Mapping the market: a portfolio approach for informed deliberation of urban development strategies
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Summary

This research deals with the portfolio approach, an instrument that supports planning by mapping the positions of urban neighbourhoods in the property market. It accomplished this support by facilitating discussion among stakeholders about the property market dynamics and possible strategies for where and how to intervene in the city. This discussion is part of the approach. It should contribute to an informed deliberation of urban planning strategies. This study reports on the development, application, testing and evaluation of the portfolio approach, focusing on two central questions:

1. To which extent is the portfolio approach a useful approach for generating knowledge about positions of urban neighbourhood in the property market, their opportunities and possible intervention strategies?

2. Why and how does the portfolio approach succeed (or not) in generating knowledge about the positions of urban neighbourhood in the property market, their opportunities and possible intervention strategies?

The first question concerns the testing of the approach (does it work?), while the second question is about evaluating and understanding the approach (why does it work?) Both questions are answered by means of an iterative research process of hypothesising about how the approach might work, which is then applied, tested, observed and evaluated in order to understand how it generates the types of outcomes in different types of situations, and to improve it. The practical use and theoretical understanding and background are two sides of the same coin in this research.

The development of the portfolio approach was commissioned by and carried out in cooperation with the Amsterdam Physical Planning Department (DRO). The starting point for this research was the identified challenge faced in Amsterdam, as in many other cities, by urban planners and urban governments to achieve public goals in the environment of increased dependence on private means. With private investments and initiatives increasingly shaping urban development, local governments have to be selective about where and how to invest and intervene. Not every neighbourhood can be upgraded and not every site can be developed. The portfolio approach aims to provide insight into which areas are interesting for private investors; not so that local government should necessarily target interventions here as well. Rather, it helps to understand in which areas it may expect other private or semi-private actors to participate and where development is a matter of public initiative predominantly.
How to do more with less in urban planning

The portfolio approach can be seen as a product of fierce changes in the spatial and institutional landscape in which urban planning takes place. Changes of technical, socio-economical, cultural and political nature have taken large, interrelated effects on cities and regions: it affected the way cities have developed spatially, the role of (local) governments and, of particular interest in this study, the ways in which urban developments come about. How this relates to strategic planning in general and strategic spatial planning, as well as how this leads to the idea of the portfolio approach is discussed in this research.

In a nutshell, spatial innovations, particularly the highly increased mobility of people, goods and information, have facilitated the transformation of cities from relatively well-defined physical entities to more polycentric urban areas, with unclear boundaries. Mobility allowed people and organisations to move to the suburbs and beyond and increased the consumer and production markets for business. The increasing scale and scope on which all sorts of activities are taking place has facilitated, but also been driven by economical and political developments. Particularly the increased mobility of capital (enabled by the internalisation of financial markets, the removal of trade barriers and the emergence of new markets) is the crucial driver, if not the embodiment of globalisation. With the unprecedented possibilities to communicate and share information instantly and globally and the ability to outsource large parts of production, cities have only increased their importance, providing the spaces and places for consumption, communication and coordination. Still, many cities were and still are struggling to adapt to the post-industrial economy, to find a competitive position in the ‘international market place’. This need to be competitive has been fuelled by the changing (fiscal) relationships between national and local governments, with the latter generally becoming financially more independent. As a result, the health of urban economies increasingly depends on the extent to which cities succeed at attracting private business to invest or locate there. This, in turn, depends on the extent to which cities offer the ingredients of the knowledge-economy: a strategic location, a (young) educated workforce, various local amenities and a high quality of life.

These ingredients give cities a bargaining position for attracting private investments. The stronger the city’s position, the more conditions in terms of public goals it can attach to developments. Weaker cities or local governments may feel the need to make conditions more favourable at the expense of equity goals or living standards. There is, however, increasing evidence that in fact the economic objectives in terms of competitiveness benefit from (investments in) the cities’ quality of life and cohesion, implying that sophisticated strategies require more than a simple choice between competitiveness or cohesion. A main question is what strategic spatial planning in the new context should look like. The need to mobilise stakeholders, develop new ideas, organise decision-making to get to action, and to collect and organise qualitative relevant information about opportunities and threats are just some of the required ingredients.

It is particularly difficult to balance, on the one hand, long-term visions aimed at safeguarding comprehensive development of e.g. infrastructure and the environment, while at the same time on the other hand retaining the flexibility to seize emerging opportunities.
The city as a portfolio of neighbourhoods

In light of the new planning context and the limited resources at their disposal, urban governments and urban planners have to be selective in terms of where to target their interventions and investments. In order to use resources effectively and efficiently, some sort of strategy is required. This is where ideas from business (literature) can help, as companies there are faced with a similar challenge. Large companies owning a portfolio of different business units and products continuously have to decide which of their products to invest in or dispose of. For this purpose, several portfolio management tools were introduced from the 1970s. Of particular interest for this research is probably the most well-known portfolio management tool, introduced by the Boston Consulting Group, the so-called Growth-share matrix. By measuring the market share of a company’s products and setting against the growth rate of the particular markets, the Growth-share matrix identifies the position of all products in a portfolio matrix. The position in the matrix is related to the idea that products go through an economic life cycle of growth, maturation and, albeit not inevitably, decline. Typically, a product starts as a dog or question mark, gains market share to become a star, then a cash cow when the market settles down, and hopefully it does not end as a dog.

In essence, what the tool does is identify and set off against each other the current performance (indicated by market value) and the potential (indicated by market growth) of products. It has been this idea of identifying ‘performance’ and ‘potential’, together with the idea of neighbourhood life cycles which was the inspiration for translating the Growth-share matrix to the city and its neighbourhoods. It means that the main conceptual idea put forward in this research is that the city can be seen as a portfolio of neighbourhoods with their distinctive position. There are some important differences, however, between the original tool and the urban portfolio approach. Instead of measuring market share, the current performance of neighbourhoods in the urban portfolio is mapped by looking at property values per square metre. And instead of using the market growth rate as a proxy for the neighbourhoods’ potential, the increase of property values in neighbourhoods are used. In addition, there is a clear difference in perspective between corporate business and urban planning using a strategic portfolio tool; since the objectives of the latter go beyond mere profitability, so too will strategies and interventions differ. Yet similar to the Growth-share matrix, the score (above or below average) on the two indicators used in the matrix (generates four ideal typical types of neighbourhoods with the following names, depicted in the figure below: stars, cash cows, question marks and dogs. Like products, neighbourhoods can go through life cycles as well. Dog neighbourhoods can become question marks, question marks can become stars, then cash cows, and then finally may fall down to the position of dogs again. Contrary to some deterministic strands of research, however, this is by neither an unambiguous nor inevitable process.

The identification of these neighbourhood positions provides some general ideas about neighbourhood strategies:

- Stars are neighbourhoods with high property values. Judging by property values, they are performing well and the value increase indicates more potential. Yet some of these neighbourhoods may have seen most of their value increase and they may about to be enter the cash cow stage. In general, one would try to
capitalise upon their star position. This means the attractiveness of these areas for private investors puts local government in a relatively strong bargaining positions vis-à-vis private investors. The strong position of these areas can be utilised by local government in order to realise public goals in this location or elsewhere.

- Cash cows are neighbourhoods with high property values, but their below average increase rates indicate that they have more or less ‘settled down’; relatively little development may be expected there and also little public resources are generally needed there. Nonetheless, in order to conserve this position and to prevent some of these areas from falling to a dog position, attention and investment may be necessary. In the urban portfolio, cash cows live up their name in the sense that they can generate resources for local government by means of (high) property taxes, land revenues, but also indirectly by requiring less resources and thus liberating resources to be used elsewhere.

- Dog neighbourhoods, with below average property values and rates of increase, are generally the weakest parts of the city. In many dog neighbourhoods, low property values may go hand in hand with relatively poor living conditions. Improving the liveability may thus be necessary and preferable for all kinds of reasons, but one should be aware of the fact that, considering the lack of value increase, they will attract little private sector interest.

- Question marks are perhaps among the most interesting areas in the city, as they are showing signs of substantial change. In some instances a lot of developments may already be taking place. For local government this could implicate that it should try to facilitate and steer these developments in preferable ways. In such cases, the strategy may be similar to that in a star neighbourhood. In other question marks, the private sector may not yet be fully convinced of the potential (hence the name question mark). In case of such uncertainty about whether and to how to stimulate development, public investments and experiments could lead the way.

Figure 1: The identification of neighbourhoods in the portfolio approach

One can think of a more general strategy on the level of the portfolio as well. To some degree similar to the strategy usually associated with the Growth-share matrix, one might say that resources made or saved in star and cash cow neighbourhoods
may be used to improve dog areas or in further enhancing the position of question marks, in order to stimulate their development. It is important to stress, however, that the above are merely very general ideas about strategies. Actual strategies and interventions are and should be the result of much more sophisticated analysis and deliberation. The identification of neighbourhood positions in the portfolio matrix does by no means generate a ‘the right’ strategy. This is the main point of criticism of strategic planning tools, such as the Growth-share matrix, i.e. that the products’ positions in a portfolio automatically imply a certain course of action. For example it could stipulate to ‘dispose of all dog products’, when in fact some dogs may be very useful. It illustrates a wider body of criticism of strategic planning tools, i.e. that they claim to provide solutions, at the expense of driving out strategic thinking.

This is why the portfolio approach is made up of more than the mere identification of neighbourhood positions in maps and in the matrix. In order to achieve the intended strategic thinking process among stakeholders, the portfolio approach is applied in workshops which follow a certain structure of discussion. First, the portfolio concept and maps showing the neighbourhood positions are presented (1). Then this is used as input for shared analysis of the patterns presented (2), in relation to a specific part of the city or a certain issue at hand. The next step is to look for development opportunities or to formulate ambitions (3), followed by a discussion of possible intervention strategies (4).

**Knowledge and information**

So rather than providing a perfect answer or a strategy by itself, the effectiveness of strategic planning tools such as the portfolio approach depend on the extent to which they can inform and assist strategy-making by providing content and process. This is a notion related to the treatment of knowledge, information and rationality.

Up to the early 1970s, planning practice and theory were generally dominated by technical-instrumental rationality. In oversimplified and ideal typical terms, planners were regarded as value-free professionals who would collect and analyse data as the input for the generation of optimal solutions. Many scholars in various disciplines, however, have demonstrated the technical rational model is flawed and bounded: there are too many uncertainties precluding the effective processing and analysis of all the necessary information. Also people, whether consciously or unconsciously, have trouble making value-free decisions, particularly since the goals to be achieved rationally are neither value-free nor self-evident. Contextual differences in terms of problems and solutions over time and place only add to the problematic status of the rational paradigm.

As a response, several alternative planning approaches appeared that paid more attention to the ideas and opinions of ‘those planned for’. Approaches such as participatory planning, transactive planning or communicative planning differ in many ways, but they share the idea that planning is a social process where communication with and between a wide variety of stakeholders takes a central position. Oversimplified, the epistemological treatment of knowledge in communicative planning approaches is that if the traditional experts do not have the value-free answers, then planning should be an inclusive process with room for local or ‘lay’ knowledge, in addition to technical, professional knowledge. What seems to be a
problem, however, is that the (disputed) paradigmatic status of communicative planning approach in planning research is not fully echoed in planning practice. Although perhaps sympathetic to the idea of participation, many practitioners also feel that there should be room for the ‘old fashioned’, professional type of knowledge. What seems to be lacking in particular are ideas or guidelines about how to integrate different types of knowledge into a rich and shared knowledge base.

This is where the field of knowledge management can help, in particular the work of Nonaka and Takeuchi. With help from Polanyi’s distinction of explicit (the traditional scientific, codified, formal type of knowledge) and tacit (which is intuitional, context-dependent knowledge, picked up by experience), Nonaka and Takeuchi introduced the so-called SECI-model for learning. The concept and the acronym are based on the notion that there are four types of learning: socialisation, externalisation, combination, and internalisation. By means of exchange and conversion of tacit and explicit information, new knowledge can be generated in a cyclical process. Socialisation of knowledge is the sharing of tacit information between individuals or in a small group, particularly by means of shared experiences, such as observation and imitation. Such tacit knowledge can be made explicit by externalisation, where tacit knowledge is codified, from the individual to a group. It requires words, images, concepts, narratives and metaphors, which fosters the generation of ‘meaningful dialogue’. This type of learning can be related to much of the planning research on communicative approaches. The externalised knowledge can then be reconfigured and linked with other bodies of knowledge by combination. Finally, through internalisation individuals convert this collectively generated and combined explicit knowledge back into a tacit form, similar to Schön’s idea of ‘learning by doing’.

Even despite some of the shortcomings of the now widely-known SECI-model it is an interesting and useful heuristic for the field of planning, as it provides both a descriptive and possibly normative mechanism for the integration of different types of knowledge and information and as such the generation of new knowledge. More generally, it seems that knowledge management, whether in the form of the SECI-model or not, should be a key aspect of planning, particularly considering the challenge of using and integrating different types of knowledge brought to the planning arenas by key stakeholders: planners, residents, politicians, or the private sector.

**Methodology: planning research as a design science**

With the aim of facilitating a knowledge generating process among planners and other stakeholders, the portfolio approach can be seen as a so-called planning support system (PSS). In general, following Klosterman, a PSS should be considered as some sort of system that supports planning by providing a framework for the integration of relevant information. PSS are generally associated with software-aided planning, which took off with the development of computers from the late 1960s. Yet in spite of the enormous increase of the technical possibilities of collecting, analysing, mapping and representing all sorts of (geographical) information relevant for planning, PSS remain scarcely used by practitioners. In spite of their educational value, many PSS turn out to be insufficiently helpful when it comes to supporting
the daily practice of making decisions in planning, which always prove to be more context-specific than ideal typical situation that underpin the PSS design.

The main reason for this utility problem is the supply-side, technology-driven orientation and development of most PSS. Yet in order to be helpful, tools should rather be developed bottom-up, from the user’s perspective and his/her practical problems; thus it would seem more logical to apply a more demand-oriented way of developing more relevant PSS. However, the aim of producing tools that try to help solve practical, context-specific problems is often believed to stand in contrast to the supposedly superior scientific ideal of producing rigorous, universally applicable knowledge or instruments. Rigour mostly seems to be preferred to relevance. This is a notion that appears applicable not only to the development of PSS, but to planning research more generally, as well as other disciplines. To deliver research products which are practically relevant, without going at the expense of scientific rigour is a classic dilemma, and this research on the portfolio approach is no exception to this dilemma.

The methodological approach used in this research which is to tackle this dilemma is the concept of design science, introduced by Van Aken. In design science, the researcher takes on the role as a designer who, in contrast to explanatory science, actively takes part in the process of developing prescriptions aimed at solving practical problems. Instead of trying to merely understand and explain natural or social phenomena by a causal model or a quantitative law, design science aims to find heuristics that provide types of solutions for types of problems in specific types of situations. The portfolio approach (consisting of both the maps, matrix, and the way these are discussed) is thus seen as a design for generating informed deliberation about where and how to invest in the city. The methodological implication of this is that the researcher has to test his/her design in practical situations (relevance) as well as ground the design theoretically, by (rigorously) evaluating it. Understanding how and why a certain intervention triggers a mechanism which, in a certain context, does or does not lead to the desired outcome, allows for a certain degree of generalisation of the prescription that goes beyond a useful solution for a specific case. This is one of the main aspects that distinguishes design science from much of the research that follows the methodological approach of action research.

When following this design science approach, research becomes a process of what can be called ‘experiential learning’, based on the learning cycle introduced by Kolb and Fry. Research takes the form of a cycle consisting of testing a hypothesised solution to a certain problem, then applying the design in a situation as ‘real life’ as possible, followed by observing and reflecting on whether and how the design works, followed by more abstract conceptualisation about the mechanism. This is the input for new hypothesising and the subsequent testing of this improved design. Clearly, such a research approach requires a close cooperation with practitioners. If one considers planning research as a science that is (similar to medicine, law, or engineering) at least partly occupied with finding types of solutions for types of practical problems, then one can argue that a design science approach should to some extent be part planning research.

It has provided the methodological building blocks for testing and grounding the portfolio approach in a cyclical manner. In this research, the research cycle started with the observation that in Amsterdam, there is a need for more obtaining
more insight into the market dynamics of the property market. This need was underpinned by the (at least perceived) notion that the where and how of urban development is increasingly subject to private sector interests. These reflections led to the initiative for a cooperative research project with the Amsterdam Physical Planning Department, which resulted in the abstract concept of identifying neighbourhood positions as if they are part of an urban portfolio. The next step was to develop, test and apply the first version the portfolio approach in workshops. What happened in these workshops was then observed and reflected upon, in order to understand the mechanism responsible for how and why the approach did or did not work. Evidence was provided from the researcher’s own observations, the survey questionnaires and the interviews with the users participating in the workshops. This served as the input for adapting the approach, whether in terms of content or process. As such, the approach has – although not always as orderly as described here – gone through the research cycle a number of times, until a certain ‘saturated evidence’ of the approach’s mechanism was achieved. It means that at a certain point, more testing and adaptation of the approach would have provided little added value. At the same time, it means that the most recent version of the approach is deemed suitable for application ‘here and now’.

In design science there is the inherent risk of the active role of the researcher. Being heavily involved with the development of something which is supposed to work in practice, there is the risk of research bias. Since the design scientist is not a distant observer, he/she has to be very conscious of this risk. It means that the design should be tested not only by the researcher but by other, more neutral observers as well. In addition, particularly the grounding of the design, i.e. unraveling the mechanism of the approach should leave as little room as possible for black box explanations, so that the researcher as well as others can point at possible flaws.

**Applying the approach: Does it work? Why does it work? How can we make it work (better)?**

With the aim of developing, testing and understanding the portfolio approach, the instrument was applied in eight workshops. Six workshops took place in Amsterdam, followed by two workshops in Rotterdam, organised with the Amsterdam and Rotterdam Planning Departments respectively. The workshops were organised around either a specific neighbourhood or a part of the city (this was the case for Holendrecht and the Chassébuurt in Amsterdam, and Rotterdam Oud-Zuid), or they involved a certain issue at hand: the ‘creative city’ in Amsterdam, the portfolio of the Amsterdam region, or the topic of gentrification in Rotterdam. An important condition for discussing an area or topic with the portfolio approach would be a certain degree of uncertainty about the issue: e.g. where opportunities can be found, where and how to start, or the interdependencies between stakeholders and ultimately which kind of strategy to adopt. The portfolio workshops were meant to stimulate discussion and raise more insight among stakeholders about these types of aspects. Groups of 8 to 20 stakeholders and other experts were invited to participate, representing the planning department or other municipal agencies, private investors and developers, housing associations and other affected organisations.
The first workshop where the portfolio approach was applied (and which was part of this research) took place in 2004 in Amsterdam, the last one in Rotterdam in 2007. In between, the approach was adapted – one might say evolved – based on the experience with applying it, observing and reflecting on how it worked and thinking about possible improvements. The main adaptation in terms of how to map the neighbourhood positions was applied is connected to the way it identified opportunities for development. At first, these opportunities were ‘measured’ by looking at some neighbourhood characteristics that were dominant in interviews with professionals working for private and semi-private organisations in the Amsterdam property market: neighbourhoods’ social status, the age of the buildings (the older the better), the amount of open space and the urban atmosphere of a neighbourhood. Although these are sensible characteristics, they appeared to be all but universally valid as indicators of development opportunities: neither in time, space, nor by different investors. In addition, opportunities were said to be a matter of changing conditions, making a dynamic indicator more preferable over a static one. The variable that indicates opportunities regardless of the different (subjective) reasons and that also indicates change, is value increase. The average property values together with value increase were the indicators for the subsequent identification of neighbourhood positions. Another adaptation, however, i.e. using actual transaction values instead of valuations was an additional improvement, since this allowed for a longitudinal insight into the changing portfolio positions of neighbourhoods.

To find out whether and particularly how the portfolio approach and its adaptations work or not, the so-called CIMO-logic is used as an evaluation method, based on Pawson and Tilley’s concept of ‘realistic evaluation’. The evaluation of the approach is deconstructed in the elements of Context, Intervention, Mechanism and Outcome. To start with the latter: the intended outcome of applying the portfolio approach is a collective learning process, which hopefully contributes to more informed deliberation of planning decisions. This may sound like a modest objective, but since actual planning decisions are generally not made in the workshops, one can only aim to contribute to the deliberation process. The extent to which the intended learning process occurred, is ‘measured’ by looking at a number of indicators. First, learning in a workshop requires good communication among the participants; the use of a ‘shared language’ is a clear indicator. Generally, as mentioned by participants in the surveys, this worked well and terms such as cash cows, dogs, or oil-stain development were picked up and used repeatedly. A second indicator is the generated insight into some aspects: the changing positions of urban neighbourhoods, the driving forces behind these patterns, the location of development opportunities, possible strategies and – not in the least – insights into the viewpoint of other stakeholders of these issues. As such, the interdependencies between stakeholders became clearer. Other indicators for the success of the workshop are the behaviour and commitment of participants. In some cases, there were clear signs that some participants changed their attitude towards the project at hand, based on the lessons learned: the shared commitment to focus more on certain elements of a plan (more emphasis on the metro station as the centre of the neighbourhood), or to pay more attention to certain aspects (the importance of good schools to attract other people to the area). Whether people actually change the way they think or work after the workshop, however, remains difficult to assess and even more diffi-
cult to prove; even if they say they do. Finally, the ‘institutionalisation’ portfolio approach in the Amsterdam Physical Planning Department can be seen as an outcome as well. Based on the evolution of the approach in Amsterdam, a workbook has been developed which explains how to apply the approach in certain cases: how to make portfolio maps and how to organise a workshop.

Contextual elements for a large part influence the chances of successful application of the portfolio approach. It means that one should assess these elements in order to see whether applying the approach is useful in the first place. First, considering the importance of property market dynamics for urban planning, any place or planning system where market dynamics are important would be suitable for the approach. Amsterdam and Rotterdam are examples of this, but this applies to many other cities both in the Netherlands and abroad. Of more specific influence are elements, such as who is the client, who is taking the initiative for a workshop, the degree of urgency, the scale and timing of problem and its linkage to an existing project. Preferably, the initiative should come from a client who is the actual ‘owner’ of the problem to be addressed in the workshop, rather than top-down by the researcher or others. This is related to the element of urgency: a bottom-up initiative indicates the urgency for some sort of strategic discussion about an issue or a neighbourhood, which increases the commitment to get something useful out of the workshop. It also helps to connect the workshop to an existing project, which makes the workshop less of a ‘free exercise with no strings attached’. At the same time, the fact that the portfolio workshop is not an ‘official meeting’ generates room for more open and substantive discussion. Whether this is possible depends on the timing or the stage of a project; there should still be sufficient room to make strategic choices that could take implementation in different directions.

In terms of scale, the portfolio approach appears suitable for discussing issues at the level of a single neighbourhood, where the relative market position of the area provides a starting point for discussion of realistic opportunities and strategies. This noted, the approach is considered more suitable for discussing issues on a larger scale: the city, a borough, or the region. At these levels the instrument works even better, because here the portfolio approach provides exactly what portfolio tools are meant to do: a framework for making choices between different areas and neighbourhoods.

The central part of the evaluation is how the intervention triggers a mechanism that makes the approach work in a certain way. The intervention is the part of the mechanism deliberately manipulated by the researcher, or by anyone applying the approach. It involves several steps: making portfolio maps as input for discussion, organising a workshops, deciding who to invite, how to structure discussion, and what to do with the outcomes. A more specific intervention in terms of content is that the approach requires qualitative, credible and transparent information of explicit nature, to be brought together with the more tacit information and knowledge of stakeholders. These are the main interventions that should steer and set in motion the mechanism of the approach, which in essence is a learning mechanism. Building on the SECI-model, two types of knowledge are brought together. On one side of the table the explicit information of the portfolio maps is presented, while on the other side participants externalise their tacit knowledge (i.e. they share their ideas of how neighbourhoods change, where development opportunities can be
found and what could be useful strategies). The two types of knowledge are constantly confronted and combined with each other in order to increase the quality of both and generate more insight into the subject matter. In the end, this should stimulate the informed deliberation of planning strategies, thereby increasing the chances of successful action. In terms of the SECI-model, the portfolio approach thus aims to feed strategy-making particularly by means of externalisation and combination. Naturally, also internalisation and socialisation are considered just as important as input for strategy-making, but these modes of learning are thought to occur mostly outside of the workshops, in daily practice.

The aim of design science is to develop types of solutions for types of problems in types of situations; understanding a problem is not enough. Accordingly, research should result in some kind of prescription, called a technological rule. Based on testing and evaluating in eight cases, the general prescription for applying the portfolio approach is as follows:

If you want to achieve a collective learning process that can contribute to the informed deliberation of planning strategies for the city and its neighbourhoods, with an urgent urban development challenge at hand, with relatively high uncertainty about market dynamics in general and uncertainty about the who, what, and how of intervention, then apply something similar to the portfolio approach.

**Market-conscious planning in dynamic neighbourhoods and urban development strategies**

The main aim of this research was to develop, test and evaluate the portfolio approach. By making portfolio maps and applying the approach in workshops, it generated several substantive insights. Finding these types of insights was the aim of the individual workshops. They are interesting to mention here, as they provide a tangible illustration of the type of knowledge that the portfolio approach can generate. Eight workshops, although focussed at different problems, scales and cities, provided the material for a substantive synthesis of the key elements of the participants’ knowledge: how neighbourhoods change, where interesting sites can be found, and where and how to intervene. Although these substantive beliefs have not been tested nor evaluated in the same way of the approach, they can be seen as substantive technological rules. This synthesis is also part of the portfolio approach work-book made with DRO.

Countless studies have looked at the possible influence of all types of variables on neighbourhoods in different types of cities. I do not pretend this research has provided the single explanation, particularly since finding this ‘answer’ was not the main research objective. The interesting thing about the workshops, however, is that rather than looking at the influence of one or a few variables, they involved a more holistic discussion about what drives neighbourhood change and what makes them interesting for investment (based on tacit and explicit knowledge).

So what can be distilled from these discussions? What makes neighbourhoods popular, what makes them change, and what makes them interesting to investors? Not surprisingly, the main and virtually undisputed factor determining the neighbourhoods’ popularity is location. Location generally means being close to amenities such as shops, schools, parks or highways. In Amsterdam, however, good
location is almost synonymous with the proximity to the city centre. With distance from the centre increasing, property values generally drop. In Rotterdam, however, the city centre does not have this undisputed top position. Just being located near the centre is not enough; it the vibrant atmosphere and qualities that are important. In the centre of Rotterdam, these are generally either not available or appreciated to the extent they are in Amsterdam: in particular the historic ambiance and (cultural) facilities, but also the reputation and the social status of the area in relationship to the people living there. To have these types of qualities in one’s neighbourhood or nearby makes them popular. Also important, however, is the quality of the dwellings themselves, such as authentic architecture and the availability of a private garden.

Although it is interesting to discuss the elements above, it is much more important to see where and to understand how the position and popularity of neighbourhoods change, as this is what actually makes neighbourhoods attractive for investment (provided that change is for the better). Opportunities for upgrading are generally found in neighbourhoods adjacent to already popular areas, particularly if they have similar physical conditions. If there are little or no legal or spatial barriers, an oil-stain like development can occur by which upgrading gradually spreads to other neighbourhoods. It is this type of pattern that, in spite of some barriers, can be seen in Amsterdam from around the late 1980s, and which is continuing still. The main question today is whether this oil-stain can wash over the ring road. One of the criteria for this oil-stain to grow is a continuous demand on the urban market, which is necessary in order to generate a critical mass in the concerning neighbourhoods. The much smaller demand in Rotterdam is considered the main reason for the its slower upgrading rate and low number of affected areas.

Two main upgrading strategies were frequently discussed in the workshops. The first is oriented at stimulating this oil-stain development, by connecting to the amenities of the adjacent areas. In this case, development often needs only slight public interventions in the direction of facilitating this process, driven by demand and accommodated by supply. The alternative and more difficult strategy is to ‘start from scratch’, which means that one tries to upgrade neighbourhoods not with help form adjacent neighbourhoods, but rather by realising something new instead. Generally this requires more interventions. Here, a critical mass of new groups of residents requires an almost instant realisation of a critical mass of new housing, services, parks, infrastructure, and last but not least, of pioneers.

As with strategies for individual areas, one has to be careful when making general statements in terms of a meta-strategy on a portfolio level. Even though it is dangerously easy to make oversimplifications, one point does stand out. Similar to the idea of a balanced business portfolio, local government should find a balance between the costs and benefits not of individual urban developments, but also between developments. Favourable market conditions may generate resources that can be allocated to areas less attractive for private investment, yet still in need for improvement. The approach cannot provide answers about what constitutes a proper balance, since this is an inherently political and subjective matter. It should rather contribute to the informed deliberation of finding such a workable balance. It should thus be clear, as it was in the workshops, that the approach, although borrowed from business literature, should not be mistaken for a market-oriented instrument.
In the end, the portfolio approach thus should contribute to the informed deliberation of planning strategies. The main lessons learned by developing and applying the portfolio approach are that it should be developed with rather than for practitioners, that it should contribute to strategic thinking and deliberation more than strategic planning, that it should contribute not to market-oriented but to market-conscious planning and that it should not settle but stimulate discussion.