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The Financialization of Rental Housing and Post-Crisis Urban Landscapes

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Financialization

- A fundamental transformation of “economies, firms (including financial institutions), states, and households” through the “increasing dominance of financial actors, markets, practices, measurements, and narratives” (Aalbers, in press).
- Not a new phenomenon, but a cyclical process arising when capitalism’s global hierarchy is in flux
- Today’s era of financialization is rooted in 1970s crisis of Western capitalism

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Why urban space?

- Urban (re)development (real estate, infrastructure) depends on a functioning credit system: urban built environment as ‘escape valve’ for capital
- Promotion of home ownership: expansion of mortgage debt helped absorb global credit expansion
- Greater societal dependence on debt due to precarious labor arrangements
- State role in making real estate a liquid and tradable commodity
- State withdrawal from public ownership and provision, reduced state funding for localities

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Rental housing becomes a new asset class

- Pressure to dispose of distressed assets, restore market liquidity, rebuild economy—but without capability to expand home ownership
- Growth of opportunistic private equity funds ('vulture funds') with focus on distressed assets
- Rollback of barriers to large-scale capital investment in rental housing due to: widespread property devaluation, control of distressed inventory by the state and banks, technological advances, state (in)action

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Private equity landlords in the US, Spain, Ireland

- North American private equity and hedge funds directly controlling rental properties, or purchasing distressed loans
- US: largest private equity landlords with portfolios of >50,000 homes concentrated in southeast and southwest US, enabling securitization of rental income flows
- Spain and Ireland: “bad banks” as market makers in key urban centers, sale of social housing, vacant/stalled developments, land, mortgage portfolios, REIT legislation enabling global trade in rental assets

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What do we know about private equity landlords?

- California: tenants of private equity landlords have higher housing costs than other renters in the same areas
- Atlanta: large private equity landlords have higher eviction rates than smaller landlords
- US: vulture funds quick to foreclose on distressed mortgages
- Dublin: Goldman Sachs threatening 200 households with eviction after purchase of defaulted developer loan
- Madrid and Barcelona: problems with blocks of vacant flats owned by banks or investors, concerns about investor purchases of social housing

Knowledge base is fragmented, especially for comparing different urban areas within and between countries

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Politicizing post-crisis financialization

- Tech boom/housing bust: tech as crucial part of “real estate-financial complex” and current urban politics; potential to use information-communication technologies for ‘counter-mapping’ and tenant organizing
- Model of private equity: potential conflicts between time frame and return targets of vulture funds versus reality of rental housing; need to push for greater transparency of private equity landlords
- Wider rental market context: don’t miss the forest for the trees; need to look at rights of renters as a whole and build broader tenant movements

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Conclusions

- Rental housing as site for reformulating the real estate-finance link and market ‘recovery’
- Extension of finance into neighborhoods and lives, without mortgage relation
- Abdication of recovery to opaque, lightly regulated actors
- Scant, uneven body of knowledge on impacts
- Need to map private equity landlords from below, but connect to broader struggle for tenants rights

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