019, mon rôle est de donner assistance sur la gestion administrative et financière des 4 structures composant la Fondation.

Projects General (comments in red are to give an idea of what I'm asking for):

Pourriez-vous m'expliquer le processus de développement de vos projets immobiliers ? Y a-t-il certaines étapes que vous suivez toujours (comme rassembler le capital, trouver un emplacement, discuter avec l'architecte, etc) ?

1. Trouver des terrains
2. faire offre et remettre des projets sur base de projet d'archi
3. dans le même temps, recherche d'investisseurs qui souhaite acheter un ou plusieurs appartements
4. une fois le terrain obtenu, on avance avec les archi pour obtenir le permis
5. une fois le permis obtenu: signature de l'achat du terrain, lancement des actes de ventes avec les investisseurs et signature avec l'AIS de référence choisie pour le projet.
6. dans le même temps validation du choix de l'entreprise de construction
7. une fois les ventes clôturées, lancement du chantier

Comment décidez-vous de ce qui va être construit (division des appartements, taille, nombre de chambres, etc.) et où ?

En fonction des terrains envisagés, des échanges avec les communes, les prescriptions urbanistiques, les besoins de l'environnement, le projet sera concu. Nous n'envisageons pas de bâtiments à moins de 10 logements et avec la possibilité d'un local communautaire.

La taille des logements est fixée selon un critère de mixité (dans chaque bâtiment il y aura des studios, des appartements 2,3 et 4 chambres)

En tant que promoteur, vous êtes actif du côté de l'offre de biens immobiliers, mais il y a aussi le côté de la demande, c'est-à-dire les personnes qui recherchent des appartements/maisons. Dans votre cas, je suppose que dans de nombreux cas, il s'agira de personnes à la recherche d'un appartement avec un AIS. Essayez-vous en tout cas d'estimer la demande et ces estimations vous permettent-elles de décider de ce qui sera construit (par exemple, quel type d'appartements = taille demandée...) ?

Nous n'envisageons pas les choses sous cet angle mais sur les besoins de logement de qualité pour des publics à plus faible revenu. Nous cherchons à faire connaître notre action auprès de Family Office et d'investisseurs privé qui cherchent autre chose qu'un placement financier lucratif.

Comment connaissez-vous le marché locatif local ? Travaillez-vous en étroite collaboration avec l'AIS dont vous êtes partenaire ? Ou avec d'autres autorités fournissant des logements abordables (par exemple, les communes ou le SLRB) ?
Nous nous avons des informations au travers de nos partenariats (AIS, Fondation Roi Baudouin, 4 Wings, 400Toits, Infirmiers de Rue, RBDH, Fond du logement,….)

Pouvez-vous me dire à quoi ressemble votre collaboration avec l'AIS ?
Nous avons pour principe de signer une convention avec l'ais choisie pour chaque projet. Nous souhaitons que lAIS soit partie prenante de notre vision de l'accompagmement du public logé et de la mixité de public attendue. Nous souhaitons développer une collaboration de proximité avec l'AIS en vue d'obtenir de bon résultat avec l'accompagnement interne que nous faisons.

Êtes-vous attentif aux messages/plans des autorités locales (concernant l'urbanisme, les investissements dans l'environnement bâti, etc.) et de quelle manière les traitez-vous ?) et de quelle manière les traitez-vous ? Ont-ils une incidence quelconque sur ce que vous construisez et où vous le faites ?
Bien entendu, pour obtenir un permis, le respect des prescriptions est très important et la conciliation avec les autorités sont impératives. Nous avons des contacts très régulier en amont avec les communes ou des projets sont développés

Construisez-vous différemment selon les endroits ? Ou est-ce plus ou moins la même chose partout ? Est-ce que cela a été le cas au fil du temps ou y a-t-il eu des changements dans le type de bâtiments construits (par exemple, un studio ou une unité de 1/2/3/4 chambres)?
Cette question fait référence à la réponse donnée aux questions 2 et 8

Existe-t-il une sorte de "norme" pour la construction ? J'entends par là un type de

bâtiment stéréotypé qui se retrouve dans tous vos projets? Si oui, pourquoi?

Nous essayons d'avoir une trame de projet répondant à de la mixité de logement mais chaque projet est adapté en fonction des prescriptions urbanistiques et du projet.

Est-il important pour vous de construire des projets rentables?

Bien sûr car la rentabilité des projets est la seule possibilité pour permettre le travail d'accompagnement sur nos projets et la viabilité de la Fondation

Les investisseurs/actionnaires influencent-ils d'une manière ou d'une autre le processus de développement ? Comment leur intérêt détermine-t-il vos choix ?

Souvent les investisseurs souhaite que 30% des logements appartiennent à notre mouvement et aussi souhaite un droit de regard sur le choix de l'AIS

Les projets que vous construisez restent-ils dans votre portefeuille ?

Nous avons pour objectif de garder 30% des logements sur chaque projet afin d'en assurer une affectation sociale à très long terme voire indéfinie.

Que se passe-t-il une fois que la durée de la socialisation avec un AIS est passée ?

On ne le sait pas encore puisque nous signons des conventions à minimum 15 ans avec les AIS et le mouvement existe seulement depuis 2006 et les premiers projets en occupation AIS date de 2010…

Transcript interview developer 4, 7/7/20

What is your role at Belgian Land?

Belgian Land is quite different from other developers. At the basis it is a development fund with clients from Degroof Petercam Bank. They put some money together, a total of 55 million, to develop affordable housing. The meaning was really to build first step accommodation for young people in Brussels and other big cities. The meaning is to build in the center of cities, because of mobility and density. Belgian Land was created on 2013,

we are developing 7 projects now, mainly in Brussels and one project in Antwerp. That is all. That is the scope of Belgian Land because it is a fund. I hope there is a second fund. But now we are developing the land we could get.
We have written some projects with partners, Besix RED, BPI, we have a project with Delhaize, which is pretty interesting in terms of developing new accommodation. We had a project with Hecta, a developer from Waregem.

Until when is the fund running?
We hoped it would be renewed between 2020-21. It is so difficult to buy land so it's taking more time than expected when the fund was set up. To get planning permission is also takes years and years. It's not about months, it's really about years. So we had some delay at the beginning. And now we have to develop those projects. Most of them are quite big, so it takes some time. But that helps to develop, I would say, affordable housing because you have economy of scale and it's needed to get quite bigger projects. So it also takes more time.

Why are you building affordable housing?
It was a decision, after I will explain how the strategy evolved. In 2011/12 it was quite difficult for developers to get money from banks to develop projects. So we decided to set up that fund with private equity to help developers to get financing with private equity. And there are lots of developers who are doing middle- to high end apartments. It was related to that particular market. It is between social and middle housing. The intention is very good but it is very difficult to do that. My first reflection to do that was: to buy affordable housing to offer to the market I have to buy cheap land which is difficult to find. So we tried to work with the authorities, CPAS, the communes, to get some public pieces of land to develop such kinds of projects. But it was too difficult. So I tried to get more m^2 than the others saying that I way building something better. But it does not work like that. That is another topic. Development is very difficult in Brussels today because there is not much space and a lot of power given to people, neighbors can stop a project for 2-3 years and it costs a lot. And it just stops for a long time. They try to delay the start of the works. So it is very difficult.

When you say the intention was to build between social and medium housing. What do you mean when you speak of affordable housing?

It is mainly focussed on price. We are looking at okay: what are young working people earning? But if they do not have help from their parents or so they do not have access to projects from CityDev. What is the price they can pay? Taking into account that they will spend 1/3 of their revenue to real estate, it was about 2300-2500€/m^2 excluding VAT. So that was our target.

Is there anything else. Did you just adjust the price to the target group, young people? Did you also adapt the units? build a certain type of unit?

It is focussed on 1-2 bedrooms. In Brussels you have so many regulations that an apartment has to fulfill, yes. We build compact apartments with common areas. That is what you try to do when you build smaller units. We try to have some spaces where you can invite friends and organize parties, not in the apartment but in common space. To get those prices we have also focussed on the outside of the building. We are trying to invest much more in the facade than in the apartment. Okay we can have a bathroom at 2000€ and when you have the money to change it you can improve your apartment. But the outside and the common spaces have to be sustainable. We are trying to work with our architects to develop qualitative facades and frames. You can put a frame that is broken after 2 years. We are investing in quality on the outside of the property. That's how we try to achieve our target price.

How did you figure out how to target this group? How did you gain knowledge of the lack of this housing?

It was a market study. You can see the prices of new properties. Because the price of the land it is very difficult to build and sell at a price of less than 3000€/m^2 today. So there is a lack of those properties. The way we are working as a fund can help us achieve that. My targets is based on return on investment, not on profit margin. So if equity runs very fast I get better financial results. Another developer cannot count on that. The important thing for developers usually is margin he gets on the project. My preferred ration is how fast I can earn money with the equity. So if I sell projects very fast I have better results. I achieve my objectives that way. That is one of the things I can do. The strategy has also evolved. It is very difficult to get land at low prices. In Brussels we are always trying…(something about logments conventionnés).

Is this target group buying things faster or are the units selling faster?

It is just the regulation about price. If the price is lower, people buy. The project Emaillerie at Gare de l'Ouest, for example, is the least expensive project in Brussels. Everything is sold. Completion is the end of this year, feb 2021. It is very fast. My shareholders could say, you sold too cheap, we should have increased prices. but that was not the meaning of this project. It was really for young people. It is not far from the city center, near a public transportation hub. We have some young people, families, we have investors that will let the properties. A mix of users. That was exactly what Belgian Land intended to do.

I think we adapt our project to the land we can find. It is difficult to get land in a good area, meaning an area with a good residential environment. I mean before buying a property we go for walks in the area, to restaurants, we are trying to understand the environment, the people who are living there to define the target. What is our feeling about a place? They can be so different. You understand some places better than other. In my team for example, we have the project Source. I don't live far from there, I know the place, I know it's palace in development, lots of young people buying there because it's cheaper than other places. I see the transformation and evolution. A partner from Antwerp would disagree. We don't feel the places the same way.

Reference to three projects: Hauts Prets, Sources, Emaillerie. Did the products differ from each other?

Hauts prets is place that is interesting due to mobility, the station is close by. It is also a new residential area a bit outside Brussels. We were interested in the place due to the station otherwise it would be too far away from the city center, activities, work places, everything. As the development has more than 400 apartments and office buildings are also being redeveloped you have a good volume to have a new neighborhood. That one is a bit more expensive, about 3000m^2. In Uccle it is more expensive than in Molenbeek. But it's not the best part of Uccle. But due to the volume it becomes something. If we only build 30 units, it's nothing. But if you have volume you can create atmosphere, a square, places, green areas where people can meet. I think that's an important change in the last years. All developers are trying to develop more common areas. And it is also asked by the authorities. In Les Sources, for example, we have a garden that during the day is open to the public (speaks more about the garden).

Is the sale also going as well?

Les Sources is going well. For the first phase we have 110 apartments and only 6 are left. The completion is also next year which is very good. For Les Hauts Prets it is more a classical project, we are selling regularly during the construction.

Not all before completion?

No.

When I talked to other developers there seems to be a difference between investors and owner-occupiers. Do you make this distinction as well in the people you target?

I am developing for owner-occupiers. That is the way we design apartments. That is our target. But I will not choose our clients. If they want to buy, they buy. In our projects it is about 50/50. The investment market is very important for new-build projects.

Is it 50/50 for all projects?

At the start of projects you usually sell to investors because they can wait for two years to get the apartment and at the end to owner-occupiers. We are doing statistics about who our clients our. For example in Les Hauts Prets many of the people live around the place, in Uccle. 80% of the people are living around. They want to invest or move nearby. For Emaillerie lots of people come from other cities. First step in Brussels. We have lots of investors there, 60% investors. In Les Sources it's 60% occupiers. But the 50/50 rule is true in general

Do these groups buy different products?

The investor looks at the price and looks in what he can invest. And in general they are buying smaller apartments. Studio, one bedroom, sometime two bedrooms. Some investors are just looking at the price and the rents. And others are investing in a place they want to live in the mid to long-term. Those people are buying bigger in general.

AIS questions: Some units are given to AIS. Do you know this model?
Explains AIS model. So the difference is very important between VAT.

Was it a conscious decision to promote this model or did it just happen?
It happens in some places. We have put it in place for Emaillerie. I think it is a model that is good for that place. A lot of people need to have access to social rental housing. So it was a way of doing that easily because investors don't have to do anything. If the have money they just buy the apartment and the AIS takes care of everything. So far an investor it is very interesting. But the return is lower than for other apartments. But it's a social gesture. I think it is quite interesting. It is going quite well in Brussels.

Is it also attractive for as a developer?
It has not changed anything for me. We can sell to investor. It is another kind of investor. We increase the kind of buyer we can have. It is a bit more work because we have more papers to sign. It is more administrative work for us.

Could you maybe sell faster with an AIS?
I don't think it is faster. It think it is a third type - there are classical investors, owner-occupiers, and AIS investors. So you have more potential clients. With the AIS the return is around 2.5-3% maximum. Many investors want to have more but with that system they do not have to take care of and pay anything. So it is a third kind of client for me. The total project will be sold faster because you have three clienteles instead of two. For me that is the way I see that.

Transcript interview developer 5, 9/7/20

General, personal:

Pourriez-vous me dire qui vous êtes et quel est votre rôle?

Je suis Louise Claerbout, responsable de projet au sein de LivingStones. Je suis l'unique employée. Mon rôle est de gérer tous les aspects de LivingStones : prospection de nouveaux projets, négociation, suivi de chantier, gestion administrative et financière, recherche de financements, etc. Pour mieux expliquer, LivingStones est une petite structure avec une ASBL qui permet de m'engager et une coopérative qui permet de réaliser les projets et de récolter le financement. Le CA de la coopérative prend les décisions et le président doit obligatoirement être un représentant d'une AIS. Toutes les AIS (dans notre cas 3 AIS : Baita, Iris et Quartiers) doivent toutes avoir un siège au CA de sorte à garantir l'objet social de LivingStones : la création de logements de qualité abordables.

Projects General (comments in red are to give an idea of what I'm asking for):

Pourriez-vous m'expliquer le processus de développement de vos projets immobiliers ? Y a-t-il certaines étapes que vous suivez toujours?

Actuellement, tous les projets de LivingStones ont eu leur particularité. Il faut savoir qu'en 2005, LivingStones a été créé dans le but de répondre rapidement et concrètement aux appels à projet des Contrats de Quartier. L'idée des Contrats de Quartier est que, grâce à un subside européens, les communes peuvent mettre en vente conditionnée des bâtiments au quart de leur valeur sur le marché. La condition primordiale est le fait que les logements doivent être conventionnés (AIS par exemple). Ainsi, LivingStones a voulu créer une coopérative qui rassemblerait AIS et privé pour financer l'achat des bâtiments à travers les Contrats de Quartiers ou les Subsides des Politiques des grandes villes. Le processus était donc de réaliser l'appel à projet des Contrats de Quartier puis de financer, puis de trouver un architecte bien évidemment. Sur les 7 projets de LivingStones, 4 d'entre-eux ont été réalisés à travers des Contrats de Quartier ou Politiques des grandes villes. Nous avons aussi pu acquérir 2 bâtiments d'une toute autre manière : un apport en nature au sein de la coopérative du bâtiment en échange de part. Nous n'avons donc pas du rechercher le financement nécessaire à l'acquisition du bâtiment. Pour le dernier projet en cours, c'est la première fois que nous achetons un bâtiment à un propriétaire particulier de manière classique. Nous sommes donc en train de rechercher du financement auprès des banques et de nouveaux coopérateurs et en parallèle, nous avons sélectionné les architectes à travers un concours.

Pour résumer, le processus est le suivant : négocier le bâtiment, s'assurer de trouver du financement, étudier la rentabilité du projet (investissement, subsides et loyers), trouver un architecte et adapter le projet pensé au départ

Comment décidez-vous de ce qui va être construit et où ?

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En tant que promoteur, vous êtes actif du côté de l'offre de biens immobiliers, mais il y a aussi le côté de la demande, c'est-à-dire les personnes qui recherchent des appartements/maisons. Dans votre cas, je suppose que dans de nombreux cas, il s'agira de personnes à la recherche d'un appartement avec un AIS. Essayez-vous en tout cas d'estimer la demande et ces estimations vous permettent-elles de décider de ce qui sera construit?
Pour décider de la division des appartements nous avons plusieurs critères. D'une part, la rentabilité. Nous voulons que la rentabilité brute des projets soit de +/- 4%. Cela nous permets alors d'assurer les frais de fonctionnement de la coopérative et de distribuer un dividende aux coopérateurs (maximum 2%). Ensuite, le deuxième critère est que généralement nous essayons de répondre aux demandes des AIS selon leur public cible et les typologies de logements manquants. Nous faisons souvent un mixte de typologie en s'assurant de proposer de grands logements pour les grandes familles car c'est ce qui se trouve le plus difficilement à Bruxelles. Nous décidons cela en collaboration avec l'AIS et l'architecte sélectionné.
Oui comme expliqué précédemment, nous dialoguons avec l'AIS pour savoir quelles typologies de logements sont manquantes et sont adéquates à leur public cible. Par exemple, s'il y a beaucoup de grandes familles (grands logements) ou si l'AIS veut travailler pour la réinsertion de SDF (studio)

Comment connaissez-vous le marché locatif local ? Travaillez-vous en étroite collaboration avec l'AIS dont vous êtes partenaire ? Ou avec d'autres autorités fournissant des logements abordables?
Comme déjà expliqué, puisque les AIS sont dans notre Conseil d'Administration (ASBL et coopérative), nous travaillons en étroite collaboration avec elles. On attribue un projet à

une AIS et ensuite, on étudie ce projet avec l'AIS en question. L'attribution se fait actuellement de manière consécutive, c'est-à-dire chacun à son tour.

Pouvez-vous me dire à quoi ressemble votre collaboration avec l'AIS ?
C'est un peu les AIS qui prennent les décisions au sein de LivingStones mais aussi les investisseurs privés. Cependant, les statuts obligent que chaque AIS ait un siège d'amnistrateur au CA et que le ou la présidente du CA soit un représentant d'une AIS.

Êtes-vous attentif aux messages/plans des autorités locales et de quelle manière les traitez-vous ?) et de quelle manière les traitez-vous ? Ont-ils une incidence quelconque sur ce que vous construisez et où vous le faites ?
Nous essayons du mieux possibles de répondres aux intentions des autorités publiques. Nous sommes actuellement en collaboration avec eux pour tenter de mettre en avant le modèle coopératif en vue de créer du logement social à Bruxelles via des partenaires privés.

Construisez-vous différemment selon les endroits ? Ou est-ce plus ou moins la même chose partout ? Est-ce que cela a été le cas au fil du temps ou y a-t-il eu des changements dans le type de bâtiments construits?
Pour la plupart du temps, nous réalisons des rénovations donc dans un sens, nous nous adaptons déjà à ce qui existe. Ensuite, avec les architectes, nous étudions le quartier. Nous essayons d'apporter des solutions durables et écologiques pour nos rénovations. C'est uniquement depuis 2018 que nous axons vraiment nos rénovations et constructions éventuelles vers le durable et l'écologie. Avant, nous réalisions de simples rénovations/constructions de qualité mais surtout qui répondaient aux besoins des AIS.

Existe-t-il une sorte de "norme" pour la construction ? J'entends par là un type de bâtiment stéréotypé qui se retrouve dans tous vos projets ? Si oui, pourquoi ?
Non pas vraiment, si ce n'est notre nouvelle intention de réaliser des bâtiments efficients énergétiquement et écologiques

Est-il important pour vous de construire des projets rentables ?
Il est important que les projets soient rentables mais d'une rentabilité relative. Ils doivent être rentable pour que l'organisation soit pérenne et que nous puissions continuer notre mission sociale tout en trouvant des investisseurs. Cependant, pour l'immobilier, la rentabilité est assez faible puisque l'objet principal de LivingStones est sa mission sociale.

Les investisseurs/actionnaires influencent-ils d'une manière ou d'une autre le processus de développement ? Comment leur intérêt détermine-t-il vos choix ?
Oui en effet, nous discutons beaucoup des décisions au CA. Puisque nous sommes une coopérative, nous avons des prises de décisions participatives et le droit de vote n'est pas proportionnel aux parts des administrateurs. Via leur expertise, ils nous aident à prendre des décisions. Par exemple, un administrateur est architecte et est donc souvent présent dans les jurys pour choisir le bureau d'architecture.

Les projets que vous construisez restent-ils dans votre portefeuille ?
Actuellement, tous les projets restent dans notre portefeuille. Nous étudions la possibilité d'en faire autrement mais alors cela devra être conditionné et si nous vendons un projet, nous devons nous assurer qu'il reste en location à une AIS puisque notre mission sociale est de produire des logements pour les AIS sur le long terme.

Que se passe-t-il une fois que la durée de la socialisation avec un AIS est passée ?
Si LivingStones est viable économiquement, le bail de l'AIS qui prend fin est alors reconduit. Le but est de garder les logements en AIS pour « l'éternité ». C'est notre mission.

Transcript interview real estate agent, 23/6/20

About the collaboration between AIS and Trevi. We try to have a common goal for the private market, the developer and the region. The rule at Trevi is that we are the orchestra chief of all these parts. What does the investor need? A private investor? Goodfathers (bon père) of families? What do they need? They need to place their money, to have the security of the money and they need to have the comfort of management. That's the first thing they need. When you buy a new apartment, (explains AIS model). At the end if you are happy you stay with the AIS and keep renting your apartment. Or you stop it and sell your apartment and get your money back. For the developers it is a good solution to sell more fluently. To seduce the investors. So at Trevi we put the product on the market, we make nice beautiful marketing on that because it is very difficult for someone who wants to buy such an apartment with such a solution to do it yourself. It's difficult to find a way, through administration, you have to find your VAT office, you have to make your VAT declaration, you have to find a developer who knows the system, you have to explain to the accountability of the developer to make a VAT of 12%, you have to find an AIS, negotiate the renting, send all documents to the notary. So if you want to buy that alone, it is very difficult. Trevi manages everything for the customers. If people want to invest in real estate, they buy apartments and we manage everything. Our sales teams sells social apartments but we are paid by the developers, it doesn't cost anything for the region. We are paid as usual by the developers when we sell an apartment. But we sell for the region in fact, for the social market. In the past two and a half years we sold 240 apartments with the AIS model, everywhere in Brussels. The agreement with AIS WSL we have, they guarantee all renting of apartments in new-build projects.

Your role is between developer and buyer? And you organize the whole process?

Yes, exactly. We organize, make do marketing. We have 7 people who are able to sell the products. We meet many clients. When you meet a customer who wants to have more information about Valuable Invest it takes 1.5 hours to explain the AIS model - VAT system, the kind of contract, the social situation in Brussels - just to convince the people that it is a good solution to invest. We show them both solutions, private and social, the difference between the two. Which is more interesting? In which case? In which profile of investor? After 1.5h we can speak about the apartment. They choose an apartment, they visit or buy off plan. When they decide, we make they contract, we sign the lease contract, make the VAT declaration, send it to the notaries, the AIS to get signed, and then we send it to the developer. At the act the developer can make an invoice of 12% VAT. The customer finds an apartment with a good price, he has no management of any rental in 15 and the developer has sold an apartment. And the region does not have to build something to put on the social market.

When a project is being built by a developer is it clear for how much should go to AIS and how much on the private market?

We have the same renting on every kind of apartment (1,2,3 bedroom). We know the renting level. So if you buy at 2400€/m^2 you have a better rendement than at 3500€/m^2. Of course, because you have the same renting. Of course most people want to buy an apartment with good rendement. So they buy cheaper apartments in cheaper places in Brussels (Anderlecht, Jette, Koekelberg, North) rather than in the South. Renting prices are the same, independent of the price of the apartment. More people prefer to buy in cheaper regions.

We sell it depends on which building. For some we have 60% AIS and in others in the South of brussels we maybe have 20%. But we can’t stop that. We don’t have the will to decide that these apartments can go on the social market and others on the private market. The buyer can decide what to do with the apartment. But this is the very power of this product: because in one building we sell apartments for owner-occupier, social and private market. Some investors prefer to pay a VAT of 21% because they don’t see their investment in 15 years. “I know that I buy it and then in 5-7 I sell it or my children go inside”. Be free instead of being engaged for 15 years?

Do you see a difference between the apartments that go on the private market and AIS?

Same. These are the same apartments. People can buy the same apartments for social and private market. You sell less apartments with the AIS model in expensive projects than in cheap projects.

Owner-occupier vs investor?

It is the natural market effect. If you have two apartments with two-bedrooms one with

80m^2 and the neighboring apartment has two bedrooms but with 100m^2. It is more expensive but has less rendement (= return). So it is less interesting for an investor to buy the big apartment instead of the small one. As usual the investor prefers to buy compact and small apartments: a small studio or small one-bedroom apartments. That is the same on the private market.

Investors also buy small apartments that go to AIS?
Of course. For private and social market the rendement (=return) is the same. It is better to buy a small apartment than a big one. For example, you buy a two-bedroom apartment [on the private market] with 80m^2, you rent it for 850€. You buy the same apartment but 100m^2, you rent it for 1000€. The difference in price is 20% but the difference of rent is not 20%, it is 10% maybe. So it is just math. The investor on the private and social market prefers small apartments because the have better rendement. And the people that do not think that and do not go that way, they make in the balance, put in the balance "ok I have to sell the apartment in 15 years, I'm better to pay maybe now 10'000€ more, to have an apartment to the South, on the 3rd floor. And I have a better apartment. And so in 15-20 years it will be easier to sell". For me people who buy big apartments for renting or investment, they are not real investors. They often buy an apartments and say "ok I buy a big apartment, I rent it now, and maybe in 5-10 years I go to live myself inside." They do not buy with their wallet, they do not buy with the rendement. They buy an apartment they like because maybe they themselves will go inside one day. It is not the same vision of investment.

People who buy big apartments are not purely out for the investment? Might move in themselves. Other interests?
Because it's a subjective investment.

Do you notice that apartments are sold faster with AIS?
Of course. Because it's going to the will of the investor. They don't want to do anything. So if you can sell an apartment connected to AIS, management is more efficient.

What is in it for you?

We sell faster, we sell more apartments. And so we have more contracts from the developers. They trust Trevi. Because Trevi is able to sell a lot of apartments in a short time. It means for the developer, he can have his money back from an investment and can put it in new developments (bad connection). Get the money from his investment back.