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**Abstract**

This paper reports on an investigation of property developers' perceptions and understanding of their approach to development. It uses evidence from a series of interviews with small-scale "trader developers" in the West Midlands. Building on observations made by Guy and Henneberry (2000) and Healey and Barrett (1990) regarding the lack of research which approaches development from a non-econometric stance, this research aims to develop an understanding of the developer (the agent) as an individual in the context of their professional practice (property development), not an academic construct acting as a component of a wider society (the structure).



*Key words*: *property developers, trader developers, perception, development process*

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## Introduction

This research set out to investigate property developers' perceptions and understanding of their approach to development.  Building on observations made by Guy and Henneberry (2000) and Healey and Barrett (1990) regarding the lack of research which approaches development from a non-econometric stance, this research aims to develop an understanding of the developer (the agent) as an individual in the context of their professional practice (property development), not an academic construct acting as a component of a wider society (the structure).  Thus it places the developers themselves at the centre of the development process.

This review of the research so far will be presented in four parts; first, an evaluation of the literature dealing with property development.  Secondly, a review of methods of participant selection and data collection employed, and of the methodologies considered appropriate to this investigation.  Thirdly, drawing on narrative accounts of participants' professional practice, this paper will consider the validity of looking at three elements of the development process highlighted as central to the success of their projects – land, funding and the market – through the theoretical lens of entrepreneurship and the dual lenses of Granovetter's (1973) concept of 'strength of weak ties', Coleman (1991) and Putnam's (2002) discourses on social capital, and the various schools of entrepreneurial theory as described by Barton Cunningham and Lischeron (1991).  Finally, this paper will discuss the process of this investigation and question the validity of applying theoretical models to real-world situations.

## Models and categories of development

Property plays a significant role in the UK's economy, supporting a large property ownership and development industry, which generates not only development work for the construction industry but also significant maintenance work (Boyd and Chinyio, 2006).  Commercial construction output, which includes a wide variety of commercial building, generated approximately two per cent of GDP in 2000 (Corporate Watch UK, 2004).

Property development occurs in order to fulfil the needs and demands of society (Millington, 2000).  Healey and Barrett (1990, p. 90) suggest that "land and property are not merely surfaces and spaces upon and within which the processes of production and consumption are played out"; they are the places in and around which our social interactions occur and so their study is key to our understanding of the economic and social environment.

While there is a substantial literature available regarding the individual specialist constituents of the development process, such as planning (Guy, 1994; Adams, 1994), finance (Isaac, 1996; 1994) and construction management (McCabe, 2001), from an econometric perspective (Harris and Cundell, 1995) there is very little that discusses the whole process or the perspective of the property developer, their behaviour, methods and motivations. The slender existing literature is largely biographical in style, detailing the successes and failures of some of the leading post-war developers (Marriot, 1967; Scott, 1996). Healey and Barrett (1990) outlined the potential for gaining further insight into development by approaching the topic from a variety of perspectives not usually involved in the property field, including geography, sociology, economics and planning. However, their recommendations have not been followed up substantively (Guy and Henneberry, 2000).

Commercial development is a lengthy process which accordingly necessitates a series of complex decisions, involving a variety of actors, many of whom are stakeholders, potentially with disparate interests and values. There is a complexity of interaction between the different stakeholders; the developer, local government agencies, local businesses and local residents; the process of their communications is unique to context (Borrini-Feyerabend, 1996).

A range of models has been developed which seek to adequately describe the land conversion process. Both Healey (1991) and Gore and Nicholson (1991) have conducted meta-analyses of these and identify a range of conceptual models of property development. Each endeavours to develop a holistic analysis of the development process which recognises the range of actors and events and can be applied equally across a range of development projects from small residential schemes to large commercial projects. While each identifies four discrete categories, there is a level of crossover and concurrence as well as difference. Both recognise development activity as comprising a series of events, beginning with site identification and culminating with the final sale or lease of the building. In doing so they identify the following categories:

> *equilibrium models/production-based approaches* highlight the long periods of time involved in the development process and focus on price mechanism (supply and demand) theories originating in neo-classical economics. They assume that financial capital plays the major deterministic role and pays no account to the role of human agency.
>
> *event sequence models/sequential or descriptive approaches* see development as an ordered, sequential and chronological process and, as above, do not account for the function of agency in the development process.
>
> *structure of provision analyses/structural models* derive from Marxist economic theories and seek to explain development property production and consumption as a social process dominated by the economic interests and power relations of those involved, including funders, consumers and local government.
>
> *agency models/behavioural or decision-making approaches* focus on the role played by the individual actors in the production process.

Commercial developers can be loosely categorised according to their development objectives (Boyd and Chinyio, 2006); although the underlying incentive behind development is profit (Isaac, 1994; Isaac, 1996; Millington, 2000), contextual distinctions can be drawn between developers based on size, time horizon and staff numbers as well as sources of financing (Boyd and Chinyio, 2006). This study will focus on 'trader developers' and how they understand their world. The primary *raison d'être* of trader developers is short-term profit. Success often depends on attention to the detail of the process and the quality of the judgement that guides it (Cadman and Topping, 1995). They are generally small companies which do not normally retain the building; finance is raised through a variety of methods; they largely use funds provided by banks and institutional bodies (debt funding) against a relatively small personal investment (equity funding) (Millington, 2000). They are often headed by dynamic individuals leading multi-skilled teams, which often have a stake in the development and some relevant professional experience of the property business (Boyd and Chinyio, 2006).

## Method and methodology

Initially it was felt that an insight into how commercial property developers approach complex decisions with incomplete knowledge could be gained using social network analysis (SNA) techniques to map the size and scale of the professional relationships of selected trader developers. However, as SNA methods seek to measure the flow of information across relationship lines (Scott, 2000) and give no indication as to the quality of the communication, this would have produced a largely quantitative piece of research which would not have given the developers themselves a voice.

As this research follows the interpretivist tradition, whilst staying close to how participants view their own activities, a range of appropriate methodological traditions was considered to establish which would best give meaning, as understood by the participants, to the data analysis. In the early stages it was proposed that a grounded theory approach be adopted. Developed by Strauss and Glaser (1968), grounded theory aims to develop predictive theories of human activity which can be analysed statistically. Unless the objective is to build on existing theory, the researcher does not set out with a preconceived hypothesis; rather new theory emerges from the data which is collected and analysed following a set of systematic procedures (Strauss and Corbin, 1998; Travers, 2001; Bryman, 2001). Early attempts to analyse interview data suggested that statistical codification of developers' professional experiences, which can lean towards a positivistic interpretation, would be problematic. Therefore, this method of interpretivist study was rejected as inapplicable to this investigation.

Next, an ethnographic research methodology was considered. This requires the researcher to develop an intimate familiarity and understanding of the lived experience of the group under investigation and normally necessitates an in-depth, longitudinal study allowing the researcher access to first-hand empirical evidence of events, rather than relying on participants' accounts (Travers, 2001). However, owing to the researcher's lack of "pre-understanding" (Gummerson, 1991), or *a priori* knowledge of the phenomenon under investigation, this was not considered on its own to be a practicable or appropriate approach.

Gummerson (1991, p. 12) notes that academic researchers traditionally apply theories and models to their data whilst generally lacking practice knowledge such as "knowledge of market conditions in a specific company, market or industry". Drawing on this observation, an early speculative interview was conducted with an independent commercial developer with experience in the office and warehousing sectors. This drew attention to a number of concepts which were considered to be worthy of further study, both in terms of current literature and data collection, including entrepreneurship and the dual concepts of social networks and social capital. To allow the voice of the developer to guide this investigation it was decided that this initial interview should be unstructured, giving the participant the opportunity to introduce elements of the development process he[1] regarded as relevant or important.

In the early interview stages it became apparent that, in response to open questioning, participants offered concrete examples in the form of narratives. Narrative provides a rich source of insight into the actions and events which impact on the individual's behaviours (Czarniawska, 2004). Each development project was presented by the developer as a distinct and separate story, or case study. Flyvbjerg (2001; 2006) observes that the conventional view of case study methodology considers that it is only suitable for pilot studies or for generating hypotheses. However, this research does not intend to forward a hypothesis regarding the behaviour of commercial property developers; rather it seeks to develop an appreciation of how property developers understand the development process and their role as the nexus of that process.

A method of strategic sampling of critical cases, i.e. those which are either most, or least, likely to be representative, was followed on the understanding that "If it is valid for this case, it is valid for all (or many) cases" and vice versa (Flyvbjerg, 2006, p. 230). Dreyfus and Dreyfus (1986) identify five stages in the learning process; novice, advanced beginner, competent performer, proficient performer and expert. Drawing on this, Flyvbjerg (2002) suggests that the best performances within a particular area require a qualitative expertise, built on many concrete experiences, or context dependent knowledge of the world in which they operate. Hence it was thought that a realistic insight and understanding of the developers' professional world could only be gained by speaking to experienced property experts.

Individual cases (participants) were selected for two reasons; first, since the intent of this research is to develop an understanding of trader-developers' behaviour, it was considered essential that participants identify themselves with the term trader developer. Secondly, while this research was formulated with no hypothesis in mind and does not intend to produce a predictive theory of commercial property development, it was considered important that, in the pursuit of valid social science, any theory which might be developed should be potentially falsifiable (Popper, 1959); this is best served by selecting samples which best fit the phenomenon under investigation (Goldthorpe *et a*l., 1968). However, an awareness that early assumptions regarding the suitability of participants as ideal examples may prove to be erroneous is essential (Flyvbjerg, 2001). Following this method of selection it was decided that a qualitative, interpretivist study based on a series of interviews should be conducted. Stemming from Travers' (2001, p.11) conviction that, in interpretivist investigations, data sets which are too large can lead to a "positivist mentality", a minimum sample size of six was selected as representative of the population under investigation.

All the methodologies considered require a level of subjective interpretation of events or practices which Giddens (1987) describes as a double hermeneutic. This requires that the subject (the trader developer) has a conscious understanding of their actions which they then interpret and explain to a third party (the researcher), using ordinary, everyday language; this is then reinterpreted by the researcher using the language of social theory.

Further interviews were semi-structured in nature. Questions were based on Gore and Nicholson's (1991) behavioural/decision-making approaches to development and

[1] The search for participants has so far been unable to identify any female property developers.

Healey's (1991) agency models, yet offered the participants the opportunity to introduce elements of the development process that they regarded as relevant or important, thus providing potential for a greater insight into and understanding of the development process. This would, in a similar manner to the initial unstructured interview, allow the participants to dictate the flow of conversation while still leaving the researcher a degree of control (Bryman, 2001).

A total of twenty-two potential participants were identified in three ways; via links with the School of Property, Construction and Planning, by consulting listings in relevant trade publications and by searching local planning applications. Company websites were then examined in the hope that it would give an early insight into the way in which they identify themselves as developers. This resulted in eleven interviews. Of these, three were not considered to be directly relevant to this research for a number of reasons: legal standing of company, e.g. public limited companies, where the board, on behalf of shareholders, is the major decision maker; or degree of influence or involvement in the development process, e.g. architect. Although data collected during these interviews has been used to further drive and inform data collection, it has not been used directly in any analysis.

Participants granted permission for interviews to be recorded, with one exception who allowed partial recording which was combined with note taking throughout. This allowed him to disclose sensitive, yet significant, information without fear of any potential legal consequences. All participants have been offered transcripts for clarification of any issues raised during the interview process, as well as copies of the research findings. Owing to potential problems regarding client confidentiality, pseudonyms have been used when referring to companies with whom the participants are, or have been, engaged in business. Pseudonyms have also used when referring to the participants themselves.

## Findings

Given the lack of literature and research regarding the role of the individual developer in the development process, a structure was sought elsewhere to provide a framework for the enquiry. During the interview process two concepts emerged which were considered to be appropriate comparative lenses through which to approach this investigation; entrepreneurship and social networks and the resultant social capital. As this research aims to avoid forcing data into recognised conceptual models, questions were designed to be neutral and un-suggestive; phrases such as 'entrepreneur' have only been used in this text in response to participants' direct use of the term or descriptions of themselves which fit entrepreneurial theory. Network theory was chosen in response to narrative accounts of the development process which highlighted the role of developers' "contacts" or "connections".

### *Entrepreneurship*

The expression 'entrepreneur' has been defined variously as a person, or group of people, who can be identified by a set of behaviours; they are moderate risk takers who, in the pursuit of profit, assume the task and responsibility of combining the factors of production to form and shape a new organisation from its creation through the progressive stages of innovation and management (Cunningham and Lischeron, 1991; Gartner, 1988; Schumpeter, 1994). The risks involve not only financial success, but career opportunities, relationships and mental and emotional well being (Sarachek, 1978; Liles, 1974). Drawing on the work of Adam Smith, Schumpeter's analysis of the economic process highlights three distinct categories of functional actor: landowners, labourers and capitalists. However, he adds an extra dimension, that of the entrepreneur. He cites J.B. Say's account of the entrepreneur's function, which is separate from that of the capitalist, as one in which the factors of production are combined into a producing organism (Schumpeter, 1994).

Cunningham and Lischeron (1991) locate six schools of thought within entrepreneurial studies. Each can be categorised according a particular method of understanding entrepreneurial activity, ranging from the purely economic (rational), to the social/psychological (non-rational).

*Assessing Personal Qualities*
The "Great Person" School of Entrepreneurship
The Psychological Characteristics School of Entrepreneurship
*Recognising Opportunities*
The Classical School of Entrepreneurship
*Acting and Managing*
The Management School of Entrepreneurship
The Leadership School of Entrepreneurship
*Reassessing and Adapting*
The Intrapreneurship School of Entrepreneurship
(Cunningham and Lischeron, 1991, p. 46)

The first three of these models of entrepreneurial behaviour hold that entrepreneurial activity ceases once the innovative/creative phase of a business venture is complete. However, the others hold that entrepreneurial activity can continue through the early growth and mature phases of the business. Despite their analytical differences, all cite profit as a major motivational force. Robinson, Huefner and Hunt (1991) posit the notion that new business ventures are a result of dynamic interactive processes between individual characteristics and the environment, neither factor on its own being sufficient to explain the occurrence of new speculative business enterprise. Although there may be some commonality of thought regarding the actions of entrepreneurs, e.g. risk taking, it can be argued that assumptions which seek to explain such behaviour differ according to the theoretical model followed, thus there can be no definitive account of entrepreneurship (Cunningham and Lischeron, 1999; Schumpeter, 1994; Zafirovski, 1999; Gartner, 1988).

### *Social networks and social capital*

Social networks play a critical role in determining the ways in which problems are solved, organisations are run and the degree to which individuals succeed in achieving their goals (Granovetter, 1985). According to Granovetter (1973) the value of the networks in which the individual is embedded is largely dependant on the "strength of [the] interpersonal tie" connecting them to the larger network or networks. In order to differentiate between strong and weak ties, he posits the following definition: "…the strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterise the tie" (Granovetter, 1973, p. 1361).

The network of relationships within which individuals or organisations are embedded may be important vectors for the communication of knowledge and can therefore have important consequences for the success or failure of their projects, as well as affecting the wider economy. This conflicts with classical and neo-classical economic hypotheses which contend that social structures and social relations have no bearing on production and consumption (Granovetter, 1985). As noted by Hirschman (1982, p. 1473), "Under perfect competition there is no room for bargaining, negotiation, remonstration or mutual adjustment and the various operators that contradict each other need not enter into recurrent or continuing relationships as a result of which they would get to know each other well".

Individuals who are engaged with multiple networks form local bridges between networks which, consequently, indirectly link actors who are not ostensibly connected; Granovetter (1973) terms these "weak ties". They are thought to be important vectors for the transference of information. Woolcock and Narayan (2000) suggest that the connectivity between one's family, friends and close associates, or, to use Granovetter's terminology, "strong ties", constitutes an important asset and social capital is the result of that asset. People who form close social bonds (a close-knit network) will often share the same information; while those who have limited or infrequent contact with one another (loose-knit networks) will have a greater pool of material upon which to draw (Granovetter, 1973). Most groups are made up of a blend of both strong and weak ties (Putnam, 2002). There is, however, disagreement regarding what constitutes the individual's network. As "information or favours available through direct contacts may depend on who their contacts are" (Granovetter, 1973, p. 1370), this paper understands the individual's network to include both individuals with whom they have direct contact and the contacts of those contacts; or, employing Granovetter's (1973) terminology, their loose knit networks, composed of weak ties.

Social capital is derived from the individual's access to and use of resources embedded in social networks (Coleman, 1990: Putnam, 2002). Lin (2001) observes that proponents of social capital have a variety of interpretations of the concept of social capital. These can be divided into two general perspectives; individual social capital (Coleman, 1990) and group social capital (Bourdieu, 2001; Coleman, 1990; Putnam. 2002). As the individual is the focus of this study, this paper will be concentrated towards interpretivist perspectives provided by the former.

**How participants understand their professional identity**

The trader developers' role can be seen as one of event management. Participants have identified three key events which they deem to be important; land, funding and the market. As managers of the process they play a number of roles, bringing together the many professional actors involved in the provision of a scheme and managing them in order to turn the development concept into physical reality.
Using Boyd and Chinyio's (2006) analysis of types of developer, all the participants involved in this study can be categorised as trader developers. With the exception of one, all described themselves as being property professionals before diverting their attention exclusively to development; the exception had familial links with property development. On average the participating companies comprise four directors with a minimal number of ancillary staff.

> "As a company traditionally we're traders; buy land, build buildings, sell them but more often than not we let them and then sell the created investment to other property companies who are large investment companies or to institutions, insurance companies [or] pension funds" (Developer # 2).

However, progressively and in direct relation to length of time trading, they retain building stock as equity; one participant explained

> "…as property people we all aspire to keep something that's producing income and then you build up a portfolio, so in 10/15 years when you do want to go skiing you know you've got a pension" (Developer # 4).

Although the participants understand their function in concrete terms, they themselves seem unable provide an overarching explanation of the role they play in the process;

> "I think I'm officially called a helicopter. That means I look down on everything that's going on and I dip in and out of things, not any particular part – and I have the overview of what needs to be done" (Developer # 8).

**Importance of funding**

> "Property is an awful lot about property and an awful lot about money and how you finance the scheme, which could be very good; if it's financed wrongly it's not that good. It's a balance of risk and a balance of our own exposure and how it's secured really" (Developer # 2).

Commercial property development is a high-risk activity, using scarce resources often involving large sums of money which are tied up in the production process, and providing a product which is relatively indivisible and has low liquidity (Cadman and Topping, 1995). As this study aims to examine commercial property developers' actions in the development process, financial details were not considered to be of direct import. None the less, it was felt that an understanding of the ways in which developers access funding pathways was essential to the understanding of the development process.

Property finance is the money raised by corporate entities, i.e. property developers, on the back of existing property or finance raised for future expenditure on and development of property: it cannot be seen in isolation from other investment markets (Isaac, 1996). In order to achieve successful projects, developers employ two types of finance; short term, to cover the costs of production such as land acquisition, professional fees, building costs and marketing costs, and long-term finance, which allows developers to cover the costs of short-term finance (capital costs and interest charges) thus enabling them to either retain the building or realise any profit (Cadman and Topping, 1995).

Since the mid 1970s, property investment has generally been thought to provide a relatively secure and stable return on investment (Investment Property Forum, 2003). This is largely due to growth in rental and capital value within the commercial property market. However, in the current economic climate, competition for funding is becoming progressively fiercer;

> "…during the last 3 – 4 months [i.e. early 2008] a lot of the pension funds have just turned their taps off, they're really sitting on their pennies at the moment because no-one wants to buy" (Developer # 4).

> "… [funders] are few and far between so it's harder getting the funding now" (Developer # 3).

Several of the developers interviewed fund some, or most, of their developments through joint venture partnering schemes. This involves the joining together of two or more companies to accomplish a development project. The parties, who may be institutional funders, banks, contractors, overseas investors, local authorities or public-sector bodies, will have an array of reasons for entering joint partnership agreements but effectively they are about finance and expertise (Isaac, 1996).

> "…we joint venture all our projects with funders, the money people, and we have a close relationship with three or four funding bodies, we then manage the development process … and we take a fee out of that process and that covers our overheads and when we build a building, we let it [or] we resell it and realise a profit on one of those sites then we get a share of the profit from the funder as well, it acts as an incentive, a sort of icing on the cake" (Developer # 6).

> "…our development is a joint deal with [a commercial real estate investor] and we're the people at the coal face and are dealing with the property aspects of it. We've got the free hand to make the decisions that are required on the property aspect and they're the money end of the deal" (Developer # 2).

New development companies often find that raising finance can be problematic:

> "…we went to a couple of players saying 'are you interested in coming in with us as a joint venture partner?', bearing in mind this was quite early days from us starting, we didn't have a track record as a new company, especially in the first 12 months of us starting. And one of the banks said 'we'll put up 95% for a 50% profit share'" (Developer # 5).

In some cases the development company may be co-owned by individuals with development experience and expertise or specialist investors, whose main purpose is to provide venture capital for property development:

> "As a shareholder, [our partner] provides us with substantial in-house funding for a wide range of development and investment opportunities immediately at our disposal. [We] regularly work with other sources of acquisition and development finance providers enabling the company to tailor finance solutions to specific projects" (Developer # 8, website).

Most trader developers prefer to pass on development risk and employ an array of financial strategies to raise the majority of project capital, often utilising their connections or, to use Granovetter's (1973) terminology, their weak ties. Where possible they will try to "go for repeat business", often maintaining ongoing relationships with several funders at a time ranging from institutional investors and banks to "high net worth individual[s]".

> "…we have some high net worth individuals who backed us from day one…and we can use that money to secure the sites, but obviously we've got very good funding contacts. What we try to do is secure the site and then refinance it with the bank; we have very good ties with RBS, as does everyone else, HSBC particularly and one or two other banks; but our strategy is to secure the money obviously, if it's a reasonable size; if it's millions and millions you get the finance in" (Developer # 1).

As funders and developers are both constantly seeking profitable opportunities, their communications are reciprocal (Putnam, 2002). As one developer observed,

> "The problem with a lot of funds is they've got the cash but they can't find the product. We're three guys who've been in the industry for 20 years; we stick

> close to the agents and we pick up opportunities, so the funds come to us because they know we can come up with good opportunities" (Developer # 6).

Conversely, another developer related how

> "…we got an early [idea] … and put it to [an institutional investor] because we had a good relationship with them, we'd done a few things with them before and they trusted our judgement. We said 'we think you should buy this site and put us in as the development partner'" (Developer # 4).

As traders, all of the developers interviewed in this study use majority external funding in their projects, although in-house funding may be used for the initial land purchase. After identifying and securing a suitable site, developers may attempt to increase its desirability and thus its fiscal value by investing in the surrounding infrastructure, improving site access or service provision and applying for conditional planning consent. Site enhancement will normally either be self-funded or will employ short-term borrowing. Outline consents will normally be non-specific in detail, thus making the site more attractive to potential investors and buyers alike. Once this is in place the developer will refinance the project by securing long-term borrowing raised against the enhanced land value.

> "When we set [the company] up the plan was to build things and finish them and see them through, and over the last few years that has been a market sentiment that you get your planning consent sorted out and than sell it" (Developer # 6).

> "….in the case of the warehouse in [the Midlands], we overcame various problems with the site and getting services to it, which enhanced the value of it and then we financed the development of it through [an institutional funding body]" (Developer # 2).

Having de-risked the project and taken their money out, they are then able to reinvest the equity in further projects, thus spreading their financial risk. Once their risk has been minimised, the developer would hope to be contracted to supervise the project and let the building, thus making a further profit on the land. Depending on contract agreements, profit may be further enhanced if lease agreements are signed before, or soon after, project completion.

**Developers' self perceptions and their understanding of risk**

Despite differences between the different schools of entrepreneurial thought, risk-taking behaviour is an important common link. Successful development demands an equilibrium of risk and return, both in financial terms and company exposure. Although the developer does not normally carry a direct financial risk from the potential failure of an individual project, risk derives from the damage that may be done to their professional reputation, which could, in turn, hinder access to future development opportunities or cause them to be excluded from their professional social networks entirely. In accordance with entrepreneurial theory, all of those interviewed identify risk-taking behaviour as an integral part of their business and, in many cases, their persona, often describing themselves as entrepreneurs:

> "All developers are risk takers, most are at the end of the spectrum. What is quite interesting is the progression of the people that [are] working for a

developer or being the entrepreneur; there's a colossal, massive, massive difference" (Developer # 6).

> "Developers are risk takers – people who've had the balls to step out of quite secure jobs, e.g. commercial agents who've joined development companies on the basis 'I'll give it a go, but if they don't perform I'm out'. It's having enough confidence to know you can do it. We're all a bit aggressive and gung ho. We're not the sort of people who are happy being middle management. We have the will to win but we're not aggressive" (Developer # 4).

Development projects can be categorised according to level of risk. Property developers either build speculatively for sale or lease on the open market or they enter into a pre-sold/pre-let agreement with a named customer (Isaac, 1994, 1996). Most of the developments undertaken by developers in this study are speculative and thus carry a higher risk:

> "…we took the risk on building something speculatively and it paid off" (Developer # 1).

> "There are some things where a scheme will be successful, but it will only be successful if you build it. Most people don't want to commit to any space until the last minute; they've got a new order and they need more space and they want to move in three months time. If you'd never built it you'd never be in a position to satisfy those requirements" (Developer # 2).

However, given the opportunity, all of the developers interviewed would involve themselves in the pre-let market.

> "The pre-let market tends to work better in [large cities] ….where there are major companies and they are outgrowing their space and their lease is coming to an end in three years time and they've got to plan ahead, they've got to know where they're going to put their staff [and] how much office they'll need. They don't want to stay where they are because the building is tired and that's no good to them so they're happy to forward commit" (Developer # 2).

The decision to develop in a particular field, both geographical area and development type, is a comparison of risks and returns as they stand in the current financial market. This, however, is not a precise science. Property development is a long process which, depending on the size and complexity of the project, may take several years and span a number of changes in the economic and political power structure. Success is dependant on the developer's ability to adapt to an array of political and economic events.

**Understanding the market and identifying opportunities**

One of the participants spent more than twenty years working within "the large[r] corporate environment" in a variety of senior roles before taking semi-retirement; he is in the unique position of spending part of his time working as an independent property consultant for a large corporate developer, part advising various charitable bodies on their land use and "…one third with [a trader development company] with people I know". He uses his cross-sectoral insight to observe that

> "…outside London there is always a local mafia, a local network into which the local business man will fit far more easily than a humping great elephant coming in from London and stomping all over the local turf" (Developer # 7).

He further observes that the property market is inherently territorial and is surrounded by relatively closed communities of interested parties. Consistent with Granovetter's (1973) analysis of the strength of weak ties, he notes that if the developer is able to build a link to these communities via one of their contacts, or to use Granovetter's (1973) terminology networks and bridging ties, they will have greater access to the other actors involved in the development process.

> "If you're working in [a provincial area] there'll be people you need to relate to like the local planning officer, you may have a local architect, [or a] local solicitor, who may have connections with the local bank to provide you with finance or will be in touch with the business community who may be interested in taking the property off you" (Developer # 7).

If the developer has no bridging ties to local networks they may fail to spot local opportunities. This participant's experience as a property consultant has allowed him to observe tactics employed by corporate developers to create links to local networks outside London. Being aware that development success may be hampered by their inability to access opportunities, they often have a policy of forming joint ventures with local developers outside the capital. While the corporate developer is in overall control of the project, "maintaining a tight grip", the local developer is their "man on the spot".

> "He's got a stake in the development, spotted the opportunity, [brought] it to us; he's got a stake in the development because he's got a profit share but he's got the local networks" (Developer # 7).

He further observes that "London's so big and amorphous that the mafia can't exist in the same way as it does in other towns".

> "It's a question of opportunity, or what we perceive to be an opportunity. What we perceive to be an opportunity other people will discard – it's not their field or they don't know who's looking for that type of property at the time, or what they might be prepared to pay for it" (Developer # 6).

Trader developers "live off opportunities" and believe that the identification of development and funding opportunities are paramount to their success. Although development inevitably necessitates a level of speculation, Millington (2000) advises in-depth market research, not only for discrete project appraisals but also when looking to broaden the company's range of development opportunities, e.g. by type or region. Instead of this formal approach, much of the market research done by trader developers is based on anecdotal evidence gathered via the individual developer's networks, complemented by research carried out and published by some of the larger corporate development houses.

Developers often design a degree of flexibility into their schemes. In one case reported by an interviewee, following past successful and profitable projects through joint venture agreements with funders, the funders approached the development company with a proposition for a site, zoned for industrial use, within "the golden triangle", an area bordered by the M1, M6 and M69 motorways,

> "…on this particular site we signed a development agreement with [the funding body] and initially they didn't want to spend their own cash on speculatively building out projects. So we had a site, we got planning for a 95k ft² unit and we marketed the site through our agents, we had a couple of commercial agents on board and we tried to find an occupier to build a bespoke building, so that way our intention was to build once we had an end user to take the building. We tried for 3 or 4 years and didn't manage to do that, but we kept saying to [the funders], if you actually put the building up on site we believe it will let as soon as you start building. There's a good demand around there but a lot of companies actually, they make the decision to take property, not now in expectation of having the building in 2 years, some do in which case we can do a bespoke development, but so many enquiries it's suddenly 'we need a new building, we want a new contract, we want it within the next 3 months'. We eventually persuaded [our funding partners] to build the building so we built the 95k ft² building, but to get in a bit of flexibility we built it so we could split it straight down the middle and we put the offices at the front, it's mainly a unit with a small percentage of offices, then we capped off all the services but put windows on the other side just in case we split it. Lo and behold before we finished building one passed to [a major supplier of goods to the construction industry] so we put the division wall down and let it to them and literally a few weeks after we finished building [a] furniture retailer came along and took the other half" (Developer # 4).

The process of development is always similar thus developers may alter either their geographical or typological specialism with relative ease. Gummerson (1991, p. 9) suggests that companies may "change direction by means of a process of continuous adjustments within an existing framework of operations". One developer explained how, in the face of compelling research, their original development concept changed to include a wider geographic market. On the company's inception, the partners made a conscious decision to concentrate their development efforts in the office and industrial markets in southern England, where they had specific experience and knowledge of the market. However, their most recent development is in the Cotswolds. Having identified an emerging market for small industrial units, they found a suitable opening. Confirming Coleman's (1990) hypothesis that social capital depreciates if social relations are not maintained, they are now looking for more opportunities in the area, largely because, while

> "the distance remains the same but the benefit you get from it increases… We know the planning team there, we know the banking market, we know the lawyers there, we know the agents there and once you've made that investment it seems stupid to say 'well actually we've done our job there, we're going to go somewhere else'" (Developer # 6).

Property market research, as advocated by Millington (2000) is a combination of formal and informal identification of opportunities. Informal identification is normally made via the developer's network connections, be they industry, e.g. other developers or old friends and colleagues, or less frequently architects or planning staff, or they may come quite simply come from "…the man in the pub, who says 'my mate works for so-and-so and they're closing down'". Formal identification usually originates from the commercial agents who send developers details of land, or from relevant publications such as *Estates Gazette*. Trader developers tend to specialise be it by type or place; variance in their typography is usually initiated via contacts. Studies have shown that people "rarely *act* on mass media information unless it is also transmitted through personal ties" (Granovetter, 1973, p. 1374, emphasis in original). One developer recounts how having initially rejected an advertised redevelopment site which they deemed to be both unprofitable and out of their sphere of expertise, they were introduced to the owner by an old school friend (a weak/bridging tie) and were subsequently able to negotiate by means of an informal dialogue and reach a position which was beneficial and profitable to all.

Commercial agents are involved in events at either end of the development process, land acquisition and sale/lease of the building; developers are aware of the importance of building good relationships with them and seem to understand their social capital will decline if relationships are not maintained (Putnam, 2000). Businesses wishing to expand into a particular area will often approach commercial agents and furnish them with details of their requirements. One developer explains;

> “Trader development and commercial agents are the perfect market which relies on a closely knit community; agents tip off other agents. If an agent bids for an instruction but doesn’t get it they may pass the info on to developers to let them know it is coming onto the market, in the hope that if that developer gets it they may use them when it is time to sell or lease” (Developer # 4).

Although developers are regularly contacted by commercial agents regarding potential development sites, all of the participants say that they would rather buy off market and negotiate directly with the vendor, which will normally be a more cost efficient approach.

**Relationships with local authority planning departments**

The possession of social capital, developed from membership of a social network, entails a cycle of expectations and obligations (Lin, 2001). This is exemplified by the developers’ relationship with planning; specifically the negotiated finalisation of the scheme presented to the planning committee.

Most of the developers interviewed say that they are conscious of the potential benefits brought about through nurturing links within the local planning office and will approach their local planning officer and seek their opinion before submitting plans. As one developer observed,

> “No-one’s got a monopoly on good ideas and planning officers are reviewing these things all the time. Some of these officers are very good. Some of them can say ‘put another floor on there, but I’d like you to set it back a bit, [or] I’d like you to do this…’” (Developer # 2).

While they understand that, as virtually all plans are recommended or rejected by committee, officers cannot directly “do [them] any favours”, they can, over a succession of meetings, contribute to the final plan. The participants believe that if the planning officer feels they have been influential in the final submitted plan, i.e. it is a collaborative and reciprocal agreement; they are more likely to recommend it to the committee. However, they note that as some departments are understaffed they may not have the opportunity to develop these links. Developers often consult planning officers before offering on a site, although planning officers cannot tell the developer if a plan will get past the committee stage their opinions may “colour [their] mind as to whether [they] bought it outright or conditional on planning”. Occasionally officers may advise the developer on zoning; this will be non-specific and will generally relate to a specific plan on a particular site. As reciprocation the developer will generally not attempt to submit plans in the area which are not likely to be passed at committee.

## CONCLUSION

Drawing on a series of semi-structured interviews with commercial trader developers, this research set out to investigate the complex professional world in which they operate. Property development comprises a series of events and actions. This study has aimed to understand the creative process of property development by way of understanding how developer's interpret events and thus give meaning to those events. However, it is important to acknowledge that, although there may be a causality between events and actions, as data is presented in the form of narrative, the value of the story is dependant on how the audience receives it. In accordance with Giddens' (1982) concept of the double hermeneutic, the nature of the connection is left open to the audience's interpretation. Whether a story is accepted or rejected by the developer's audience will depend on how the story is presented. Experienced developers are conscious of the significance of the story, which will be altered to fit audience requirements.

Developers measure their success in terms of fiscal achievement or profit; however, there is a general awareness amongst them of the importance of maintaining positive links with other members of their social network. Relationships with contacts are a major influence on development, from opportunity identification and planning consents, through to completion and sale; finance and land are often accessed via links within the property field. Developers often come from a professional background within the property field, and participants in this study are acutely aware of the importance of developing and maintaining relationships within the industry and beyond. To this end, most of the participants interviewed have continued their membership of professional bodies such as R.I.C.S. and regularly attend both their social functions and continuing professional development (CPD) events (which are a requirement of membership).

Although participants are aware that they have social capital they do not label it as such; rather, in accordance with Putnam (2002) and Coleman (1990) they see themselves as being part of a professional group (their network) that carries within it unspoken, reciprocal exchange of resources, normally in the form of information. As this research only looked at one aspect of the social network (the developer) it was not possible to gauge the extent to which the reciprocal norms, an inherent aspect of social capital theory, apply.

Attempts to analyse property developers' behaviours and actions through the different schools of entrepreneurial theory has proved paradoxical. Many of the participants' personal narratives both accord and conflict with entrepreneurial theory. Most of the businesses involved in this research have been active for several years and, as such, some entrepreneurial schools of thought would not consider them to be engaging in entrepreneurial behaviour; however, if each development, as recounted by the participants, were to be considered as disparate event involving a new innovative/creative phase the opposite case could be presented. While the developers interviewed do see themselves as risk takers, they are conscious that a greater burden of direct risk is carried by the funders.

Although Granovetter's (1973; 1985) social network theories, especially those advanced in *The Strength of Weak Ties* (1973), theories of social capital by Putnam (2002) and Coleman (1990), and the various schools of entrepreneurial thought outlined by Cunningham and Lischeron (1991) do largely correspond with data collected and thus could be considered a useful lens through which to view the data, there is, however, danger that in trying to find a theoretical model that fits the data, rather than allowing the data to speak for itself, research becomes unrepresentative of the reality of the people under investigation.

Early interviews seemingly highlighted the importance of entrepreneurial, social network and social capital theories. However, as this research aims to study the professional world of the developer and how they understand their motives, motivations and role, and how and why they change in the negotiated “creative process”, it has become apparent that further interviews with developers and other stakeholders, e.g. funders and planning officers, in conjunction with longitudinal case-studies, are necessary to further aid the progression of this investigation.

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