Does Short Termism Affect the Quality of Urban Design in the UK?

Gibson V A , Rowley A R and Ward C W R

Presentation at the RICS Cutting Edge Conference
September 20-21, 1996

Department of Land Management and Development
The University of Reading
Reading
RG6 6AW

November 1996

Contact: Charles W R Ward
email: C.Ward@reading.ac.uk

NOTE: All References to the "Report" refer to the Report published by the Royal Institution of Chartered Surveyors and the Department of the Environment on the Quality of Urban Design , Authors: Rowley A R (project leader), Gibson V A, Ward C W R,. The views expressed in this paper are not necessarily communal with those expressed in the Report and represent independent work by the authors.

Does Short Termism Affect the Quality of Urban Design in the UK?

Gibson V A , Rowley A R and Ward C W R

Does Short Termism Affect the Quality of Urban Design in the UK?

Gibson V A , Rowley A R and Ward C W R

ABSTRACT

This paper follows the report on the "Quality of Urban Design: Study of the Influence of Private Property Decision Maker in Urban Design" (RICS 1996). It focuses on one of the findings in the report, namely that decisions made in development, investment and occupation seemed overly influenced by short term considerations. In this paper, the authors review the Report and examine the concept of short termism as it affects urban design decisions. The paper concludes that although it is difficult to establish whether or not short termism exists in many decisions, there are grounds for believing that a priori short termism might particularly influence property orientated decisions. The paper ends with some implications for policy both at the economy and local level.

Does Short Termism Affect the Quality of Urban Design in the UK?

1. Introduction

In July 1994, the Department of the Environment (DoE) published a discussion document to launch the 'Quality in Town and Country' Initiative. The aim of the document was to raise awareness of the importance of good design and quality both in individual buildings and in the built environment as a whole; encourage debate and stimulate ideas about how best to achieve quality in the future; and challenge others to see what they are prepared to do to help a diverse quality (DoE , 1995).

The discussion paper pointed to the many factors which influence the local environment ranging from the state of the economy both nationally and locally through to detailed matters such as the quality of street lighting and the cleaning of public buildings. In his preface to the document, John Gummer said:

> *Quality affects us all ... Quality is sustainable ... Quality pays …*
> *The quality of our surroundings depends not only on government and developers, but upon companies as owners and tenants, the professions, local authorities and individuals. The responsibility for what is built, and where, is shared, as are the rewards which good quality bestows.*

In September 1994, the Royal Institution of Chartered Surveyors published its response to the Secretary of State's Initiative and to his challenge to the individuals and professions in the field. As part of the profession's contributions to the Quality Initiative, the RICS commissioned research from a team of researchers from the Department of Land Management and Development at The University of Reading, in association with DEGW, planners, architects and designers to examine the roles and influence of developers, investors, occupiers and others on the quality of urban design.

In discussing the quality of urban design, there is considerable stress on the need to produce environments that can be sustained in the long run. One of the main factors which might constrain the creation of good urban design is the possibility that all decision-makers may take too short term a view. The decisions to design, develop invest and agree to occupy a property are all necessarily long term in their contractual implications. Therefore whatever the cause (and these will be reviewed later in this paper), the consequences of short termism are likely to be important in property. This paper therefore focuses on the aspect of short termism and contrasts the general features of the debate on short termism with the findings of the research report

2. Aims and Objectives of the Research

The aim of the research was to assess the extent to which property developers (including housebuilders), investors and occupiers become involved in the process of urban development and design, and to determine in what ways and to what extent they can and do influence the quality of urban design.

The four objectives of the research were to assess the role and importance of urban design considerations in investment, development and occupation decisions; identify the benefits to investors, developers and occupiers arising from the explicit attention to urban design considerations; to identify the factors perceived by investors, developers and occupiers as constraining the promotion of good urban design; and identify incentives and other measures which might encourage increased attention/contribution by investors, developers and occupiers, to urban design quality.

The research comprised (a) a checklist of urban design considerations for use as a common vocabulary in the research, (b) five case studies of contrasting developments, (c) six expert panels to obtain the views of retail and office occupiers, investors, commercial developers and housebuilders, and designers; and (d) a literature review. The research was carried out in the period July- November 1995 and the report was finally published by the RICS in October 1996.

3. Brief Review of the Report Findings

We argued that the quality of urban design results from decisions by many different groups of people; designers, developers, investors and occupiers. There is no immutable law that requires these people to consider, never mind incorporate, good urban design in their decision making. From investors' and developers' viewpoints, urban design is only worth considering if there is a direct benefit to their development/ investment decision. Of course there is agreement that good urban design is desirable but that agreement does not extend to taking responsibility for creating it. Developers feel that they are constrained by the preferences of their customers, investors feel constrained by the demands of their tenants, occupiers rarely find that urban design considerations play much part in deciding between one property and another.

Despite this mutual re-enforcing inertia, we found examples which suggest that the standard of urban design is improving. Often these improvements are associated with a special factor such as a partnership between private and public sectors or a scheme that is sufficiently large such that a developer has to take responsibility for aspects of urban design that do not come under the control of designers and developers of smaller schemes,

In considering the process of design, we concluded that more choice for occupiers would give rise to better design. We could argue this by lexicographic utility arguments such that when two properties exist which have similar net space and locations, then occupiers may distinguish between them only by reference to aspects, e.g. urban design elements, that would not influence their decision if there was only one property which satisfied the higher order demands.

There were other constraints identified; rarely are communities effectively involved at the design stage yet it is individuals in the surrounding community who may be most sharply affected by the development. The pressures of time in the design and development stage often squeezes out consideration of the urban design issues and the site acquisition valuation and costs too often underestimate the full costs of achieving sustainable urban design,

However from the point of view of this paper, a key argument was that short horizons are damaging to the prospect of improving urban design. Much of the contribution of good urban design may be tied up with the increasing the economic life of the property. In a world in which developers, investors and occupiers hold a planning horizon of three to five years, extension of economic life by another decade may appear irrelevant. In other words, short termism is antithetical to good urban design.

4. Short Termism

Short termism can be defined as any decision taken which distorts the attainment of a desired long term objective by over-emphasis on the short term consequences. Of course any decision which has consequences over time will result in trade-offs between the short and long term. This trade-off forms the central feature of a considerable body of teaching in economics, finance and indeed property valuation since a central principle of valuation and discounting is that events which will occur some later time in the future are less important to the valuer than events which occur sooner. To some extent the debate about short termism is bound to be a debate about issues such as market efficiency and the role of markets in allocation decisions. There will also be contrasts between political, social, individual and market-determined decisions about the long term which can only be reconciled in a political framework.

As can be seen from the brief review, the main thrust of the report was not towards t identifying issues of short termism but it was a theme which arose during the course of the research and it is also a factor which is intrinsically bound up with the debate on environmental sustainability. There has been much written in a polemic style about the importance of short termism in decision making. In some cases, commentators have argued that it is a problem peculiarly associated with the US/UK type of capital markets contrasted with the banking structures of Germany and Japan. Others have taken the view that it is an endemic feature of organisational decision making. We turn therefore to consider the general problems factored under the heading of short termism.

5. Explanations of Short Termism

In reviewing the literature of short termism, one finds that it comprises three types; polemical assertions, economic analysis and more recently some attempt to provide an behavioural and organisational framework. Polemicists that are frequently cited include Drucker (1986) , Jacobs (1991) and Merchant and Bruns (1986). Of these Drucker best typifies the approach of the polemicist in asserting that much of the blame for short termism behaviour by managers is attributable to their fear of the stock market reaction (as reflected in a downward rating of their share price).

> *"Everyone who has worked with American managements can testify that the need to satisfy the pension fund manager … constantly pushes … towards decisions … (that are known to be)… costly if not suicidal mistakes." (Drucker, 1986, 31).*

This contains two common implicit arguments (1) that the pressure on fund managers of institutional investors will inevitably lead to short termism and (2) that the consequences of short termism is perceived to be enormously important for the economy since it will inevitably cause decisions to be biased against projects which have long pay-offs. In some cases, e.g. Blackwell (1991), it is argued that the stock market is to blame and that inherently there is nothing to be done about it other than using other means of raising finance or not letting control of the shares pass to institutional shareholders.

The problem with the polemicist argument is that it rarely gets beyond assertions and anecdotes. It also gives rise to polemic defences especially from advocates of the efficient market by assertions that business people have only themselves to blame because they resolutely refuse to make explicit their long term strategies. If businesses only report short term plans and outlook, so the defence goes, it is not surprising that investors judge them on that criterion.

The alleged short termism of the stock market seems to arouse value-laden research and inferences. Stein (1988) and Johnson and Kaplan (1987) argue that the investment horizons of stock market investors force entrepreneurs to take short term views of increasing profits now at the expense of the longer term. Contradicting these arguments is empirical research that shows the stock market to react favourably to announcements on research and development expenditure and that freedom from the fear of take-over tends to reduce the amount of money spent on Research and Development (see Laverty (1996) and Walters (1994) for a review of this work).

Within the economic framework is the Jensen (1986) argument that by maximising share price, the managers are reflecting the optimal trade off between the short and long term. A short term prejudice in this framework cannot exist unless the risk premium is high and the proponents of the efficient markets view simply assert that the risk premia reflect the social reality. Such a view does not preclude a risk premium being higher in one period than in another. Investors may be more risk averse during some periods or there may be more uncertainty. Both of these states might lead to higher risk premia. In comparing the risk premia between one country and another we might expect some convergence. In a global economy with freely transferable capital, one might predict that following Blackwell's (1991) argument, British firms, faced with higher risk premia in the UK stock market, would seek to merge with German and Japanese firms in order to acquire their access to low risk premia. Alternatively the UK stock market would attract funds from overseas investors drawn by the excessive premia for equity investment. Observers could simply infer from an observed premia and the consequential high rate of discount that consumers and investors care less about the long term than some individuals considering the outcomes. This is not an unusual situation, similar conflicts are observed in markets such as some news in the tabloid newspapers, which appear distressing and intrusive to moral commentators but which nevertheless proves to be a successful component in ensuring market share. If we have a market system which seems to operate efficiently, it may frequently produce solutions of which we individually may strongly disapprove.

The issue of risk premia in the UK stock market was investigated by Miles (1993) who found evidence that the term structure of risk premia was upward sloping. This finding, although criticised by Satchell and Damant (1995) , would suggest that the attitude of stock market investors was more averse to long term projects than might be expected given the term structure of interest rates. (See Miles'(1995) reply to Satchell and Damant).

A common polemic argument is a glib comparison of the corporate financing arrangements in the UK and US with other countries such as Germany and Japan. German firms in particular are argued to be at a special advantage *vis-à-vis* their UK counterparts because of the dominance of banking in German corporate financing. However as shown by Edwards and Fischer (1993) , this argument is simplistic. For example, since 1960, UK businesses have relied more on banks for their capital than German businesses; German businesses do not usually rely on one 'house' bank - they commonly use two or three; the monitoring capabilities of German banks are not superior to UK banks; most German businesses (accounting for two thirds of output) do not have supervisory boards and although the banks have a presence on the supervisory boards (where they exist), they are no better placed to detect financial distress than their counterparts in the UK. Of course, there is some truth in the commonly held view about the stability of corporate governance in Germany; the shareholding of even the largest companies tends to be dominated by one shareholding entity holding more than 25% of the shares in a company; the existence of supervisory boards enables re-construction of company management to be carried out with the help of the existing banks whilst in the UK, the equivalent process tends to be associated with take-overs which are more radical and costly.

There may be market forces however which are systematic in their effect on the operation of business decision making. One example is the argument that managers are operating in two markets when they take business decisions. They are operating in the business market when they decide to invest in a project and their contribution to the profitability of the business should be reflected in the share price of the company. But they are also operating in the labour market and in order to create a large transfer value, managers need tangible signs of success. Since managers may move several times in their career, successful career-enhancing projects must inevitably have a relatively short-term pay-off. The simultaneous operation of the labour and the capital markets therefore might produce an unsatisfactory bias towards the short term. This argument can be placed in the behavioural and organisational explanations of short termism. Researchers such as Rumelt (1987), and Campbell and Marino (1994) find evidence that the market for labour distorts managerial investment decisions towards short term pay-off projects.

Laverty (op.cit) proposed a framework for analysing the issue of short termism arguing that much of the prior research had centred around market efficiency without taking into account the organisational framework. By considering the behavioural consequences of present practices, market efficiency proponents would simply not understand how apparently inefficient practices might persist. The Laverty framework specifies three types of decision influences (economic, individual and organisational) and identifies the outcome in terms of the firm's performance. But the firm's and its competitors' performance also produces a collective outcome that has the power to add to the feedback for future decisions. In this way he argues that practices such as the use of pay-back in investment decision-making result in sub-optimal projects being taken on. But if other firms and analysts are also using the same criteria, then the firm's performance would be less well rated by the stock market if the individual decision makers within one firm decided to change. Laverty thus emphasises the importance of ensuring that the collective consequences of individual acts be taken into account in research before drawing strong inferences about the existence or absence of short termism.

6. Patterns of Short termism In Property Development

There are three main ways in which short termism may be manifested in property. The quality of design and construction may be reduced in order to reduce the initial costs but at the expense of higher running costs. A variation of this trade-off between capital and revenue costs is shown when a short term emphasis reduces the economic life of the property. In the public realm in residential developments for example, it may be that a poorer environment will reduce the sense of community and shared pride in the neighbourhood and consequentially the development will deteriorate more quickly than an alternative estate which has superior public facilities. Another way in which property may exhibit short termism is the issue of moral hazard. In many cases, there will be consequences of decisions made at an early stage of development that are known only by the designers, developers and constructor. The residents, tenants and buyers have to accept the development with less information - this information asymmetry will be reflected in the price but may distort the decisions involved in the development process. The third way in which short termism can affect property is the externality of the development decision or, within the framework suggested by Laverty, the feedback from the collective outcomes can affect the individual or institutional decision. Within this heading we would have to include the momentum of political short-terrmism: if successive governments legislate and regulate the environment in ways that are driven by short term considerations, the consequences are likely to be manifested in short term distortions in the property market or indeed any market in which long termm decisions are routinely taken.

7. Individual decisions and the quality of Urban Design

It is by no means clear that the investment appraisal techniques commonly in use in the property profession will lead to optimal decisions. In previous decades, anomalies such as the valuation of short leasehold investments have been exploited by canny investors and the recognition of these anomalies have not been quickly recognised universally. However, we could assert that most property investors are familiar with the procedure of investment appraisal and Discounted Cash Flow methods of valuation. In periods of high inflation the discount rate is high and future expectations of rental growth are similarly affected in a positive direction. In periods of high real rates of interest, the optimal (in terms of market values) decision will be to use a high rate of discount and therefore it would not be surprising if investors were to be heavily influenced by their expectations of market valuations over the first few years of their property. From the point of view of the individual investors much depends on how long they expect to hold the property. Our study found that investors were expecting to hold the property for between six and ten years. On the basis of data supplied by IPD, between 1981 and 1990, investors sold approximately 25% of properties within five years of their purchase. In the case of shop investments the expected holding period was rather longer.

What mattered therefore to their decision was the expected rental growth up to that point. Given this, the important point is to ascertain whether market prices and valuation methods correctly reflect the effect of good urban design on the market price. Our research suggested that as far as potential purchasers were concerned, the impact was low in the order of factors taken into account in the valuation. To that extent therefore, the possibility of short term decisions being driven out of the market by competitive forces does not seem forcefully plausible.

> *" We have a client who is looking for a business park location. The quality of urban design is way down their list. They are looking at how many square feet and the car parking." (quoted in the Investors panel, Report, section 4.2.1)*

Still within the framework of individual decision-making, we consider the career motivations of developers and investors in the acquisition process. The argument in favour of short termism would suggest that the career horizons of, say, investment managers are shorter than the interval necessary to establish whether or not a particular development is sustaining its value in the long term (a quality which would be expected to be associated with better urban design). In the stock market, the performance of investment managers is commonly monitored on the basis of league tables generated at quarterly intervals. This does not necessarily imply that one quarter's underperformance will make or break an investment manager. There are 'soft' indicators of investment performance which also operate: the presentation at which competing fund managers vie for investment business can lead to funds being allocated to a fund manager who has historically underperformed competitors. Another example of the informal indicators are the anecdotal evidence that some investors (George Soros) are spectacularly successful at investment timing. These informal factors can mitigate measured underperformance in the stock market.

In the property market, where the measurement of investment performance is less reliable (because of the lack of market transactions and unambiguous values) the soft factors are likely to be more important. The smallness of the market for institutional investors also implies that information about activity of development is more likely to be widespread in the investment community. This interpretation was confirmed by the investors panel, the members of which were drawn from a selection of agencies and institutional investors. When the discussion focused on the performance of specific properties, it rapidly became clear that most of those present had seen, assessed and had clear ideas on the success or failure of a large number of properties. Because of the nature of the investment vehicle, investment failures can be linked to the institutions and individuals who were responsible. When a development such as that in Brindley Place, Birmingham was discussed, investors compared it (at least in its aspirations) to the Broadgate, London development and were able to offer views on the development, the reputation of the designers, investors and potential occupiers.

"The breadth of awareness … was echoed by the expert panel of developers. Places that were admired for their quality of urban design included Broadgate, Covent Garden, Richmond Riverside, The Lanes in Carlisle and the Lion and Lamb Yard in Farnham. " (Report section 3.2.1)

For developers, a further incentive to establish the feature of quality with a development proposal is the possibility of using the quality factor to improve the chance of gaining planning permission. Given that we identified the importance of co-operation and partnership between private and public sectors, one obvious way in which the co-operation can appear is the planning gain associated with major prestigious developments.

The foregoing does not necessarily imply that property developers have visions of creating immortal monuments when they approach the development of a particular site. Indeed, what was clear from the discussions with developers, designers and investors is a sense of 'horses for courses'. Overwhelmingly there was a sense that the effort put into the urban design of, say, a prestige city centre development, would necessarily be much greater than the sustainability features of a value-for-money housing estate.

The issue of information asymmetry applies easily to the construction and development of property especially to residential property. We found, for example, that

"…residential owner-occupiers attached most importance to securing value-for-money from the dwelling itself, at least when purchasing new property" (Report section.8.4.1)

"Our houses have a wide frontage so it looks as if the customer is getting more than perhaps he is" (Developer quoted in the Report, section 3.2.1)

The information gleaned by occupiers also indicated that they were using signals about quality from indicators such as the identity of other occupiers,

"If Boots are in this development it must be right" (Retail occupier quoted in the Report, section 5.2.1)

"Their materials are beyond the average and we have a minimum standard that we expect. … Arlington go beyond our minimum" (Investor/developer quoted in Report, section 4.2.3)

These quotations reveal that considerable information symmetry exists and consequently, more emphasis is laid on soft signals. When we talked to the resident occupiers, for example, in one development in which several different contractors had built houses, they introduced themselves, not in terms of the street names, but in terms of the developer who had built their house. Obviously this classification scheme carried more information about both their location and their sense of ownership than the street name.

The implication of the information asymmetry for short termism is that occupiers and investors are strongly influenced by signals on the part of the developers about the future profitability of the developments. This can often lead to observed short termism because the signals that can be made early on in the life of the building and its environment can have an exaggerated influence on the valuation.

The final factor in this section is the dimension added by the organisation within which the individual makes the decisions. Organisational inertia is an issue which is well researched - see Kelly and Amburgey (1991) , Miller (1994) Staw (1981) . The inferences which may be drawn from these studies are that in an organisational context, practices and decision processes can persist because of the organisational inertia and that conventional beliefs that underline decisions can distort such trade-offs as the short-long term profitability. In this context the property sector has plenty of examples in which inertia, whether it is at the institutional or professional level, has been associated with a perceived inflexibility and resistance to change. Examples might include the unwillingness to offer more flexible leases, the fixation on the upwards-only rent review, the resistance in introducing securitisation. Whilst these examples have financial dimensions, they also reflect areas in which there is considerable external pressure for innovation.

It is not only on the investors and developers side that we see organisation inertia constrain the emergence of better urban design. The inertia of corporate real estate organisation has been well documented by Avis and Gibson (1989, 1995) and Gibson (1995). Because the real estate needs of companies are rarely treated as part of the organisational strategy, the individuals responsible for acquiring space are given little time in order to explore alternative ways of satisfying the organisational needs in property. The result is that companies are never in a position to choose from a range of potential properties. This lack of choice, as suggested above, inevitably means that properties are chosen by occupiers on relatively simple criteria and thereafter the company employees bear the implicit cost of the short term decision.

8. Collective Outcomes and feedback

Of all the charges that might be laid against market solutions to property development, the collective issue is the most serious, simply because it involves conflicts that cannot by their nature be resolved by the market left to its own devices. We recognise this by constraining the activities of developers by planning legislation and regulation. But short term - long term conflicts often involve more subtle problems that do not lend themselves to regulatory solution. A simple example may clarify this. The improvement of the quality of urban design may not always be costly to introduce but it does require some attention be given to factors which traditionally have been ignored. If there is an acceptance that local residents do not have to be consulted in the design of the environment of new buildings, it is not in developer's or investor's interest to introduce the practice since it might add to their development time and delay a satisfactory sale or completion. Similarly, there is evidence that occupiers/owners focus on the appearance of their own property and spend less time on the neighbouring environment, even when the long run viability may be conditioned by the quality of the urban design rather than their own component.

> *"The fact that there is a lake and grass is an extra, but more important is the fact that the staff can park when they get here", (Occupier quoted in the Report, section 5.2.1)*
>
> *"I like the outside features, the wood and the leaded windows. They make the house look a lot better and I tend to think on the financial side - what I can sell it for and what I can make in the long run." (Resident, quoted in the Report, section 6.2.1)*

Given these attitudes, there is no strong incentive to put much effort on improving the public spaces and functions in which the developments are provided. Collectively we might agree that the experience of working within a visually stimulating landscape must be preferable to that of working within an visually impoverished environment but the difference does not appear to be priced by the market.

In some development projects, the designers succeed in generating and sustaining a sense of civic pride and collective support that we believe (but cannot yet prove) will produce more successful and ultimately more profitable properties. Developers and investors recognised the difficulty of pricing or even organising collective solutions.

> *"It's not our initiative to take." (Financial services occupier quoted in the Report, section 5.2.3)*
> *"There is also the cost and price barrier. Individually the cost is too much, but collectively it is worth paying for." (Agent, quoted in the Report, section 5.2.3)*

The investors in the expert panel recognised one instance in which this difficulty can be overcome - the agreement to pedestrianise a street in a town centre in order to compete against an out-of-town shopping centre. One might argue that this shows that more competition will act as a sufficient incentive to developers and investors to take decisions that are collectively optimal. But reflection on the issue of externalities in market processes quickly reveals that the incentive to act collectively is constrained by many factors including the possibility of free riders, group size and distribution. It is a policy of despair to leave all collective action to the market.

These are examples of a collective feedback from individual decisions. Since they have a direct implication for short termism, they create a need for collective action or even regulation if the pressures for short termism are to be resisted.

9. Some implications for the future

A peculiar property of short termism is that although many people would assert that it is a major problem, few can produce evidence that it exists or that it causes much damage. On the other hand, there are, as shown above, grounds for believing that, if it exists generally, short termism is likely to affect property to a greater extent than other commercial decisions. We can also point to a number of ways in which the potential problem may be alleviated.

We have argued in the report for example that

> *"Government needs to acknowledge the extent of its influence on the quality of urban design: this goes well beyond public planning policies… Government should lead by example." (Report, section 8.7)*

Also we see it as importance that local authorities need to develop urban design strategies for their areas in consultation with local property interests. Both of these conclusions come not from a harking back to the idea that central government should control all aspects of our lives but on the argument that it needs vision and strong leadership to overcome the organisational inertia which is endemic to short termism.

We also see virtue in more competition in the development sector. If corporate real estate does succeed in establishing itself on the strategic agenda as advocated by Gibson (1995) then business space buyers might be enabled to buy or rent space with more discrimination. The more choice there is, (and by gaining a longer lead time in identifying corporate space needs, the supply of space can be effectively increased), the stronger the demand for good quality of urban design.

We also foresee that changes in the commercial property market will create more choice. Lizieri (1991, 1994) has argued that changing economic relationships and business organisation require greater flexibility both in terms of the physical structures of buildings (to respond to changing occupier requirements) and in relation to leasing relationships. He suggests that the achievement of flexibility has been hampered by the institutional structure of the market. In particular, the institutional lease,

> *'introduces considerable inflexibility for both owner and occupier. For the occupier, the ability to relocate and rationalise property is hampered by the need to sublet unwanted property (or buy out the lease) together with use restrictions. For owners, security of tenure and absence of break clauses may prevent refurbishment or redevelopment (or add marriage value costs) at the optimum time. Yet change is resisted: in part due to the structure of long-term financing (banks may insist on standard commercial leases as a condition of mortgage funding), in part due to professional inertia.' (Lizieri, 1991 207-8).*

Since more flexible leases might effectively increase the supply of property to a potential occupier, we can see considerable benefit to the quality of urban design in the increasing pressures for flexibility.

The final point comes from the discussion in sections 4 and 5 above. Any decision which depends on appraising the future cash flows involves weighting the importance the cash flows over the long and short term. In any model of valuation, whether it be an explicit DCF approach or a conventional all-risk-yield model, the future periods are less heavily weighted than the immediate periods. Thus if investment decisions are taken which reflect the market realities, a key pre-condition for curing short termism is a low real rate of interest and a stable economic environment. One cannot therefore argue that leadership, vision and regulation will somehow cure the potential for short term behaviour without some reference to the economic environment. In a market dominated system, short termism demands stable and competent economic management.

Avis M, Gibson V A and Watts J, (1989), Managing Operational Property Assets, Reading, The University of Reading
Avis M and Gibson V A, (1995), Real Estate Resource Management, Wallingford, GTI
Blackwell B, (1991) Short -termism Revisited. Professional Engineering, March, pp 26-28
Stein J C, (1988), Take-over Threats and Managerial Myopia, Journal of Political Economy, 96, pp 61-80
Campbell T S and Marino A M, (1994), Myopic Investment Decisions and Competitive Labor Markets, International Economic Review, 35, pp 855-875
Department of the Environment, (1994), Quality in Town and Country Planning, London, DoE
Department of the Environment, (1995), Quality in Town and Country - the Urban Design Campaign, London, DoE
Drucker P, 1986, A Crisis of Capitalism. Wall Street Journal, September 30, p 31
Edwards J and Fischer K, (1993), Banks, Finance and Investment in Germany 1950-1989, Cambridge University Press,
Gibson V A, (1995), Is Property on the Strategic Agenda?, RICS Cutting Edge Conference, Proceedings
Jacobs M T, (1991), Short Term America: The Causes and Cures of our Business Myopia, Boston, Harvard Business School Press.
Jensen M C, (1986), The Take-over Controversy: Analysis and Evidence, Midland Corporate Finance Journal, 4, Summer, pp 6-32
Johnson H T and Kaplan R S, (1987), Relevance Last, Boston, Harvard Business School Press
Kelly D and Amburgey T L, (1991), Organisational Inertia and Momentum: A Dynamic Model of Strategic Change, Academy of Management Journal, 34, 591-612
Laverty K J, (1996), Economic “Short Termism”: the Debate, the Unresolved Issues, and the Implications for Management Practice and Research, Academy of Management Review, 21, 3, pp 825-960.
Lizieri C. (1991) The Property Market in a Changing World Economy *Journal of Property Valuation and Investment* Vol 9 201-214
Lizieri C. (1994) Property ownership, leasehold forms and industrial change in: R Ball & A Pratt (eds) *Industrial Property: Policy and Economic Development* Routledge, London
Merchant K A and Bruns W J, (1986) Measurements to Cure Management Myopia, Business Horizons, May-June.
Miles D, (1993), Testing for Short Termism in the UK Stock Market, Economic Journal, 105, pp 1379-1393
Miles D, (1995), Testing for Short Termism in the UK Stock Market: A Reply, Economic Journal, 105, pp 1224-1227
Miller D, (1994), What happened after Success? The Perils of excellence. Journal of Management Studies, 31, 325-358
Rumelt R F, (1987) Theory, Strategy and Entrepreneurship, in Treece, D J (Ed) The Competitive Challenge, New York, Harper & Row, pp 137-158
Satchell S E and Damant D C (1995), Testing for Short Termism in the UK Stock Market: A Comment, Economic Journal, 105, 1218- 1223
Staw B M, (1981), The Escalation of Commitment to a Course of Action, Academy of Management Review, 6, 577-587
Walters R, (1994), Short Termism in Corporate Property Management, M Phil dissertation, University of Reading