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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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