

Christoph Meyer zum Alten Borgloh: Büroprojektentwicklung im Spannungsfeld von Transaktionskosten und stadtplanerischer Intervention

Christoph Meyer zum Alten Borgloh: Office development projects caught in the crossfire between transaction costs and urban planning intervention

Springer Vieweg 2013, ISBN-13: 978-3-658-00979-3

Morning gridlocks, shortage of parking spaces, displacement of residents: Although development sites for new office districts are available in many cities, office users and investors are rushing to locations where there are already prevailing congestions and other disadvantages of agglomeration, or to districts near the city centre from which they displace the residential population. For if we take a look beyond individual well-functioning development sites, there are many sites that are either not being taken or are being taken at a slow rate.

Cities can theoretically restrict how areas can be used and prioritise residential uses for districts worth protecting by means of urban land-use planning. However, a too restrictive urban land-use planning means a risk of investors and enterprises shifting to other cities, since whether private capital is ultimately provided for office developments at the locations chosen by urban planners cannot be specified by the public authorities alone in times of volatile capital. So who decides on the allocation, nature and extent of office real estate developments? When and where are new offices becoming available and under what circumstances? How can municipal stakeholders exert an influence on office space allocation apart from a restrictive urban land-use planning? How can they set incentives for project developments on sites that make sense from an urban planning point of view? And what options do property owners and private urban project developers have to accelerate the sale of their land to office developers?

In order to answer the questions raised, this analysis uses transaction cost economics, which is a sub-discipline of new institutional economics. Office development projects can be described as a whole bunch of transactions (land purchase, letting, financing, construction contracts etc.). The concrete form of many of these transactions is still unspecified at the time of investment decisions, meaning that project developers and investors are confronted with a great number of uncertainties and risks, accompanied by high transaction costs. These aspects are the focus of this investigation. The considerable influence of transaction costs, risks and uncertainties on investment and allocation decisions regarding office development projects is looked into on the one hand. On the other hand it is analysed, on the basis of three case studies, how transaction costs and risks can be lowered and thus investment incentives for project developers and investors can be generated through optimising institutions ("institutional design").

The results of the investigation help us to understand the allocation processes of the office market better. The investigation therefore primarily addresses district developers and developers of large-scale urban projects as well as municipalities. District and urban project developers can, from the results, derive approaches for making their development sites more attractive to investors and project developers using institutional design, and for accelerating the marketing of their plots. Municipal players can use the findings to develop new or improved approaches and instruments for an efficient and targeted regulation so as to avoid misallocations of resources, investments and uses. The investigation also shows project developers and investors the activities in which significant transaction costs are incurred (about 20% of the total development costs), which factors can influence them and which approaches contribute to avoiding unnecessary transaction costs.

Since neither office developments nor the interaction between office developments and urban planning have yet been addressed from the perspective of new institutional economics and transaction cost economics in particular, this investigation makes a contribution to closing this research gap. Since major reinvestments will be necessary in the coming years for office real estate and quarters that are no longer adequate, and since there is an extension need in cities with a prospering corporate and finance services sector in particular, the topic keeps its relevance in the face of demographic change.

Büroprojektentwicklung im Spannungsfeld von
Transaktionskosten und stadtplanerischer Intervention
Meyer zum Alten Borgloh, C.
2013, XXI, 364 S. 80 Abb., Softcover
ISBN: 978-3-658-00978-6