

# **Organizational and Economic Aspects of Housing Management in Deprived Areas**

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## Abstract

This dissertation consists of five papers with different objectives. The overall objective is to improve knowledge of effective policies regarding socially deprived large housing estates. All studies deal with the real estate context from a housing company decision-making perspective. The first two papers focus on organisational issues and the following three papers deal with economic issues related to the development of a specific housing area. The research is based on case studies which involve specific methodologies such as interviews, direct observation and collecting data from company accounts.

The main message of this thesis is that landlord policies and resources spent on operation and maintenance contribute to local area development. It is also underlined that there is a need for a paradigm shift in Swedish housing, since the regulatory framework appeared to be inadequate. The experience from this study shows that many problems can be solved within the existing laws and through efficient customised property management, but landlords need more effective incentives to improve their policies further.

The first two papers address issues about how to organise local management resources in large housing estates. Three different functions were identified: customer service, (e.g. fault-reporting); the letting process; and caretaking (day-to-day management and control over indoor and outdoor areas). The models where more decisions are decentralised lead to better information about the local conditions, make it easier to coordinate work in an area, create more motivation for the staff and make it easier to involve the tenants. This was particularly valuable for socially deprived estates, but the decentralised model raised some moral hazard problems, e.g. the local team create their own agenda, are pressured by certain tenants to give them advantages and that the result is lack of control and consistent housing policy in the company.

The third paper deals with Corporate Social Responsibility (CSR) in housing management. Different types of costs are identified and related to the estates' social condition. The results indicate that a CSR-based management policy leads to approximately 4.5 percent lower annual operation and maintenance costs which improved the company's profitability, especially if the higher standard of maintenance, made higher rents possible. The study also identified three other benefits of CSR; improved tenant relationship, goodwill and business opportunities and the study is a first step towards a better understanding of the economic consequences of CSR in a real estate-context.

The fourth paper analyses the return of the Swedish slumlords, with a focus on a specific area in Malmö. The tenants stayed even though the rent was higher and the quality was lower than in neighbouring areas because of a combination of three factors; rents were paid by different forms of welfare payment, lack of alternatives because of queues to other areas and because some tenants saw an advantage in the "no questions" asked policy that the slumlord followed. It is further argued that the property owners found this slum strategy as profitable either because they hoped to find a "bigger fool" to sell to or because the decision makers in the company had not invested their own money. The study concludes that both tenants and investors were in the end losers, but not the company managers.

The fifth paper is an economic evaluation of renovation in socially deprived housing estates. The empirical data indicates that it is profitable to use a clear and active housing management strategy, especially if the rent levels are affected by the standard of management by the landlord. The results also show that the landlord's policy had positive social effects, both in the form of tenant welfare and in the form of lower costs for Police and the Fire department. The study also indicates that it can be difficult to justify large scale investment purely from a business perspective.

**Keyword:** large housing estates, deprived areas, housing policies, economic valuation and local management organisation models.

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# Dissertation Overview

## 1 Introduction and background

There are many large housing estates in western Europe and they are an important part of the cities' urban life. These areas face similar kinds of problems and were built during the three or four decades following the Second World War. Some areas are popular and have no major problems. However, in other cases there is significant economic, physical and social decline and many estates are associated with crime and social exclusion. Over the years there have been packages of measures to try to solve these problems, including both physical improvements and social countermeasures. Nevertheless, it seems like many problems have returned or had never been effectively solved in the first place. The general aim of this study is to analyse organizational and economic strategies to deal with different aspects of housing management in deprived areas.

This thesis consists of five papers concerning large housing estates. The dissertation overview is divided into three sections. In the next section, the research field of large housing estates is discussed. Section 2 presents the research questions and the methods used. The main results and concluding remarks of the study can be found in the final section.

### 1.1 A European perspective

Large housing estates are defined in the literature as “estates with more than 2,500 apartments” (Knorr-Siedow, 1996). In Eastern Europe especially, such estates tend to be much larger. From a technical perspective, the areas can be described in terms of more industrially produced houses with large pre-fabricated elements, usually in large high-rise estate areas. In Northern, Western, and Southern Europe, this type of estate was mostly built in the 1950s, 1960s and 1970s, while those in the former socialist countries of Central and Eastern Europe were built in the 1980s and sometimes even into the 1990s. While the share of large housing estates are estimated to be 18 percent in Sweden, they do, in general, represent 3-7 percent in South and Western Europe and 20-40 percent of the total housing stock in Central and Eastern European cities (Turkington, 1996).

The ownership structure of the housing units differs between the countries. In the case of Northern Europe in e.g. Sweden and Denmark, the public rental sector is very dominant in these areas. A smaller part is the private rental and tenant-owned cooperative housing (a form of condominiums), where occupants who as members, were responsible for management, maintenance and repairs. Denmark also has tenant ownership in some of these areas. In Norway, on the other hand, the public rental sector is very small and most parts of the estates are instead, different forms of tenant-owned cooperative housing. In Northern Europe, the large housing estates are fairly well-kept and of better quality than in other parts of Europe (Brattbakk and Hansen, 2004; van Beckhoven, 2006; Bengtsson, 2006; Sörvoll, 2009; Musterd and van Kempen, 2009), even though there are exceptions, e.g. the area studied in paper IV and V. In Southern Europe and in the central European countries, owner-occupation is the most common form of tenure. After the fall of the communist governments in Central and Eastern Europe, extensive privatization processes have led to selling of a large part of the rental stock to the sitting tenants (see e.g. Turner et al., 1992).

In all parts of Europe, these estates have a very important role in the housing market and they provide the market with affordable housing. In general, the main issues with the housing stock in these areas are the same in all countries and relate to the fact that it is mono-functional and architecturally monotonous. Maintenance is problematic on many estates due to high population density and a strained social situation, old building components, poor management and initial poor building material quality (Turkington, 1996; Power, 1999; van Beckhoven, 2006). The programmes launched in the 80s and 90s, driven by national policies in Northern, Western, and Southern Europe to improve living conditions and reduce the urban social problems have not, in general, succeeded, although there are positive examples. Specifically, a common problem after the launched programme was that more affluent households moved out to other more desirable locations which led to a concentration of poor households and increased social stigmatization of these areas (Power, 1999). Cheshire and Sheppard (2004) believe that the presence of poor areas is a result of an already existing income inequality, rather than being the cause of it.

The management, maintenance and renovation policies are a great challenge in many countries and additional physical and social resources have been spent at regular intervals, over the decades. The renovation projects are often called renewal projects which means not only improved building quality, but also a revitalisation of the social life, local community and local economy, i.e that additional resources were put into labour market programmes and schools. A review of the literature reveals a variety of strategies that have been tested to tackle various issues related to these areas. The physical renewal has often been through governmental initiatives, providing national subsidised programmes to both demolish and rebuild the estates or reshape the local environment. The Netherlands, France and Germany are examples of countries that tried a demolishing and rebuilding strategy. Such programmes are generally found in areas where the originally housing construction was poor, but there are individual differences between those countries. In Germany, this strategy in general, resulted in demolishing or large scale reduction of large housing estate areas. In former West Germany this seemed to be of better quality than in former East Germany. Former East Germany had also suffered from economic decline and high vacancy rates during recent decades.

Sweden and Denmark are examples of countries that instead have focused more on reshaping the local environment to attract high-income households by improved common space quality and the outdoor environment. Biterman and Franzén (2006) confirm that affluent households have not been very interested in moving in to declining areas. This is despite the fact that the area has improved its living qualities and the economically deprived households stayed within their neighbourhood, or move to similar areas. Feijten and van Ham (2009) and Harris (1999) agree with that and confirm in their research that ethnicity has no central importance for people's choice of movement within the city. In this case, the socio-economic situation and the majority of the population's options seemed to be of much more relevance than the minority population's decisions and variables such as ethnicity (se e.g. Molina, 2001). Johnson et al. (2002) studied resident mobility programmes from a theoretical perspective and these initiatives seemed to help movers from poor areas, but it negatively affected the host neighbourhood. In addition, some individuals benefited and improved their life when they moved to more attractive and better areas, but all together, it has contributed to a worsened life-situation for the remaining households.

Although a lot of money was spent on building improvements, there were also methods that have combined social and physical policies, mostly developed together with the residents.

Good examples from France, England, the Netherlands and Sweden, with decentralised models of local government and customized maintenance services, show that this policy can be efficient (Power and Tunstall, 1995; Power, 1999; Wassenberg et al., 2004; Blomé, 2010). These methods differ between the countries and for example, in England, the local authorities were the driving force and coordinators, unlike Sweden where the public housing companies especially, were the organisers of these activities. One important lesson learned was that improved customized maintenance services can replace or at least reduce the need for large scale building investments (Power and Tunstall, 1995; van Mossel and Straub, 2009; Blomé, 2010). Unfortunately, some programmes or public policies seemed to have aggravated segregation rather than reduce socio-economic separation of citizens (Pettersson, 2001; Glaeser 2003; Hårsman 2006; Doff, 2007). It should be added that the segregation research field is fragmented and that there are many different mechanisms and explanations presented. Van Gent et. al. (2009) show that housing quality and degree of social exclusion are not related to each other which make large-scale physical regeneration projects questionable, since they are often launched to reduce segregation. The Netherlands is today implementing such a policy which seems like an unproductive use of resources. According to some researchers, the governmental subsidies have soon exhausted before several projects have reached completion. According to Doff (2007), the Netherlands programme policy is similar to other Western European countries and focuses on issues related to social exclusion and mechanisms at a neighbourhood level, with no focus on structural causes and differences in society as whole.

In the Central and Eastern part of Europe, in countries like Hungary, Slovenia and Russia, these kind of housing construction programmes were carried out much later than in other European countries (in the 1980s and 1990s). In addition, almost all large housing estates in these countries have been privatised for tenant ownership, as a form of tenure. No governmental or homeowner initiatives have been carried out to solve similar negative characteristics such as: monotonous architectural design, overcrowding, poor maintenance and management of the buildings and surrounding space (Turner et al., 1992; Turkington et. al. 2004; Musterd and van Kempen, 2006; van Beckhoven, 2006). These estates have a more homogeneous population compared to other European countries, but they face similar large maintenance needs due to generally unfinished urban design and a low building material quality.

## 1.2 A Swedish perspective

The large housing estates in Sweden, are in general, similar but differ in terms of location within the cities. These type of estates in Gothenburg and Stockholm are located in the suburbs compared to the city of Malmö, where they are located closer to the city centre due to a more concentrated urban design. Over the years, there have been several attempts to solve problems in the large housing estates produced in the “Million Homes Programme” (1965-1974), such as a combination of social and physical countermeasures. One example, is the turn around projects back in the 1980s in Sweden, which in many ways resemble other projects in Western Europe. The Swedish Government, gave subsidies to renewal programmes in socially disadvantaged areas. Of course, this led to improved housing quality in some aspects, although there was a lack of tenant participation, and the cost was clearly higher than the economic and social outcome (Johansson et al., 1988; Carlén and Cars, 1990; Jensfelt, 1991; Johansson, 1992; Ytterberg, 1992; Ericsson, 1993). There are many

distinctions to consider in these initiatives, some were successful while others did not lead to any direct positive impact in the residential areas. The basic idea behind the “turn around projects” was to rapidly increase the attractiveness of an area and get more resourceful households to move there. Öresjö (1996) argues that one social side effect was that unwanted households instead, moved to other parts of the city and thereby transferred the problems to other areas.

The international recession in the early 1990s also hit the Swedish economy with increased government debt and affected the housing market in a negative way. These negative effects were particularly explicit on the large housing estates and led to increased unemployment, social exclusion and high vacancies. During these years, many social vulnerable areas such as Herrgården in Malmö, received new immigrants and many of them did not enter the labour market. This resulted in increased poverty and crime and led to further decline. In the second half of 1990s, the unemployment rate decreased which again changed the situation in the housing market, leading to a shortage of housing in the large metropolitan areas. This was also the case in areas characterised as deprived neighbourhoods. Andersson et. al. (2003) showed that there are significant socio-economic, cultural and demographic differences between households living in large housing estates and those who living in tenant-owned cooperative housing (condominiums) or in single-family houses. In other words, housing in Sweden is in general segregated and where different categories of people dominate in different areas.

Back in the 1990s, there were opportunities for some municipalities in metropolitan areas to get governmental subsidies for specific targeted investments. In the socially weak neighbourhoods in Stockholm, that received governmental subsidies, the primary focus was now on local community improvements, i.e. education, employment policies and only partly physical renewal. To a high degree, these were subsidies introduced due to labour-market reasons. The goal was to involve key actors and particularly tenants, but the participation was not very representative which reminded one of the 1980s “turn around projects”. One explanation could be found in language difficulties and the methods used by the housing companies (Öresjö et. al., 2004). Identifying and selecting poor neighbourhoods for policy initiatives may also lead to further stigmatization e.g. that the area was not treated as a "normal" area.

Experiences show that renovation projects carried out during a limited time period were not likely to be successful, because of tenants distrust and the policies lack of long term perspectives (Öresjö et. al., 2004). The experiences from renewal projects in Sweden, led to a political debate concerning policies, financial responsibility and the actual outcome of the measures taken. This explains why the government today does not have any subsidies for these types of renewal projects, even though they are now under discussion again, because of the negative social development in many large housing estates. Although local authorities and landlords could target social investments today, there is a clear distinction between this and the earlier governmentally organized, huge subsidy programmes. It is important to remember that municipalities differ a lot from each other in terms of social problems and allocated resources. Recent adoption of European Union legislation demands that the Swedish municipal housing companies should be more businesslike in their decision- making. This makes it even more important to justify undertakings and renovation projects from an economic perspective<sup>1</sup>. The new act also says that a businesslike perspective is compatible

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<sup>1</sup> New Public Municipal Housing Companies Act : [Lag \(2010:879\) om allmännyttiga kommunala bostadsaktiebolag.](#)

with active social responsibility. For many companies, it is still unclear what this means in practice and no policies have so far been tested by the legislature.

An improved labour market with more jobs seems too many to be the most important variable to improve living condition and the household's economic situation in deprived areas. This is also a key for better access to Swedish society in general. An obvious conflict, however, is when the unemployment rate drops, the people might move out from the deprived areas. This of course could be a success for an individual but not necessarily for the large housing estate area, when resourceful households leave and new weak households move in, leading to further stigmatising of the socio-economic situation. An interesting observation is that regardless of what deprived area is being discussed, the majority of tenants seemed to be rather satisfied and proud of their home environment. Having said that, there is a common demand for improved security, playgrounds for children, higher quality of schools, maintenance of buildings, public transport and public and commercial services (see e.g. Andersson et. al., 2005).

There are currently many ways that are tested about how to improve working methods in deprived areas and sometimes only small adjustments in policy can bring positive effects on the estates. In addition, research from Sweden indicates that it is crucial to have a local organized property management located in the area with motivated staff, to ensure efficiency and to achieve commitment amongst the tenants (Öresjö, 2006; Blomé, 2010). In recent years, organizational issues have been seen as more important in order to reach lasting positive developments although Lindberg noted this already in the 1980s and the 1990s (see e.g. Lindberg, 1984; 1994). According to van Mossel and Straub (2009), who had conducted a research study in the Netherlands, the match between users' expectations and the results of maintenance, is far from perfect and they argued that housing associations seldom differentiate planned and reactive maintenance in line with the tenants' priorities. This is similar to the case in Sweden and services are in general rarely adapted to meet different requirements from different tenant groups.

## **2 Research questions**

Large housing estates are an important part of the housing stock in Sweden. In many European countries they face similar problems although there are some basic differences between the countries. Therefore, it is imperative that housing authorities and housing companies are aware of what impacts different housing management strategies have, especially in deprived areas. This study is important in that it provides research findings on how to work with local area development, which can be used to improve the use of resources and help to further develop policies. National policy makers who are interested in this topic can also gain an insight into the experience of how to effectively find solutions to field-related problems.

The purpose of this thesis, is to explore how deprived large housing estates can attain continuous development and to gain further understanding of how to effectively deal with problems in such areas. In order to do that, this thesis will provide examples of how different property owners have dealt with these management issues, and it is based on a number of methods including in depth-interviews with housing managers, interviews with tenants, field work observations, questionnaires and data collection from company accounts.

The aim of the study is to get a better understanding of the difficulties involved with policies relating to large housing estates, which is further explained in the two following main research questions:

1. How can the housing company organize management resources and what impact have different organizational models?

This question is mainly explored in paper I and II.

2. What consequences do different policies have and what strategy is economically justified?

This question is mainly explored in paper III, IV and V.

### **3 Research methods**

This research project uses different qualitative research methods for collecting data, including in-depth interviews with housing management staff and tenants. The project started with a case study in 5 housing companies and one of these (MKB, the municipal housing company in Malmö) was from the beginning, more closely studied. One more study was continued with interviews with housing management staff in a private housing company's owned large housing estate in Malmö and another area located in Stockholm. The project involved an additional case study in three different areas located next to each other in Malmö's most deprived residential area: Rosengård. This last case study, also included interviews with tenants. Participant observation in one area called Herrgården and an unpublished survey directed for housing managers working in deprived large housing estate areas, were also implemented. Some empirical information subsequently has been added through telephone interviews with city officials, Police and Fire departments (see table 1).

Altogether, the deprived areas have been studied in their natural surroundings and I have tried to understand, or interpret phenomena from the meanings that the people have given them (see e.g. Denzin and Lincoln 2005 for a discussion about this). A recurring problem in the methodology literature concerning case studies is their tendency to generalize. Yin (2003) argues that it is possible to draw general conclusions from even a single case study, if it is analytically connected to theory. Stake (2000) has a different opinion and according to him, the generalization lies in the possibility given to the reader to connect the presented case to other cases. It seems as Yin has a more optimistic view of the researcher's ability to understand and explain the context. As I see it, the aim is to use multiple sources and multiple collection techniques and try to relate the findings to more general theories, e.g. about human behaviour. There is always a risk of overestimating the importance of the selected variables and the study's reliability and validity should be carefully considered. This is discussed in more detail in paper III and paper V.

The interviews were, in general, conducted through open discussion and have been compiled and analyzed afterwards. The focus was on the tenant's priorities, housing management staff and other officials' practical knowledge, which gave me access to a broad variety of information. Some interviews, especially with city officials, were conducted over the telephone and I have in addition to the collected empirical information used official statistics from the Fire and Police Departments, as well as from the housing companies that were

studied. Thanks to the observation conducted in the housing area Herrgården in Malmö the daily work was monitored for a whole year during the beginning of the renovation project. See Blomé (2008) and appendix 1, 2 and 3 to get a description and photographs of Herrgården's physical and social restoration. This observation technique is a commonly used method in anthropological studies and has deepened my knowledge concerning the daily practical difficulties in housing management (Adler and Adler, 1994). More details about the specific methods used are described in each paper presented (see table 1 below).

**Table 1:** The main sets of empirical data used in the project

Inquiry	Empirical data sets	Sampling method	Used in
Literature reviews	Public housing	Database search	I
	Service management	Database search	I, II
	Housing management	Database search	I, II
	General economic theories	Database search	III, IV, V
	Large housing estates	Database search	II, III, IV, V
Case studies	Interviews with 5 housing companies managements (Göteborg, Malmö, Helsingborg, Halmstad and Eslöv)	Open discussions and predetermined questions	I, II
	Interviews with staff in two areas (Stockholm and Malmö)	Open discussions and predetermined questions	III
	Interviews with staff in three areas (MKB, Rosengård)	Open discussions and predetermined questions	V
	Interviews with tenants in one area (MKB, Herrgården)	Open discussions and predetermined questions	IV, V
	Telephone interviews with city officials, fire- and police departments (Malmö, Stockholm)	Open discussion and predetermined questions	III, IV, V
	Observations conducted in one area (MKB, Herrgården)	Participant observation	IV, V
Overview survey	Questionnaire to housing managers in large housing estate areas	Open and multiple choice questions	III, IV, V
	Research and branch conferences	Participant observations, networking and speaker presentations	I, II, III, IV, V

The unpublished questionnaire to housing managers included open questions and questions with multiple choice answers, about operation costs and housing managers' practical knowledge about different policies in their work in deprived areas (see table 1). The selection of respondents within organisations was not obvious from the start, since most organisations differ in their structure and roles of responsibilities (as was noted when the different organizational models were studied in paper I and II). The optimal respondent should be familiar with all activities related to experience of deprived large housing estates. Several housing companies were contacted to get correct e-mail addresses for the appropriate personnel. The questionnaire was reviewed and tested by a number of people familiar with

these issues, before being sent to the respondents in order to reduce misinterpretations and increase reliability.

The questionnaire was sent to 100 individuals in 2009 and 50 of them responded, which gave a response rate of 50 percent. Two reminders were sent out to increase the response rate. The respondents were encouraged to provide a written comment to all questions and many of them justified their responses in this way. The reason behind why the survey has not been published is that the answers were, in general, too broad and were thus more suitable as a basic background empirical material. Nevertheless, it strengthened the conclusion from the studies that are presented in the dissertation. Primarily, that efforts must be small-scale and customized to each area, rather than large-scale. However, according to the respondents, some issues need to be organized more comprehensively i.e. improved area attractiveness (public services, business establishments and schools), surrounding spaces and public transport to the city centre. The majority of the respondents were also sceptical towards governmental renovation subsidies, but they thought the Government should improve schools and create more jobs for the population.

The studies in the dissertation are also based on a review of the literature concerning various issues related to large housing estates and neighbourhood renovation or renewal projects (estate upgrading), which are commonly used terms in the literature. The literature reviewed also included, public housing, service management, housing management and general economic theories related to housing markets and management (see table 1). The reviews have provided a theoretical framework for the study and involve extensive research and critical analysis of the existing literature that have been found. The covered literature is mainly journal articles and research articles. The starting point has been to go through the literature with a relatively open question rather than a predefined narrow model (see e.g. Starrin et. al., 1984; Alvesson and Sköldberg, 2010). This allows new themes and aspects to emerge from the studied material. The thesis argues that there are very few economic studies concerning deprived housing estates - neither from a company perspective nor from society's point of view and this is discussed further in paper V. An important observation from the review, is that despite all attempts with renewal projects, the problems seemed to have remained or recurred after that various policies have been implemented, although there are some positive examples reported. This is particularly in cases when major tenant involvement has improved the outcome (see e.g. Power, 1995, 1999; Öresjö, 2006).

The research methodology also involved using reliable Internet websites from government organisations which include Statistics Sweden ([www.scb.se](http://www.scb.se)) and the Municipality of Malmö ([www.malmo.se](http://www.malmo.se)) and Municipality of Nacka ([www.nacka.se](http://www.nacka.se)) - which is one of Stockholm's suburban areas where one of the studied areas is located.

I have over the years, participated in five research conferences where parts of the research results have been presented. I have also attended branch conferences and meetings and in different networks met various representatives of housing industry associations. This has led to many contacts and input from professionals committed to issues related to deprived areas. In addition, all these activities have helped my understanding of possible approaches regarding deprived areas and the networks and conferences have served as critical reviewers (see table 1).

The research project has been funded by MKB Fastighets AB (MKB) through an industrial doctoral project agreement. During the whole research period, MKB has given me complete

access to all sorts of company information and economic data which made it possible to conduct the study. Hartman (2001) discusses objectivity and according to him, it is important to have a repeated measurement design to enable other researchers to repeat the study and this was considered when methods were developed.

## **4 Main results**

In paper I, the local housing administration is described and three alternative models are identified which are discussed in more detail in paper II. The local administration consisted of area based service, letting and caretaking. One company tried to create one single function to manage all this activities, but due to higher operation costs, less visible management staff and recruitment problems, it was given up. In its place, a new form of organization was created which in many respects consisted of the same concept, but differed in that the area based customer service, letting and caretaking were shared between several people in a joint local work team. This entailed that all contacts with customers were managed from a local area office and this cultivated a proximity to the tenants, also improving tenants' responsibility and collaboration between staff. It can be pointed out that housing management needs to be developed further. Among other things, the expertise of frontline staff can be adapted more to meeting different segments of tenants' requirements as in e.g. deprived areas. It seemed to be of great importance that goals and policies of the housing company are coordinated to facilitate the work of frontline staff in the provision of service. The same will apply if the housing company uses contractors for different activities within housing management. If the aim of the company is to become tenant-oriented, then joint-resources will have to be concentrated on the customer process and this process will have to be in the centre of the company's strategic management decisions.

In paper II, three different local housing administration models for large housing estates are presented and compared. Model 1 organizes housing management functions centrally, and in extreme cases the caretaking was run by external contractors without local offices. It presupposes that the company does not need much information about the local situation, but the current situation in deprived areas is such that such information is needed and tenants need to be more involved in issues relating to the estate. In such areas, there are problems that need to be managed by local administration. Model 2 and model 3, have more decentralized functions which are likely to function better in deprived areas than model 1. The reason for this is the local staff presence and the possibility of obtaining detailed information about the situation in the area. The additional advantages of model 3, were that the introduction of new tenants was also in the hands of the local management team and this contributed to new tenants and staff creating trustful relationships, but the main problem was moral hazard difficulties. In addition, the frontline staff kept too much information within the group and did not communicate it further on to the company managers; the staff created their own agenda and were also pressured by certain tenants and groups of tenants, e.g. when allocating empty apartments. A central letting process, improved management control and staff rotation seemed to be useful tools to reduce this moral hazard issue.

The overall question addressed in paper III, is whether a private landlord's model of Corporate Social Reasonability (CSR), called relationship management, is justified from only a company's economic perspective, i.e. does it lead to higher profits. Altogether the results showed that it leads to approximately 4.5 percent lower operation and maintenance costs, compared to a management model with a low degree of CSR. If landlords with CSR were

better rewarded by e.g. higher rents, the gain would be even higher. The rent setting system could be an important incentive for them to become more responsible, which is positive for the local community as whole. Due to CSR, the landlord is considered reputable, which gave new business opportunities and goodwill. The level of rent for a specific housing estate in a system of rent regulation, is of great importance for a landlord's management choices and determines the economic incentives to improve housing quality. The landlord's initiative must, on the other hand, be justified from either a CSR or a tenant perspective; otherwise there is a risk of creating fictitious needs to charge higher rents.

Paper IV, contains an attempt to explain how a long-term mismanagement of housing estates could arise in a country with a strong legal framework aimed at preventing such situations. Based on the results, the case study shows that relying on actions from the tenants does not always work, since the tenants do not go to court for a number of reasons discussed in the paper. Firstly, there is a need to focus on preventative measures to deal with slumlords. Two such examples are setting rents that are related to quality of service and more information available about slumlords to important stakeholders. When the slumlord problem emerged a solution seemed to be a combination of more municipality responsibility to monitor the housing situation, (which they formally had already) and quicker sanctions. The sanctions could be high fines if the quality is below what is acceptable and even higher fines if the standard is not raised quickly. To be really effective, the rents should be reduced retroactively and as long as the standard is not raised. A final legal sanction is to force the owner to sell the properties in an executive auction rather quickly if maintenance is not improved or fines not paid on time. The main reason behind this legal action is to reduce more quickly the profitability of the slum strategy compared to the rules today. This would also send clearer signals to providers of capital (if investment managers are following a very risky short-term strategy to increase net operating income).

In paper V, a renovation process in a deprived area is evaluated from an economic perspective and the results were in general very positive from both a company and society point of view. A well-adapted management, a local field-office with engaged frontline staff, social projects and tenant participation in maintenance processes, were important elements of the successful strategy. The measures implemented enhanced the tenants' ability to have a normal life which increased the general housing satisfaction. From a profitability perspective, three key findings should be highlighted. Firstly, the policy led to a saving of 12-16 percent of the estate's annual operating and maintenance costs. This is an important result, because when the estate's quality improves and their management costs are reduced, it directly improves the net operating income, which leads to higher property values. Nevertheless, the empirical data indicates that whether additional investments are profitable or not from a company perspective to a large extent depend on the effect on rents. If the rents do not reflect housing quality, then the investment of additional resources were not profitable from a company perspective. That the rent regulation system did not take housing quality into account is one explanation why the strategy of neglecting maintenance, could be profitable in a situation with a housing shortage. A reputable and responsible landlord must be favoured in rent negotiations compared to owners who provide poor property management. Another important result concerns the landlords' actual social responsibility as the costs to society in terms of Police and Fire Department costs. These were much reduced and the local community in general was very positively influenced by the housing company's approach.

Based on the thesis results, the housing company can combine business efficiency with an area-adapted (tenant-based) property management strategy. The landlords' role for

development of society as a whole can not be overemphasized. For this reason, and to avoid future problems, society should provide more effective rules and incentives. High housing quality is an important element to counteract social problems and to promote continued economic growth and local community development. It is from the policy maker's perspective, essential to be familiar with possible strategies for deprived areas or specific neglected estates. The specific features of the local housing markets are important to consider when different approaches are discussed.

## **Analysis and lessons learned**

The Swedish version of public housing is, in many respects, in between the public and private sector. The municipal housing companies are today operating in an open housing market on the same terms as private housing companies and they provide housing for the population as a whole, rather than to target specific groups. Nevertheless, there are still discussions about the municipal housing companies' future role relating to housing, urban development, housing production and issues regarding segregation. The post-war housing policy has resulted in many large housing estate neighbourhoods, which have become socially segregated and with many problems. These areas are mostly managed by the municipal housing companies in Sweden, but some parts have been sold to private investors and private housing companies.

The main question to consider is what kind of future society we want, and are really deprived areas what we have imagined as a symbol of our modern welfare state? Another question is whether problems are a reaction of a less controlled society (more market and less public sector planning), or symptoms of something else? The Swedish version of public housing emerged in the early 1930's and was fully realized with the creation of the municipal housing companies in the mid-1940s. The aim was to mitigate health problems, social deprivation and overcrowding through targeted investments in the housing sector. The "Million Home Programme" is an example of how society rapidly tried to solve the housing crisis. Is society now ready for new approaches, or are the problems too small in an international context, in which Sweden still, in many respects, is considered as well managed and relatively problem free? Nevertheless, perhaps it is time for rethinking and testing new ways, or are old solutions in the form of targeted subsidies to the housing sector still working in today's situation?

There is extensive social science research on deprived areas, mainly rather descriptive, but also suggesting different types of policies. There are, however, surprisingly few economic evaluations. This is strange because most actors are working in the market and housing is very dependent on the overall economy, effective incentives, resource management and rational considerations regarding property management.

The buildings and surrounding spaces suffer natural wear and tear by seasonal changes and by time. In this context, we should not forget the people and the individual's personal dreams, needs and ambitions. Society needs to take more active responsibility for the future of the deprived large housing estates (which the respondents in the unpublished questionnaire survey also emphasized). The schools are not working in many deprived areas (with a relatively low share meeting learning objectives) and the unemployment rate is still very high. The housing companies are an important tool and can provide knowledge, maintenance resources and contacts with local stakeholders, as well as with tenants if they are given incentives to promote this type of engagement. Nevertheless, the municipality has an important role and responsibility to provide opportunities for development. This is especially true when it comes

to clarifying responsibility, using legal possibilities (when needed) and presenting plans for the future, for different housing districts. A first important step is to draw up plans for the future for deprived areas and both analyse the role of different actors and what can be done without more resources and identify in which areas more resources would make a difference. Creating the right incentives are important.

A central aspect to consider is how deprived areas can be more closely linked to other neighbourhoods and the city as whole. This could possibly reduce the distance between people, but requires a reconstruction of urban barriers such as roads and other structures which have become obstacles for development in some urban areas. Perhaps we should broaden our preferences and financial modelling techniques to be able to build sustainable cities and neighbourhoods. Today's short-profit interests are controlling investment in many sectors and the housing market focus has (over the few last decades) been on real estate transactions, instead of property management. This is not a way to build up a strong housing sector with high economic growth for the future. It is not a way to ensure deprived areas develop.

Based on this study's results (especially paper IV), some private landlords have apparently ignored legal rules and still made big profits by using questionable management strategies that impose large costs on society and on most tenants. In a system with poor authority control and incorrect rental incentives, the slumlords may buy rental properties and ignore maintenance and still make a profit. Remember that the rent regulations' initial aim was to protect socially weak groups (who were settled in the central parts of the cities) from unreasonable rent increases. However, when more affluent households moved in and poor households moved out, the original purpose was lost. This has resulted in an unfair system, especially because the rents over several decades have been more expensive in suburban areas, where the socially weak groups were located, compared to centrally located estates, where the affluent households live. One interesting thing is, why have slumlords been legally able to set the same or even higher rents than responsible owners? This is probably the essence of today's rent regulation issue. A more efficient rent regulation system is essential today to decrease irresponsible owners' opportunities. This would also send clearer signals to banks and other suppliers of capital, that in recent years have helped irresponsible landlords.

In general, it is very profitable for housing companies to have a broad role with different kinds of commitment and social responsibility. This study also has shown that this can be economically advantageous in the long term through e.g. reduced management costs and higher property values. For this reason, it should be extremely important to find out the tenants' priorities and their opinions about specific requirements. Otherwise, the maintenance resources are never going to be effectively used. A property management adapted to the area's local conditions is likely to contribute to increased profitability. This is especially important in deprived areas, where many different types of variables are crucial and lot of knowledge is needed to make the right decisions. The future challenge is to coordinate the housing companies' investment in a way that provides lasting effects and contributes to efficient day-to-day property management. If general governmental subsidies become a reality again, this can erode attempts to reform the rental sector for a long time, lead to increasing operation and maintenance costs and encourage landlords who have mismanaged property maintenance for many years. A possible strategy can then also be to continue to ignore maintenance needs as new subsidies are to be expected in the future.

Finally, The Swedish high quality housing is a legacy and took a century to build up and the housing sector is still an important part of the Swedish welfare system. For this reason, it is important to consider incentive structures and an improved regulatory framework. The ongoing deterioration of large housing estate areas must be stopped, and there is a need to consider new ways of doing it, and a focus on making it profitable to do the “right thing” at the local level, which is argued for in this thesis.

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