

Public rental housing after the global financial crisis:  
the emergence of financialised municipal  
entrepreneurialism in London

Joe Beswick

Submitted in accordance with the requirements for the degree of Doctor of Philosophy

The University of Leeds School of Geography

August 2020

The candidate confirms that the work submitted is his own and that appropriate credit has been given in co-authored work, and where reference has been made to the work of others.

This copy has been supplied on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

The right of Joe Beswick to be identified as author of this work has been asserted by him in accordance with the Copyright, Designs and Patents Act 1988.

© 2020 The University of Leeds and Joe Beswick

## Preface

This thesis is the original and independent work of the author, Joe Beswick. This research was funded by the University of Leeds Anniversary Scholarship scheme 2014-2017, and received ethical approval from the University of Leeds Environment and LUBS (AREA) Faculty Research Ethics Committee on 01/02/2016, under the project's original title, 'The Creation and Capture of Rent Gaps in a Globalised, Financialised City' (Ethics reference LTGEOG-022).

This thesis is presented as an alternative style of doctoral thesis, including published material, in accordance with the protocol set out by the University of Leeds' Faculty of Environment for this type of thesis. The three manuscripts included in this thesis, indicated as chapters two, three, and four, have been written for submission for publication in peer-reviewed journals. The first two papers (chapters two and three) have been written with colleagues, and details of their contributions are below. In both co-written papers I was lead and first author.

Paper one (chapter two) is an exploration and evidence-based forecast of the housing system emerging in London, with particular focus on the deepening and evolving role of financialisation in shaping that system, especially the rental tenure. It was published in the journal *City* in 2016. It draws on contributions by colleagues working on other geographically diverse financialising housing systems, to situate present processes in London in a broader context. I undertook the research on London as part of my PhD, and wrote the London section, the comparative analysis, most of the theorising and the conclusion, with some analytical input, advice and editing from Stuart Hodgkinson, my supervisor. My contribution was approximately 60%, with the bulk of the work focussing on analysis and theoretical work.

Paper two (chapter three) outlines and evaluates in detail the establishment of Local Housing Companies by one Local Authority, and identifies a hybrid mode of urban entrepreneurialism nascent in this process. It was published in the *International Journal of Urban and Regional Research* in 2018. It was written with a colleague, Joe Penny, then a PhD student. As we were both undertaking research into Lambeth council, and the consequences of austerity, we decided to work together on this work. The writing, research and ideas generation were a collaborative effort, with ideas extensively discussed and challenged. My contribution was approximately 60%: I was the lead author, undertook the majority of the research into LHCs across London, and led on the financialisation theory, but ideas generation was very much done in collaboration with Joe.

The final paper is solely authored by the PhD candidate, Joe Beswick, and reports findings based on original research conducted for this thesis, and is ready for submission to *Environment and Planning C*.

Chapter one of this thesis comprises the integrating preceding material required for this thesis format. The word length of chapter one is 15,248 and has its own reference list at the end, as per the protocol. Each paper has its own reference list. Chapter five comprises the discussion and conclusions section required after the manuscripts. It is x words long and includes its own reference list.

## Acknowledgements

There's a whole load of people without whom this PhD would never have come to be, and I want to extend my thanks to all of them.

First of all, three groups of wise elders, although many not so elder:

My supervisors, Sara Gonzalez and Stuart Hodgkinson for their persistence, patience, radicalism, smarts, eye rolling, belief and hard work. I was lucky to have them.

My co-authors on the two published papers, Joe Penny on the IJURR paper, a better intellectual comrade I could not have wished for, and Georgia Alexandri, Michael Byrne, Sonia Vives-Miró, and Desiree Fields on the City paper – an inspirational set of scholars.

And my Mum and Dad, Ruth and Mark, who, among many, many other things, eventually (almost) cracked the right way and time to ask (or not ask): how's it going?

Beyond these folk, so many others have helped me along the way. That help has come in many different forms, and I want to extend enormous gratitude to everyone below for everything they've done, big and small. Alphabetically, they are:

Klaudija Alasauskaite, Naiara Bazin, Ed Beswick, Dan Beswick, Kelly Bowden, Ana Cabrera Pacheco, Nick Clare, Gummo Clare, the folk of Contested Cities, Michael Edwards, Vicky Habermehl, Miranda Hall, Pat Hinton, Walter Imilan, Rachel Keogh, Giedre Miksyte, Emer Morris, Katya Nasim, Patricia Olivera, Bea Patrick, Leo Roberts, Jonathan Rosenberg, Anna Rudd, Alex Schafran, Lukas Skiba, Beth Stratford, Zac Taylor, Sam Weatherald (and his Grandad), Paul Watt, Hanna Wheatley, Lizzie Wright, Alex Young, and my colleagues at NEF.

Finally, for keeping me afloat – you're the one for me, Paddleduck.

## Table of Contents

Preface.....	3
Acknowledgements.....	5
Abstract: .....	9
List of Tables .....	10
List of Figures .....	11
<b>Chapter 1: Introduction, context and methods.....</b>	<b>12</b>
1.1 Housing financialisation after the global financial crisis: three snapshots from London .....	12
Hackney, 2014 .....	12
Barking, 2014.....	12
Kensington, 2017 .....	13
1.2 Introduction.....	14
1.3 Research Aim, Questions and Key Contributions .....	15
1.4 Housing London: the rise and fall of affordable provision.....	17
1.4.1 The emergence of public housing in London.....	17
1.4.2 Social housing in London since 1979: the neoliberal turn.....	19
1.4.3 Recent policy developments: a decade of austerity .....	21
1.5 Literature Review: the financialisation of urban governance and affordable housing .....	22
1.5.1 Theorising social housing change in the UK .....	22
1.5.2 Situating Financialisation.....	26
1.5.3 The Financialisation of Municipal Statecraft: shifting models of entrepreneurial urban governance.....	27
1.5.4 The financialisation of housing .....	30
1.5.5. The financialisation of housing after the GFC .....	31
1.5.6 The financialisation of (public) rental housing, public land and the role of local government. 32	
1.6 Paper Abstracts.....	34
1.7 Methodology and Research Design .....	37
1.7.1 Methodology .....	37
1.7.2 A relational case study: London .....	37
1.7.3 Activist Research and the researcher’s positionality .....	39
1.7.4 Methods .....	41
1.7.5 Analysing the data and closing remarks.....	45
Bibliography .....	47
<b>2: Speculating on London’s Housing Future: The Rise of Global Corporate Landlords in ‘Post-Crisis’ Urban Landscapes.....</b>	<b>55</b>

2.1 Abstract .....	55
2.2 Introduction.....	55
2.3 The Blackstone Connection: the Rise of the Global Corporate Landlord.....	57
2.4 Preparing the Ground for Vulture Capital: the Crisis of Urban Financialisation in the USA, Spain, Ireland and Greece .....	60
2.5 The London Housing Crisis of 2015: Entry Point for Global Corporate Landlords? .....	66
2.6 Conclusion: Back to the Future, but which future? .....	74
Bibliography .....	76
<b>3: Demolishing the present to sell off the future? The emergence of ‘financialised municipal entrepreneurialism’ in London .....</b>	<b>84</b>
3.1 Abstract .....	84
3.2 Introduction.....	84
3.3 The Financialization of Urban Governance and Housing .....	86
3.3.1 Urban Entrepreneurialism and the Financialization of Urban Governance .....	87
3.3.2 The financialization of public/non-market housing.....	90
3.4 Financialized municipal entrepreneurialism in action: Council-led property speculation in London .....	93
3.5 Towards an interventionist and financialized urban entrepreneurialism.....	98
3.6 Social, Economic, and Political Consequences of the Financialization of Public Housing.....	103
3.7 Conclusion .....	107
Bibliography .....	109
<b>4: The rise of Local Housing Companies in London: deepening the financialisation of social housing? .....</b>	<b>116</b>
4.1 Abstract: .....	116
4.2 Introduction.....	116
4.3 Tracing the emergence of Local Housing Companies - the neoliberalisation of public housing in London .....	118
4.4 Housing Revenue Account Reform: the trigger for setting up LHCs? .....	121
4.5 LHCs in London: the big picture .....	124
4.6 LHCs in London: a solution to London’s housing crisis?.....	135
4.7 A LHC Case Study: Barking and Dagenham .....	138
4.8 A new asset class? The role of capital markets in the emergence of LHCs.....	140
4.9 Conclusions.....	145
Bibliography .....	147
<b>5: Discussion and concluding remarks .....</b>	<b>150</b>
5.1 Situation, Originality, Prognosis and Limitations.....	150
5.2 The financialisation of housing .....	151

5.3 Financialisation of public policy/urban development.....	154
5.3.1 Financialised municipal entrepreneurialism: the evolution of urban housing policy.....	158
5.4 Here to stay? Prognosis and generalisability .....	161
5.5 Considerations on the value of financialisation as an explanatory framework .....	163
5.6 Directions for Future Research.....	167
5.7 So what now? Closing remarks and reflections on scholar activism .....	168
Bibliography .....	171
<b>Annexes</b> .....	176
Annex 1: Interviewees .....	176
Annex 2: FOI request .....	177



## Abstract:

The thesis critically analyses the evolution of financialisation in London since the global financial crisis (GFC) of 2008-2010. Focussing on the financialisation of both social and affordable housing and urban governance, this thesis explains how the GFC and its aftermath have created a context in which financialising processes at the urban scale are in fact deepening, and evolving, and identifies social housing as a key site of the process. The research is presented across three papers, and employs a relational case study in which London is studied at various scales and from various viewpoints, including via international comparison. The first paper analyses how in the market and political context created by the GFC, financialising actors, assisted by facilitative urban policy, have targeted the affordable rental tenure across various national settings and on a large scale since 2010. It reveals how this process has been driven by a new class of ‘global corporate landlords’ (GCLs) - multinational private equity funds and other financial firms – who are emerging as important actors in the housing systems of London and elsewhere. The second two papers analyse the emergence and role of housing financialisation and GCLs in London in relation to social and affordable housing, through an analysis of novel municipal approaches to housing policy. The papers identify nascent shifts in urban public policy which are starting to change the approaches, logics and capacity of local government in London, and are likely to become essential to our understanding of London’s urban governance in the near future. Drawing on case studies of two local authorities, alongside a London-wide Freedom of Information request, the thesis analyses these emergent modes of urban governance through a detailed examination of recent local housing policy and the political economic context which has catalysed it. It finds that, responding to an intensifying housing crisis and austerity-imposed fiscal constraints, local authorities are devising entrepreneurial solutions to deliver more housing and replace funding lost to austerity. Among these ‘solutions’ can be found the early signs of the state-executed financialisation of public housing in the UK with the use of speculative, council-owned special purpose vehicles (SPVs) to replace existing public rental housing stock with mixed-tenure developments. Driven by austerity, these developments sit in marked contrast to earlier modes of urban housing governance and social housing production, and appear to constitute a distinct mode of entrepreneurial governance in London: *financialised municipal entrepreneurialism*. The local state is no longer merely the enabler—limited to providing strategic oversight of the private sector—but financialises its practice in a reimagined commercialised interventionism, as property speculator, both to build new homes and generate ‘fiscal rents’ intended to replace the income streams lost to the austerity policies which have characterised the decade since the GFC.

## List of Tables

Table 1.5.1 - The neoliberalisation of the public housing model of production.....	25
Table 2.4 – The boom-bust cycle in the USA, Spain, Ireland, and Greece compared.....	61
Table 2.5 – Global Corporate Landlords and Real Estate Investment Trusts in the UK Private Rental Sector.....	67
Table 4.4 – The growth of LHCs in London.....	126
Table 5.3.1 - The three models of production.....	160

## List of Figures

Figure 3.4 – The Structure of Homes for Lambeth and its Subsidiaries.....	97
Figure 3.5 – The emergence of Local Authority SPVs in London.....	98

## Chapter 1: Introduction, context and methods

### 1.1 Housing financialisation after the global financial crisis: three snapshots from London

#### Hackney, 2014

The New Era Estate, an early twentieth century estate home to around one hundred families, sits just south of the canal in Hoxton, in the borough of Hackney.<sup>1</sup> Hoxton was one of the vanguard neighbourhoods of London's turn of the century wave of gentrification, but the New Era Estate initially bucked this gentrification trend. Built in the 1930s as a philanthropic venture to provide affordable homes to local workers, and run by a trust for nearly 80 years, it acted as a vital foothold in the city for lower income Londoners.

In the spring of 2014 the trust decided to sell, and the flats were bought by Westbrook Partners, a New York private equity firm. On acquisition, Westbrook offered tenants the chance to remain on the estate, provided they could meet the new 'normalised' rents, which on average amounted to an increase from around £800 a month to over £2,000. For the estate's nurses, council workers, bus drivers and retirees, this rent hike would mean almost certain eviction. Unwilling to roll over to these faceless global investors, the tenants got organised, rallied their neighbours and quickly attracted the attention of the press.

Towards the end of the year, Westbrook served notice on tenants to pay up or leave their homes, with an eviction date specified just before Christmas. For Westbrook, the flats were not a stable, cheap place to live for London's working class, but a financial asset, to have every drop of value wrung from them, regardless of the social consequences. After relentless campaigning, and just days before the evictions were due, they withdrew the notices. The homes were sold to a Housing Association, who assured tenants of continued affordable rents, and the capture of the estate by a so-called 'vulture fund' was resisted.

#### Barking, 2014

The offices of Long Harbour Capital in Mayfair, central London, couldn't feel more different than the housing department of Barking council, ten miles away to the East. But these two locations are set to be

---

<sup>1</sup> The information contained in these vignettes derives from activist experience, observation, interviews and conversations, and desk-based research of publicly available information.

inextricably linked for more than 60 years, through a financial deal which means, technically, that William Street Quarter, a new affordable council housing block in East London is owned by the private financiers.

One could easily assume that the 401 homes in the new estate were ordinary social housing, owned by the council. Indeed, the homes have no doubt provided an affordable lifeline for their new residents, although those residents must be in work, and able to afford the 50-80% market rents their landlord charges. But the story of William Street quarter, how it came to be built, who financed it, who ultimately owns it, and indeed where it is owned, sheds light on an important emerging dynamic in London's housing model. Borne of austerity, local authorities have sought 'creative' solutions to the housing and fiscal crises they face. In so doing, abandoned without resources by central government, they are partnering with financial capital actors – private equity and private wealth funds – to build homes, and turn a profit.

### Kensington, 2017

It is October, and in the Kensington Olympia exhibition hall in west London, the 2017 edition of MIPIM UK is beginning, and the hall is slowly filling with real estate professionals from around the world. MIPIM describes itself as the world's leading real estate fair, perfect for networking and striking deals. In recent years, the more entrepreneurial officers from British local government have started going along to meet these real estate kingpins. Starved of funding, public officials are doing what they can with the assets that they have; some local authorities own 40% of the land in their borough, and so the size of their portfolios is far from insignificant.

Social housing estates, council offices, traditional markets – all are on the table, and all have been sold off in recent years by cash-strapped London local authorities. Nowhere illustrates this better than the West Kensington and Gibbs Green estate, sited just a short distance from the Olympia. In 2009, the social homes were sold off to the multinational Capco as part of a major redevelopment scheme, to be regenerated with far fewer social homes.

Protests by housing justice campaigners against last year's event mean security is tight this year. The morning's most popular event is headlined by the housing minister, who perhaps inevitably declares the UK '*open for business*'. Even as protest banners declaring that '*London is not for sale*' flutter outside, what's undeniable in the hall is that that business is public real estate, and its main player is financial capital.

## 1.2 Introduction

The scenes described above are the expression of emergent processes in London's housing model, specifically its affordable housing sector, as well as the systems of governance which produce and manage it. In the ten or so years since the Global Financial Crisis (GFC), an event which collapsed economies and national housing markets worldwide, London's stock of affordable rental housing has become a target of financial sector actors, and London's urban governments have played a central role in this process. This thesis presents a critical analysis of these processes through a deep examination of the ongoing financialisation of London's (affordable) rental housing and the city's wider housing policy frameworks.

A significant body of literature has comprehensively elucidated the pre-GFC financialisation of housing, focusing on owner occupation, and innovative financial products in the mortgage market. This PhD thesis evidences how, in the market and political context created in the *post*-GFC context, financialising actors and urban policy have targeted the affordable rental tenure across various national settings and on a large scale since 2010. The research reveals how this process has been driven by a new class of 'global corporate landlords' (GCLs), and adds to the evidence which has begun to chart this evolution, identifying, situating and analysing new dynamics in London in relation to rental housing, and particularly municipal rental housing.

Through an examination of municipal approaches to housing policy, I also identify nascent shifts in urban public policy that are starting to change the approaches, logics and capacity of local government in London. As I argue, these shifts are borne out of the politics of deep austerity imposed on local authorities after the GFC. In the context of a sustained attempt by central government to reduce public spending, local authorities have been radically restrained in their capacity to act. However, rather than simply creating a 'roll back' of municipal public policy activity and spending, a new mode of entrepreneurial urban governance is emerging in London. This mode sees renewed supply-side interventionism and investment activity by the local state, often facilitated by financialised practices.

When I began research for this thesis, our understanding of the financialisation of affordable housing, and of municipal statecraft was significantly underdeveloped. This was especially true of London, where no published work engaged directly with these issues. This has now begun to change, and two of the published papers that form part of this PhD have played central roles in developing our knowledge of these areas, as is discussed in the conclusion. The research I have undertaken is accordingly constituted in an 'alternative format' style, presented across three papers (chapters 2-4), two published and one ready for publication. The chronological approach which this enabled – the papers were published in

2016 (chapter 2) and 2018 (chapter 3) - has allowed me to chart the emergence of these novel processes over time, and do so in dialogue with new literatures, as other scholars have reflected on and advanced the papers in their own work.

The papers are brought together in this thesis with an opening and closing chapter. The final chapter (five) constitutes an extended discussion and conclusion, resituating the research in the context of its literatures, drawing out the original contributions, and offering some reflections on the limitations of my work as well as potential future research directions. The remainder of this opening chapter provides the introductory framing for the thesis. It begins by identifying the research questions and the two primary contributions to knowledge this thesis makes. It then outlines the policy context which forms the backdrop to the shifts I have identified, before positioning my work within the relevant literatures, and outlining the research design and methodological framework.

### 1.3 Research Aim, Questions and Key Contributions

The thesis was undertaken with the following overall aim: to conduct a critical analysis of the emergent processes of financialisation taking place in London's housing model, with a focus on the affordable/social rented sector<sup>2</sup>, and the new modes of financialised, rent-seeking statecraft which are transforming the city's wider urban governance model in the post-GFC era. This overall aim was operationalised by the following four research questions:

#### ***Research Questions:***

1. To what extent and in what ways has affordable/social rented housing in London become a key site of financialisation?
2. How has the process of affordable/social rented housing financialisation been enabled by new modes of urban statecraft being deployed by London local authorities?
  - How can the emerging model of urban governance be understood in relation to earlier modes of entrepreneurial governance and public housing production?
  - What role has austerity played in the emergence of these new modes of statecraft?

---

<sup>2</sup> The plethora of terms used to apply to non-market housing in the UK are confusing. In the introduction 'Social (rented) housing' refers to rental homes let at social rents, with either secure tenancies (local authority properties) or assured tenancies (housing associations). 'Affordable housing' refers to non-market private rental housing let at between 50-80% of market rents, when used in a technical sense, but elsewhere is used as a general descriptor of affordable non-market housing.

3. What can we learn about the post-GFC shifting trajectories of financialisation in (affordable) rental housing from other national settings, and how does this inform our understanding of processes in London?
4. What use is the concept of financialisation in explaining these new entanglements between financial capital, the municipal state, and social housing? Does post-GFC financialisation exhibit any novel characteristics or relevant path dependencies?

In answering these research questions, I am making two primary original contributions within the fields of urban studies and housing studies, which are discussed at length in the concluding chapter. In brief, these contributions are:

1. Following the GFC, housing financialisation in London, as well as in many places worldwide, is no longer primarily the domain of just one tenure - owner occupation – but has expanded into rental and affordable rental housing, with affordable homes in London increasingly integrated into global financial markets. The thesis shows how multinational financial capital actors – GCLs – have taken advantage of favourable macroeconomic and local market conditions, alongside the assistance of national and local governments, to buy up or develop substantial portfolios of (affordable) rental housing. In London, for which the housing consequences of the GFC were less severe than in many comparable cities, the process is still clearly identifiable, although the thesis concludes that financialising processes in London’s (affordable) rental housing sector have not yet become dominant.
2. A new era of hybrid entrepreneurial governance – termed here *financialised municipal entrepreneurialism* - can be observed emerging in London in the post-GFC era. This suggests a distinct break from previous modes of urban entrepreneurialism and exhibits financialising tendencies. This new model, unlike earlier modes of entrepreneurialism, is strongly interventionist, with municipalities once again focussed on the direct supply of homes. No longer willing to just play an enabling or facilitative role in local housing markets, urban governments are instead finding innovative ways of delivering housing themselves. However, this new model, driven by the need to create new income streams, should not be seen to indicate a straightforward return to the era of local authority-driven social rented housing production. Rather, these new practices constitute attempts to rebuild political capacity, agency, and revenue streams through fiscal rents, in an era of ‘austerity urbanism’, hamstrung by the ‘austerity straitjacket’ of capacity restrictions and reductions in funding. Moving away from an ideological commitment to a solely minimal or enabling local state,



which focusses on demand-side interventions, they are establishing private companies (Local Housing Companies – LHCs), wholly owned by the council, but not part of it, and often in equity-based partnership with financial capital. These companies – which represent a novel, hybrid form of urban entrepreneurial governance – are being set up in a smooth governance space, designed to navigate funding reductions, borrowing limitations and regulation.

## 1.4 Housing London: the rise and fall of affordable provision

This section provides the geographical and policy context of the thesis, outlining the emergence, development, and subsequent roll back of London’s affordable housing model.<sup>3</sup> At the time of writing, in 2020, London is experiencing an acute housing crisis (Watt and Minton, 2016; Wheatley et al, 2019), driven by the roll back of the council housing system. The crisis is characterised by “growing homelessness, mounting insecurity of possession for renters and some owners... [displacement of] low- and middle-income people... weakened mechanisms to modify inequalities in housing consumption or to expand new production on a scale and in a form which would meet needs” (Edwards 2015: 6). As Watt (2009: p.233-4) notes, the reality of the crisis is such that “London’s low income population is finding it increasingly difficult to access secure, decent and affordable rental property, let alone homeownership.” The crisis is marked by a shortage of social and affordable housing, and unaffordable home ownership and private rented sectors, with the average private rent for a one-bedroom home in the capital now more than the average for a three-bedroom home in every other English region (Wheatley et al, 2019).

This section provides a stylised *longue-duree* of London’s affordable housing model, before providing an overview of housing and local government policy since the GFC, outlining the austerity conditions which have deepened the neoliberalisation of housing policy in the UK. It provides the essential policy backdrop for all three papers, and constitutes the context for one of my central arguments: that the financial context of austerity has driven local governments towards financialisation.

### 1.4.1 The emergence of public housing in London

The roots of affordable public housing provision in London can be traced back to the industrial revolution (Cole & Furbey, 1994). The rapid population growth London experienced with the expansion of industrial capitalism in the 18<sup>th</sup> and 19<sup>th</sup> centuries produced a massive demand for housing, which was

---

<sup>3</sup> This section draws in part on research I undertook during my PhD, published as (Beswick, Imilan and Olivera, 2019). All work drawn on here was the sole effort of the author, with my co-authors on that paper contributing the section on Chile.

not adequately met by the unregulated private market (Harloe, 1995; Merrett, 1979). Slum conditions were widespread by the late 19<sup>th</sup> century, and there was an ever-growing demand for a solution to the housing crisis (Boughton, 2018).

In response to working class mobilisation for improved housing conditions (Cole & Furbey, 1994), *The Housing of the Working Classes Act* was passed in 1890, marking a significant legislative intervention which eventually led to the model of public housing in the UK. This act encouraged local authorities in London to improve housing, and build homes, in addition to demolishing slums. Three years later, the Boundary Estate in Shoreditch in central east London was built, widely regarded to be among the first ‘council estates’ constructed. However, the direct lineage of the public housing model which existed for an extended period in the middle of the twentieth century arguably begins in 1919, with the passage of the Housing and Planning Act (‘the Addison Act’).

From 1919 onwards a definable model emerged in which the central state mandated and subsidised local authorities to build, manage and maintain public rental housing in response to need. A duty was placed on councils to develop the provision of housing for the ‘working classes’, and to submit plans to central government, who would centrally fund it (Cole and Furbey, 1994). While subsidies were curtailed two years later, the principle of central government subsidising large scale provision of council housing was established, and endured. Under the successive Housing Acts between 1919 and 1939, local authorities built a total of 1.1 million homes (UK Parliament, nd).

While there were changing regulations and legislation, and varying commitments to the model across parties, throughout the post-WW2 era, local authorities were firmly established as major developers and providers of rental housing. From around 1945 until the onset of neoliberalisation in the 1980s onwards (although the roots of this retreat are to be found earlier, see Malpass & Victory (2010)), and in response to the devastation caused by WW2 and the perceived need to ‘clear’ slums, the state’s responsibility to build and manage extensive public rental housing was generally accepted as political common sense. Local authorities played the role of developer, planner, and sometimes constructor, while at other times contracting construction to the private sector.

While the development of the model was generally driven by Labour governments and local authorities and resisted by Conservative local authorities, a general consensus was achieved, such that post-WW2 Conservative governments accepted the principle of large scale public housing, enabling the model to be “relatively stable over a prolonged period” (Malpass & Victory, 2010: 15). The 1951 Conservative manifesto described council housing as the ‘first of the social services’ (Boughton, 2018), with the subsequent Conservative government building 198,210 council homes in 1954. This figure, not surpassed since, was achieved by the relaxing of standards and regulations, and greater involvement of

the private sector. These choices, and related policy relaxation over the sixties, seventies and eighties, potentially contributed to the eventual undermining of the model in the seventies onwards, and lead directly to some of the later problems which beset it (Hanley, 2012). These problems included issues with low quality, mass produced housing, underinvestment in upkeep and safety, and tower blocks coming to be associated with public housing and being viewed (at least at the level of national discourse) negatively.

The geography of the model was largely determined by the political configuration of local authorities. Inner London areas were controlled by progressive Labour authorities, who worked to break the link between poverty and poor housing, while Conservative-controlled outer London boroughs resisted building public housing, instead manoeuvring to protect low density for their middle class (Conservative-voting) residents (Hamnett, 2003). As such, by the end of the 1970s, public housing was the dominant tenure in inner London, while home ownership remained dominant in outer London (Hamnett, 2003).

At the start of the 1980s, council housing, as it became known, was established as a mainstream tenure and a 'non-market' alternative to private ownership or renting. Other central features of the model included: security of tenure; affordable rents across the model due to national pooling and rents set based on local incomes; and, a partial degree of democratic accountability for landlords, through local authority elections.

#### 1.4.2 Social housing in London since 1979: the neoliberal turn

The housing system which currently exists in England (housing is now a devolved matter) has significantly departed from the model described above, both qualitatively and quantitatively. A series of policy interventions have created a model heavily reliant on the private market and a reduced role for local authorities. The last 30 years or so has seen both a reduction in the proportion of the UK population who are housed outside of the private market, and an absolute reduction, by more than a million, in the number of available social dwellings.

The neoliberal 'roll back' (Peck & Tickell, 2002) of the previous model saw state withdrawal primarily in the form of a massive asset transfer to individuals, the private and third sectors. The 'right to buy', a cornerstone of Thatcher's housing policy, enabled council tenants to purchase their homes at significant discounts, with costs absorbed by the government. After twenty years the programme had seen 2.2 million council homes sold, with 287,303 sold in London in the period to 2019 (Copley, 2019).

Privatisation trends continued with Labour's (1997–2010) transfer of public housing to not-for-profit housing associations (see: Watt, 2009), or to arms-length corporate-public bodies.

This outsourcing/asset transfer has been combined with a large reduction in government spending on social housing. Firstly, there has been a dramatic decline in the level of state spending and support for new build council housing. At the peak of the post-war model of house building in the 1960s and 1970s, London local authorities built an average of around 20,000 homes a year, but by 2014/15 this annual average had fallen to just 280 (DCLG, 2015). To a large extent, local authorities are no longer agents of housing delivery, although as will be seen in this thesis, this is beginning to change in direct response to austerity. Secondly, the resources allocated by the state to maintain existing dwellings have been reduced, encouraging local authorities to privatise the ownership of homes in an attempt to renew the stock or access private financing methods (Hodkinson, 2011), as part of a broader regeneration agendas (see: Wallace, 2010).

While funding for social housing has been radically reduced, funding for a model of demand subsidies has seen significant expansion, in two key ways. First, there has been significant growth in subsidy for home ownership. Of the total spend in the five years to 2020/21 on housing, 81% was on private market housing support, and just 19% on social housing generally (demand and supply subsidy), with just 5% spent on social/affordable housing supply.<sup>4</sup> Second, working class populations are increasingly housed in private rental housing, not council housing, and can access government subsidy for private rent. The level of government spending on housing benefit is now more than 20 times as much as that spent on affordable/social housing construction (Jefferys et al., 2015).

The overall reduction in the size of the public housing stock has created deep structural changes in the class composition of the tenure. Whereas previously, council housing was a genuinely mixed housing option, the neoliberalisation of public housing has seen its 'residualisation' (Malpass, 1990; Broughton, 2019). Public housing is increasingly becoming an 'ambulance service' (Fitzpatrick & Pawson, 2014), providing a safety net catering to only those whose needs are deemed most radically unmet by the market. This process has been accompanied by a deep stigmatisation of the tenure (Hanley, 2012; Watt, 2020).

The geography of the neoliberal model is extensively determined by the allied processes of privatisation and gentrification and is dispersing lower income groups from central and peri-central areas (see: Owen, 2015; Watt, 2018). Most new affordable and social housing is constructed as a by-product of private developer activity and is often apart from the private market homes. As working class Londoners have moved from public housing into the private sector, lifetime security of tenure has been lost; statutory security in the private rental sector is just six months. However, the legacy of the previous model remains, and social housing houses almost a quarter of Londoners compared with less than a fifth of the

---

<sup>4</sup> These figures are the authors calculations based on the figures contained in (Wilcox and Williams, 2018).

UK population. Despite this, the primary effect of decades of neoliberalised housing policy in London has been an acute housing crisis, characterised by unaffordability, record low levels of supply, homelessness and displacement (Edwards, 2015).

### 1.4.3 Recent policy developments: a decade of austerity

A central argument of this thesis is that the fiscal and policy context of the post-GFC era in London have given rise to a new, hybridised mode of affordable housing provision and entrepreneurial urban statecraft. As such it is necessary to set out this policy context in some detail. Since 2010, the supply of social/affordable housing in England has been further reduced by a programme of austerity, driven by the axiomatic public policy objective of 'deficit reduction'. These austerity policies have pushed local authorities in London towards the quite radical innovation which is reported in this thesis, engaging in profit making activities in a renewed interventionist mode in order to intervene in local housing systems. As chapter four argues, and following Hodkinson (2011), the restrictions have imposed an 'austerity straitjacket' on local authorities, and the resulting policy innovations can only be understood in this context.

In 2011 significant cuts and reforms to social housing were enacted such that central government investment in social rented housing was effectively terminated. The first step in this process involved a near 70% cut in grants for building social housing. The second step was to abolish funding for the social rented housing model completely, and instead switch what funding remained to a new 'Affordable Homes Programme' whereby rents for new 'affordable homes' could be set at up to 80% of market rates.

In addition to cuts and reforms to social housing from central government, the ability of local authorities to finance and build social housing has been further compromised by borrowing caps and unprecedented budget cuts. In April 2012, local authorities were granted new financial freedoms to retain all of their social housing rental income and to borrow against this to finance maintenance and construction, although caps were placed on this. As I argue in chapter four, these caps effectively strait-jacket local authorities by limiting the amount of money they can borrow to arbitrarily low levels below local authority prudential borrowing guidelines, precluding new build programmes that could otherwise be afforded.

Local authorities have also been incapacitated by cuts and reforms to their revenue funding since 2010. Between 2010 and 2015, local authorities in England lost 27% of their spending power in real terms (Hastings et al, 2015). Meanwhile, the unprecedented scale of funding reduction has been accompanied by a reorientation in funding towards business rates retention, which has further decoupled local

authority funding from duty and need, pushing local authorities towards a narrowly incentivised mode of entrepreneurial governance, as I analyse in chapters three and four of this thesis.

The human cost of the cuts to social housing and local government has been significant. At a time when the stock of social rented homes has been falling and is being replaced by significantly more expensive affordable housing, administrations across the 2010s cut back on housing related benefits, including re-setting Local Housing Allowance (LHA) down from the 50<sup>th</sup> percentile of local private rents to below the 30<sup>th</sup> (Hodkinson and Robbins, 2013: 68). In the context of a chronic shortage of social housing, these reforms have had a number of consequences, including: a growing number of low-income households forced out of inner-London areas (The Independent, 2015; Watt, 2018); a significant rise in homelessness, increasingly driven through the ending of private tenancies, and; a growing number of people housed in temporary accommodation (see: Watt, 2018).

All these changes have further increased the unmet demand for social housing. It is in this context – hamstrung by an inability to build social housing in the traditional manner and facing fiscal crises – that local authorities have begun to innovate and, as I will show, financialise their practices. The next section introduces the academic context for these innovations, and the theoretical framework which this thesis adopts to evaluate them.

## 1.5 Literature Review: the financialisation of urban governance and affordable housing

This section introduces the primary literatures to which the thesis contributes: the financialisation of urban governance and housing, which provide the theoretical context for my analysis. It also contains a brief introduction to the concept of financialisation in general, given its centrality to my arguments. Before turning to this, I offer some reflections on the housing policy evolutions described in 1.4 from the perspective of UK social housing studies, situating the developments that I am outlining in relation to the modes of affordable housing production which preceded them.

### 1.5.1 Theorising social housing change in the UK

As Malpass and Victory (2010) note, the “housing system in the UK has changed as much as any in western Europe in recent decades”, and unpicking these changes, and their drivers, is crucial to understanding the context of this research. Attempts to understand shifts in the model of social housing have employed a variety of framings, including residualisation (Forrest & Murie, 1983; Malpass, 1990), privatisation (Forrest & Murie, 1988; Ginsburg, 2005) and modernisation (Malpass & Victory, 2010),

which are drawn upon in this thesis to illuminate central elements of change. However, the framing adopted here – the ‘neoliberalisation’ of the housing system and public housing – follows a rich seam of critical research (Watt, 2009; Watt and Minton, 2016; Hodkinson, Watt & Mooney, 2013; Beswick, Imilan and Olivera, 2019; Hodkinson, 2020), which has especially been applied to understanding London’s housing system. London’s shifting public housing policy over recent decades has been identified by researchers as one of the most significant applications of neoliberal policy worldwide (Hodkinson, Watt, & Mooney, 2013), and is such that “many commentators would see Thatcherism (British neoliberalism) and the associated transformation of British council housing as the model for similar housing policies pursued across a wide range of societies” (Forrest & Hirayama, 2009: 999).

However, as some of these critical contributions note, the path dependency of each national and subnational location means that no single archetypal model of a neoliberalised housing system can be identified – instead policies are shaped by context, histories and local specificities (Beswick, Imilan and Olivera, 2019). While in many studies of neoliberalism and the urban, neoliberalism is taken as a monolithic entity whose form, foundations and effects are strikingly similar across place, a sophisticated literature has emerged questioning this universal formation and arguing that it fails to take into account the contingency of place or the theoretical inconsistency of the theory (see Hackworth & Moriah, 2006, for a review of these positions). Authors have argued either that the theory is too internally inconsistent and unwieldy to be considered a reliable ideology (Brenner & Theodore, 2002), or that neoliberalism is so rooted in place and path dependency as to make a translocal, placeless ideology impossible (Ong, 2007). These discussions make clear that any apparently placeless, ideal-type mode of theorising will be severely limiting; practically in terms of to whom and to where urban studies speaks; and theoretically, by curtailing the possibility of theorising beyond the places which dominate urban theory – London, Los Angeles, New York and so on.

Nevertheless, key characteristics and aspects of neoliberal housing policy do emerge from the literature (see: Hodkinson, Watt & Mooney, 2013; Forest and Hirayama, 2009; Beswick, Imilan and Olivera 2019) making it a useful lens through which to analyse housing system change. Indeed, these characteristics are not transplanted from London to elsewhere, but rather found to hold across place and national boundaries in ‘neoliberalised’ housing systems. These characteristics include: greater reliance on the private sector, and the roll back of public provision; the shift from government subsidy for housing supply, to consumer demand; the reification of home ownership; the private market being the primary, if not sole, vehicle for meeting housing need; the residualisation and stigmatisation of public housing; and, the transfer of (housing and land) assets from the public sector to the private sector. It is because these characteristics adequately map on to many of the changes which have occurred within

England/the UK's housing system that makes neoliberalisation – a process, not an end state – an effective lens through which to view the evolution of housing policy and practice since the 1980s

In this thesis I focus on the evolution of social/affordable housing production, in contrast to a primary focus on social/affordable housing consumption, or management (see Malpass & Victory (2010) for work towards a typology of the public housing model which takes into account all of these elements). I suggest that we are seeing a new, hybridised mode of neoliberal social/affordable housing production emerging in London through the establishment of LHCs, producing homes like those in the Barking vignette, which I characterise as financialised municipal entrepreneurialism (Beswick and Penny, 2018). This stands in marked contrast to the mid-to-late twentieth 'public housing model', and the neoliberalisation of that model. The central characteristics of these are described in Table 1.5.1 which sets out the axes on which we are seeking to compare modes of social/affordable housing production.

In the public housing era (mid-to-late twentieth century), social rented housing was delivered by local authorities – who played both the role of developer and planner. Where the private sector was involved the relationship was generally contractual, for purposes of construction (Malpass, 2003), although some direct public delivery was involved. In comparison, in the neoliberal era, social/affordable housing was delivered by private developers and housing associations, with the role for local authorities in delivery shifting from a central (interventionist) actor to an enabler of the market. This enabling role was explicitly introduced by the Conservative government in 1987 and endorsed by New Labour soon after they took office in 1997 (Malpass & Victory, 2010). As will be discussed below, and drawn out in chapter three, the government in the neoliberal era plays a 'minimal state' role in production – as a planner - with the private sector vaunted as preferable in terms of quality and efficiency, both for delivery and management.



	<b>Public housing model c. 1919 – 1970s</b>	<b>Neoliberal era c. late 1970s/1980s – ongoing</b>
<b>Role of local state</b>	Interventionist <i>Developer-planner</i>	Minimal/enabling <i>Planner</i>
<b>Primary private sector actors engaged/ their Role</b>	Construction sector <i>Contracted</i>	Developers and Housing Associations <i>Maximal</i>
<b>Transfer of land</b>	Private > public	Public > private
<b>Funding and financing</b>	Central state funded and subsidised through borrowing: tax-based/deficit – resources and rents pooled nationally	Private/commercial borrowing (Housing Associations), some state subsidy, speculative development (s106)
<b>Homes Produced</b>	Social rented housing (council housing)	Affordable housing and social rented housing
<b>Landlord</b>	Local Authorities	Non-state Housing Association
<b>Prevailing logic</b>	Managerial (Harvey, 1989); welfarist: meeting social need	Entrepreneurial: enabling private sector; minimal state  Meet social need through marketisation

**Table 1.5.1:** the neoliberalisation of the public housing model of production. Source: the author.

The emerging new model of social housing production which I identify and evaluate in this thesis sees a marked mutation of the earlier neoliberal era model (although the new model is not a departure from neoliberalism, as is discussed in the conclusion), with local authorities once again playing an interventionist role in housing *supply*, although in ways radically distinct from the public housing era. In the concluding section (chapter five) these two models are reintroduced to allow for comparison. This section now proceeds by outlining the concept of financialisation in general, before providing detailed conceptual introductions to the two situated processes in which I argue it is manifesting in London, urban governance and housing.

## 1.5.2 Situating Financialisation

As the ubiquity of the financialisation concept has spread across disciplines and contexts, a stable definition has become hard to pin down. Originating in the neo-Marxist tradition, it is used to identify and theorise a varied set of political economic phenomena and has become the centrepiece of attempts to explain contemporary political economic transitions, across disciplines. In *The Long Twentieth Century*, Arrighi (1994) identified recurrent cycles of financialisation, and the growth and retreat of the financial sector in capitalist political economic history, although he did not directly make use of the term 'financialisation'. Macroeconomically, financialisation has been identified with the growth of a new pattern of accumulation, and the processes which led to it (Weber, 2010b), in which an increasing proportion of profits are acquired through access to revenue streams via finance, as opposed to productive expansion. Financialisation is therefore characterised broadly by a shift in the pattern of capital accumulation and profit generation from commodity production to financial channels. This process has occurred through the conversion of the income streams from a growing range of assets into investment products, which allow for faster and greater levels of exchange (Krippner, 2005).

Alongside the broader macro-economic theorisation, many allied processes of financialisation have been identified across scales and diverse areas of economic and social life. Epstein has defined financialisation broadly as the growing role "of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Epstein 2006: 3). Aalbers – whose work focusses on housing and the urban – similarly characterises financialisation as "the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households" (2017: 244). The growth in popularity of the concept has been subjected to some criticism, however. Ward (2016) has called for a more nuanced historicisation of the term and the practices which it has deemed novel, and Christophers (2015) has called for greater precision in its usage.

These critiques will be reflected upon in relation to the present work's findings in the conclusion. However, across the three papers of this thesis, I address these critiques by drawing out the entanglements of financial markets, actors, logics and practices with regards to two situated processes: the exercise of municipal statecraft and the production and governance of affordable housing at the urban scale, addressing the understudied question of the financialisation of (public) rental housing (Aalbers, 2016). Financialisation is clearly defined by reference to the evolving model of London's (public) rental housing production, as its reliance on capital markets intensifies and mutates as well as

the financializing shifts in local government practice at its interface with entrepreneurial modes of governance, which the next section explores.

### 1.5.3 The Financialisation of Municipal Statecraft: shifting models of entrepreneurial urban governance

Charting and analysing the transition, in the post-Keynesian era, towards entrepreneurial forms of urban governance has been a key project of critical urban studies over the past 25 years. Harvey's pivotal account (1989) of the shift from post-war 'managerial' logics and regimes of urban governance to their entrepreneurial equivalents in the neoliberal era has been found to hold explanatory value in cities worldwide, with broad agreement in urban governments observed 'that positive benefits are to be had by cities taking an entrepreneurial stance to economic development' (ibid.).

Much of the literature on this shift from urban managerialism (which in this thesis is manifested by the traditional public housing model) to entrepreneurialism emerged from the US context amidst the retrenchment of federal support to municipalities at a time of weak growth, rapid deindustrialisation, and increasingly globalizing and deterritorializing flows of capital investment (DeFillipis, 2004). This context created a competitive urban politics, "that only a fortunate few could realistically expect to win" (Peck & Whiteside, 2016: 241), in which "urban administrations were increasingly compelled to compete with other city governments in an endeavour to attract and retain hyper-mobile investment and wealth generating entrepreneurs" (MacLeod & Jones, 2011: 2443). Meanwhile, in many places city governments began to retreat from engaging in any significant redistributive politics (Cochrane 2007). Instead, urban government, in tandem with local businesses through 'growth coalitions' (Logan & Molotch 1987), or public-private partnerships, had its role reimagined along more profit-seeking or profit-enabling lines towards the facilitation, often financial, of large scale private-sector driven regeneration and development schemes (Leitner 1990).

While the roots of modern urban redevelopment policy can be found in the late 1970s, under a Labour Government who attempted to limit poverty and inequality in cities by delivering state-led urban economic regeneration (Cochrane, 2007), it was only during the Thatcher era that the entrepreneurial urban politics of economic competitiveness and privatisation were embraced (Barnekov et al. 1989). This was guided by an axiomatic commitment to the ability of private sector actors and market dynamics to address "a range of social and – above all – economic problems" (Cochrane 2007: 89). In the context

of the UK, it must be noted that the shift towards entrepreneurial modes of governance should only be viewed as a process of *supplementing* rather than supplanting managerial logics (Hall & Hubbard 1996), but nevertheless the commitment to private sector solutions has undoubtedly become a vital element of urban policy. The state's role has morphed into one of strategic oversight of non-state actors (Hall and Hubbard, 1996), and this has been especially clear in housing policy, where "from the late 1980s, the Conservative Government of the day started to promote the idea that local authorities should be 'enablers' rather than direct providers of housing" (Davis, 2013: 62). The dominance of this approach can be seen in the growth of the planning gain model of house building and the stock transfers from local authorities to Housing Associations (Watt, 2009) discussed in 1.4. However, in this thesis I evaluate new evidence which may suggest that we are in fact now seeing a shift, within urban entrepreneurialism, away from this enabling model, towards a renewed focus on supply-side intervention.

It is in the context of the entrepreneurialising trend in urban governance, emerging in both the US and UK in an environment of significant restrictions put in place by higher levels of government, alongside shrinking tax revenues, that the turn towards financialisation has been identified (Weber 2010a; Leitner 1990). An influential series of studies find entrepreneurial city governments employing the means, vehicles, and tools of finance capital across a range of local government activity, including redevelopment (Rutland 2010), infrastructure (Ashton et al. 2016) and Tax Incremental Financing (Pacewicz 2013). In the face of austerity, these cases show how municipal governments in the US are increasingly active in drawing down investment from capital markets. As I will argue in the conclusion, while these entanglements should not be considered entirely new, the intensity of the urban-finance nexus, and the engagement of actors, logics, and techniques of global finance seem to be expanding as "the dependency of [urban] political institutions on financial markets for securing investment capital" (Gotham 2016: 1363) has deepened. Drawing on the above literature, and using Detroit and Atlantic City as exemplars, Peck and Whiteside (2016) and Peck (2016; 2017) situate and historicise these processes of financialisation within established debates and literatures on urban entrepreneurialism, and, latterly, austerity urbanism. They suggest that the municipal state, at least in the US, has become a critical terrain, target, and agent of financialisation, amounting to the constitutive financialisation of late-entrepreneurial metropolitan governance, about which we currently know little (Peck & Whiteside, 2016: 237). This is a key lacuna that I address in this thesis.

As Christophers has noted, accounts of financialisation often fail to put financialisation in their *financial* context (2019), and one of the key contributions I will make is to draw out the recurring financial

contexts of urban financialisation processes. The centrally-imposed austerity driver of financialisation can be seen in the case of US cities, where the recourse to capital markets became commonplace when fiscal federalism dramatically reduced transfers to city governments (Hackworth 2002; Pacewicz 2013) and as the power of city governments to raise local taxes was curtailed (Davidson & Ward 2014). In the UK context, Tickell (1998) noted that the Hammersmith & Fulham swaps debacle in the 1990s occurred in large part because of Thatcher's Rate Support Grant controls and reductions. More recently, it is the politics of 'austerity localism' (Featherstone, et al., 2012), coupling unprecedented budget cuts and centrally imposed limits on locally raised funds, with competition-driven funding realities around economic growth and house building (see Fitzgerald & Lupton, 2015; Penny, 2016) , that, as the present research finds, is now pushing local authorities in London towards capital markets and financial tools and practices to achieve their objectives.

Emphasising the role of hierarchical state power relations and politics does not necessarily diminish the role played by the local state, however. City governments are not passively shaped by the actions of those at higher tiers of decision-making (Weber 2010b) and as Ward (2016: 3) reminds us they are "more than the puppets of financial capital." In a context where cities have been exhorted to become ever less reliant on funds redistributed from higher levels of government and less able to raise local taxes, local state actors are compelled to innovate and "to devise revenue generating mechanisms themselves" (Davidson & Ward, 2014: 86) by opening up new opportunities for yield-seeking capital investors through, for example, "interest-rate swaps, derivatives, and securitized revenue streams" (Peck & Whiteside, 2016). Whilst the forces acting on local actors may be commonly experienced in urban governments within and across nation-states, local responses can also be expected to be variegated and contingent, as I show in chapter four. This means that a key element of this thesis is investigating why, how, to what extent and under what conditions the local state in London is engaging in practices of financialisation, and with what implications, with problematizing the local state's role in financialization having fast become an urgent 'research frontier' (Aalbers, 2017: 10). The existing literature suggests that while deploying financialising practices to achieve public policy objectives may increase fiscal and political capacity, this is not attained without detrimental consequences (Pacewicz, 2013; Ashton et al. 2016). As I evaluate across papers two and three, the financialisation of urban public policy in London is being driven by specific political and macroeconomic factors, and is delivering a new model of (housing) governance and production which has shifted housing policy away from social policy goals, and towards revenue generation - the seeking of "fiscal rents" (Haila, 2015).

Financialisation, I suggest, can represent an attempt to move away from the facilitative and minimal modes of entrepreneurial statecraft that replaced Keynesian managerialism in housing. Partnering with financial capital may provide a way to reintroduce the local state into housing supply, motivated by the perceived failures in the minimal state/planning gain approach, whereby since 1990 the majority of non-market housing in England has been realized through a tax on private developments and a reliance on housing associations (Watt, 2009). The research I present across this thesis instead shows that entrepreneurial governance has evolved into a more supply-side interventionist mode in the UK – ‘financialised municipal entrepreneurialism’ (Beswick and Penny, 2018) - with the need to generate ‘fiscal rent’ (Haila, 2015) providing the blueprint for this development. The drivers of this shift are akin to the financial contexts found in other places that similar changes have been noted.

#### 1.5.4 The financialisation of housing

The trigger event for the GFC of 2007-9 was the collapse of the US subprime mortgage market (Rolnik, 2019; Aalbers, 2016). The globalisation of finance meant that a localised catalyst, in the lower end of the US mortgage market, had existential ramifications for financial institutions around the world. The contagion effects of the collapse of the market for US-mortgage based finance products, and the replication of such markets in many places worldwide, meant that perhaps for the first time in a hundred years, the whole structure of financial capitalism was under threat.

The financialisation of housing has been described as the “long process of the deconstruction of housing as a social good, and its transformation into a commodity and a financial asset” (Rolnik, 2019, p: 16). Its extent and impact go well beyond the deregulation of mortgage markets in the late twentieth century, the resultant GFC and its immediate aftermath. Indeed, nowhere can the consequences of the intensification of the housing-finance circuit be seen more clearly than in what has been termed the global housing crisis (ibid; see also: Madden and Marcuse, 2016). Nevertheless, much of the existing research into the subject emerged in the wake of the GFC and naturally focussed on a single tenure: mortgaged owner-occupation. Researchers outlined in detail the deepening of the housing-finance nexus in the era preceding the GFC, and how mortgages became the basis for a widespread international financial marketplace (Gotham, 2009; Newman, 2009). Studies showed how, over a quarter century, novel financial products created liquid, tradeable assets out of place-based homes (Gotham, 2009). Mortgage credit was used as the basis for collateralised investment products, and the homes and neighbourhoods of low-income households, previously mostly ignored in strategies of financial accumulation, became important targets for interest-bearing capital.

### 1.5.5. The financialisation of housing after the GFC

While our now well-established understanding of the links between housing finance, global financial markets and mortgaged owner-occupations are crucial to any analysis of the present housing and urban context worldwide, they far from tell the whole story (Aalbers, 2016). Despite this, research into the intensification of the financial sector's involvement in tenures beyond owner-occupation has only begun relatively recently. Indeed, London, whose housing market emerged relatively unscathed from the GFC, is undergoing housing financialisation, but the primary dynamics at play currently are beyond owner-occupation.

Rather than leading to the untangling of global financial circuits from housing, studies have found that post-GFC contexts have instead presented significant new entry points for financial capital to intensify its involvement in housing systems. This re-entry has primary focussed on one tenure: rental (Beswick et al, 2016; Nethercote 2020), and finance capital's involvement in (affordable) rental housing is a primary focus of this thesis.

Desiree Fields, whose work has pioneered our understanding of rental housing financialisation, identifies the tenure as a "frontier for financialisation", a dynamic that she notes is "increasingly relevant since the global financial crisis", but which was present in certain locations, including New York, prior to the crisis (Fields, 2017: 1). As I argue in the first paper (chapter two), a new type of residential landlord – GCLs (Beswick et al, 2016) – have started to control a great many rental homes in multiple cities and countries, and this process is underway in London. In chapter two I use the activities of Blackstone, perhaps the preeminent global private equity firm, as emblematic of these processes, but there are many international asset management firms who have centred on rental in the post-GFC era. Generally speaking, large financial sector investors entered into multiple local housing markets – from America (Fields 2013 and 2017) and Ireland to Spain and Greece (Beswick et al, 2016) – following the large drop in real estate prices triggered by the GFC (Rolnik 2019). These 'vulture funds', like Westbrook in the earlier vignette about the New Era estate, have identified sizeable amounts of undervalued – distressed – real estate assets. As this thesis identifies, facilitated by enabling states, GCLs are targeting severely undervalued property markets, where large-scale acquisition of (distressed) residential assets— ideally high volume portfolio purchases— can be executed rapidly, before the housing market 'normalises.'

The devaluation of the targeted housing markets, the potential for impressive capital gains later and the opportunity to use residential assets as the basis for financial instruments means rental assets can offer a formidable income yield, with private equity firms often pursuing the most aggressive strategies

(Fields and Uffer, 2014). Or, as Blackstone CEO Steve Schwarzman stated in 2010, when describing his firm's strategy in post-crisis Europe: "basically [we are] waiting to see how beaten up people's psyches get, and where they're willing to sell assets . . . You want to wait until there's really blood in the streets" (Irish Independent, 2014). As this process has matured, the early movers, primarily private equity firms ('predatory equity'), have to some extent given way to Real Estate Investment Trust (REIT)-led financialisation of rental real estate (Wijburg et al, 2018). In chapter two, I identify the role of these actors in London. Within this emerging understanding of rental financialisation, my specific focus in this thesis has been to analyse the emerging financialisation of affordable housing, and the role that the state is playing in this process, as I discuss in the next section.

### 1.5.6 The financialisation of (public) rental housing, public land and the role of local government

While the variegated nature of housing financialisation is generally acknowledged, our understanding of the financialising dynamics within non-commodified or affordable housing is so far limited. Studies have begun to emerge in the last few years offering the first explorations some of the ways that non-market housing can be financialised, through its development funding or the trading of financial assets and liabilities by sectoral actors (Aalbers et al, 2017; Wainwright & Manville, 2017). By analysing the use of bonds and derivatives by Dutch and UK Housing Associations, these studies have found investors to be willing direct investors in non-market housing, and housing associations innovating financially in response to reduced central funding, with a growing commercialisation of the sector. These studies reveal the contradictory public/private obligations produced in the financialisation of a sector whose core values – affordable housing for those on low-incomes – are potentially "diametrically opposed" (Wainwright and Manville, 2017: 820) to those of the financial sector. By financialising their practice and funding, housing associations have been able to access development capital in a time of limited resource, but in so doing have further shifted their approach towards a commercial and asset management agenda (ibid: 823).

In a different context, Fields (2013; 2017) has shown how rent-regulated housing in New York and Berlin is being financialised by disposal to a financial sector actor. In New York, rent stabilised housing is being purchased by private equity funds, and her work analyses the funds' treatment of that housing as a pure financial asset. In addition, focussing on Berlin in work with Uffer (2016), they identify a similar process in which state-owned public housing was bought up by 'predatory' private equity firms. Focussing on the effects of financialisation, their research found that "heightened inequality and often worsened housing



conditions” (Fields & Uffer 2016: 1497), driven by short-term ‘assetising’ strategies, and changes in the financial markets with which the homes were increasingly co-dependent, was a common outcome.

Either directly or indirectly, all of these studies engage with the role of the (local) state in the financialisation of affordable housing, and reinforce the findings of Christophers (2017) in his historical analysis of the UK state’s treatment of its land. Adopting Harvey’s (1999) axiom which holds that under capitalist relations land will be increasingly treated “as a pure financial asset” (cf. Coakley 1994), Christophers focuses on the state’s role in land financialisation, which “has to date been afforded very limited theoretical or empirical attention” (2017: 62), and concludes that the UK public estate has been financialized not by the state itself, but indirectly as the state has sold public land to private actors. The argument of this thesis is that, while this direct/indirect dichotomy oversimplifies the complex role the state plays in these examples of housing financialisation, these studies do point towards a minimal, facilitative, hands-off role for the state in financialisation, in contrast to the ‘financialized municipal entrepreneurialism’ emerging in London which I identify, in which an interventionist local state is the active executor of financialisation. This argument is developed further in chapter three and the conclusion.

The following section introduces the three papers which make up this thesis. Before that, though, and pre-empting deeper discussion in the concluding chapter, I will briefly identify the ways in which the research advances the literatures introduced in this section, and so sketch its original contribution. Financialisation studies in the arena of the urban and affordable housing have been developing fields over the course of my PhD, and the research I have undertaken has contributed to our evolving understanding of these important processes.

As evidenced in 1.4 and argued throughout this thesis, the GFC and its aftermath has led to a political economic conjuncture in London in which a decade of centrally-imposed austerity has stymied local authorities’ ability to engage in affordable housing. At the same time, London’s land and property has come to increasingly constitute a desirable asset class for investors, domestic and overseas. In 2016, when paper one was published, our understanding of the growing role of transnational financial capital actors in rental and affordable housing sectors in post-GFC contexts was limited, and there was no research about affordable housing financialisation in London, and very little elsewhere. The paper (chapter two), which in August 2020 has a google scholar citation count of 108 citations, charts and analyses how GCLs have taken advantage of accommodating macroeconomic and local market conditions, alongside the assistance of national and local governments, to buy up or develop large swathes of (affordable) rental housing, procuring distressed assets. It also sets out the ways in which

these financial actors are starting, or could start, to get a foothold in the affordable housing sector in London, something for which there is little precedent.

Papers two and three continue this analysis, in particular developing themes present in chapter two about the role of the local state, and urban governance, in these financialisation processes. Paper two (chapter three, citation count 53), published in 2018, focusses specifically on local authority housing development and the novel and emerging role which financial capital is playing in this. Drawing together the emerging literature at that time, the paper played a central role in developing our understanding of how, in deep austerity conditions, and the specific post-GFC context, urban governments are financialising their practice, constituting an evolution in entrepreneurial modes of governance. Deprived of their ability to maintain their revenue, or to meet (housing) policy objectives through established policy means, it is the argument of this thesis that urban governments, across national boundaries, are innovating and financialising their practice and policies, and seeking fiscal rent (in London by setting up LHCs), in order to obtain additional capacity, temporary or mutated as that capacity may be. Chapter three sketches out this emerging mode of governance in relation to municipal housing production in one borough in London, and the supply-side interventionist, as opposed to enabling or facilitative, approach which it characterises, as well as offering insight into the novel form of affordable housing it is producing, at once a non-market place to live and a globally traded liquid asset.

Paper three (chapter four), which is ready for submission, broadens this analysis, and looks at the evolution of the new approach to municipal housing delivery at a pan-London level, drawing on original data from all 32 boroughs, and providing a detailed analysis of the 'austerity straitjacket' which has led to this development in public housing production and urban statecraft. The final paper also provides deeper analysis of the financialising element of this emerging mode of urban statecraft, drawing on interviews with investors to identify the drivers of the turn towards affordable housing in their quest for yield, knowledge of which is currently absent from the literature. The next section introduces the three paper abstracts, with a final section outlining the methodological design used to answer my research questions.

## 1.6 Paper Abstracts

Below are the three paper abstracts which comprise chapters two to four, including publication details. Information on my contribution to the co-authored papers can be found in the preface.

### **Chapter two**

***Speculating on London's housing future: The rise of global corporate landlords in 'post-crisis' urban landscapes***

Beswick, J. et al. (2016). *City*, 20(2), 321–341. 2016.

**Published Abstract:** London's housing crisis is rooted in a neo-liberal urban project to re Commodify and financialise housing and land in a global city. But where exactly is the crisis heading? What future is being prepared for London's urban dwellers? How can we learn from other country and city contexts to usefully speculate about London's housing future? In this paper, we bring together recent evidence and insights from the rise of what we call 'global corporate landlords' (GCLs) in 'post-crisis' urban landscapes in North America and Europe to argue that London's housing crisis—and the policies and processes impelling and intervening in it—could represent a key moment in shaping the city's long-term housing future. We trace the variegated ways in which private equity firms and institutional investors have exploited distressed housing markets and the new profitable opportunities created by states and supra-national bodies in coming to the rescue of capitalism in the USA, Spain, Ireland and Greece in response to the global financial crisis of 2007–2008. We then apply that analysis to emerging developments in the political economy of London's housing system, arguing that despite having a very low presence in the London residential property market and facing major entry barriers, GCLs are starting to position themselves in preparation for potential entry points such as the new privatisation threat to public and social rented housing.

**Chapter three**

***Demolishing the Present to Sell Off the Future? The Financialisation of Council Housing in London***

Beswick, J. and Penny, J. (2018). *IJURR*, 42: 612-632.

**Published Abstract:** This article introduces a new mode of urban entrepreneurialism in London through a study of the state-executed, speculative development and financialisation of public land. In response to an intensifying housing crisis and austerity-imposed fiscal constraints, municipalities in London are devising entrepreneurial solutions to deliver more housing. Among these 'solutions' can be found the early signs of the state-executed financialisation of public housing in the UK with the use of speculative council-owned special purpose vehicles (SPVs) that replace existing public housing stock with mixed-tenure developments, creating ambiguous public/private tenancies that function as homes and the basis for liquid financial assets. Drawing together parallel literatures on the financialisation of urban governance and housing, and combining these with original empirical research, we situate these developments in contrast to earlier modes of governance, identifying a distinct mode of entrepreneurial

governance in London: financialized municipal entrepreneurialism. The local state is no longer merely the enabler—limited to providing strategic oversight of the private sector—but financializes its practice in a reimagined commercialized interventionism, as property speculator. This article concludes that while the architects of this new mode of entrepreneurialism extol the increased capacity and control it provides, any such gains must be set against longer-term financial, democratic and political risks.

## Chapter four

### **The rise of Local Housing Companies in London: deepening the financialisation of social housing?**

Beswick, J. Readied for publication in Environment and Planning C

**Abstract:** This paper provides an in depth analysis of the significance of LHCs at London-wide level, and evaluates what they suggest for London’s model of urban governance, and its housing crisis. Through Freedom of Information requests drawing data from all 32 London boroughs, a case study of an outer East London borough, interviews with investors, councillors and public officials the paper provides the first comprehensive evaluation of the role of LHCs in London as a whole. The paper finds that companies are much more prevalent in London, than nationally, and analyses the reasons for this. The companies are situated in their policy context, and the argument that austerity-created limitations on council’s ability to borrow – the ‘debt cap’ – led directly to LHCs is tested across London’s local authorities, and found to hold. The paper also sheds light on the role – if any – that LHCs could play in solving London’s housing crisis. It finds that the companies, despite claims to the contrary, are legislatively prevented from producing social rented housing at any significant scale, and so will not meet the needs of those experiencing the housing crisis most acutely. The paper also tests the thesis that the municipal entrepreneurialism that these companies represent is financialised, providing a crucial portal for financial market actors to access affordable housing in London through debt and equity. The analysis in paper 3 finds that the macroeconomic context created by the GFC has meant that, in fact, it is often more financially viable for local authorities to pursue LHCs along more traditional funding lines – through Public Works Loans Board borrowing - than by engaging financial capital directly, as some local authorities have done. While LHCs can be policy instruments through which financial capital can access affordable rental housing the paper concludes, this need not be the case.

## 1.7 Methodology and Research Design

### 1.7.1 Methodology

This section will set out and critically discuss the methodological framework I developed to answer the research questions. It begins by introducing the overall research design, before identifying the individual methods which I drew on, and the ways in which I used them, before reflecting on how this architecture of methods combined to provide answers to the questions which I have set, as well as their limitations in this regard. Finally, as throughout much of my research I had a complex positionality – as a researcher, activist and policy professional – I reflect on how this positionality, although making for a messy and complicated research process, arguably led to richer findings, and a broader range of routes to accessing knowledge.

### 1.7.2 A relational case study: London

The research aim set out in 1.3 was to conduct a critical analysis of the emergent processes of financialisation of London's housing model, with a focus on the affordable social rented sector, and the new modes of financialised statecraft which are transforming the city's wider urban governance model in the post-GFC era. Studying urban financialisation, a complex process at once global and local in scale, drawing communities, homes and urban governments into a nexus with international financial actors in the dislocated non-place of capital markets, required a methodology which could provide insights into the process, and its implications, from a number of different vantage points and scales. At the same time, as the usage of financialisation has been challenged for a lack of precision in its application within urban studies (see 1.5), it was also important to design a research framework (see: David, 2005) which would allow for at least some direct comparison, on clearly defined terms.

Given these considerations, the methodology of the thesis is that of a case study, although a relational case study, investigated at a number of different scales, from the international, to the level of a local authority. Case studies allow researchers to study processes from many angles, using different methods, to reveal an object's complexity in a textured way (see Flyvbjerg 2006). In addition, a case study is an appropriate methodology for the broad tradition within which my research sits, the urban political economy tradition in conversation with neo-marxist concepts (financialisation, urban entrepreneurialism and neoliberalisation), for as Odell (2001: 170) remarks "case studies are generally better than the alternatives for documenting [political economic] processes." This is because the use of a variety of methods enable the researcher to view the process under study from many different, complementary, perspectives (Feagin, 1991), and to "tell the story in its diversity, allowing the story to unfold from the many-sided, complex, and sometimes conflicting stories" (Flyvbjerg, 2006: 238).

Alongside my complex positionality (see 1.7.4, below), this particular research design has allowed me to engage with my research questions in ways which deliver a nuanced understanding of housing and urban financialisation.

There are many definitions offered of what exactly a case study is (e.g. Feagin 1991; Silverman 2010), but they have in common the idea that case studies are complex functioning units which can be investigated in their natural setting, using multiple methods. The case study location for my research is London. However, the location was understood in a relational way (Massey, 2013), with London being understood not in isolation, but in terms of its relation to other places, and engaged with by distinct means across the three papers, and through the methods I deployed.

Alongside using a single case study, the research approach I adopted was comparative, a method which has seen a renewed interest in the past ten or so years (Robinson, 2011; Mcfarlane, 2010; Ward, 2008). However, its methodological revival was accompanied by a radical reorientation in the approach itself, with comparative urbanism subjected to sustained postcolonial critique (e.g. Robinson 2002; Amin & Thrift 2002), and the comparativism which emerged imbued with the lessons of this critique. In the same vein as the discussion in 1.4.2 regarding the application of neoliberalisation to changes in social housing, it has been a key consideration of this study that I did not take London to be paradigmatic of the processes under question, central as it so often is to the production of urban knowledge and paradigms. Instead, as Brenner (2003) urged us, we should be wary of proposing particular cities as ‘stereotypes, archetypes and prototypes’, which is more likely to lead to epistemological myopia, and, as the postcolonial critique has taught us, privilege knowledge and typology production in certain places, at the expense of others, narrowing our epistemological vision. Rather, following Brenner, I have sought distinctiveness, rather than stereotype, typicality instead of archetype, and similarities rather than prototypes (see also: Robinson, 2013). As discussed in 1.5.1, while I take the view that attempting to compare cities and processes under broad conceptual frameworks (in this case, neoliberalism) need not collapse into a radical particularism, we should at the same time be critically aware of how and where the knowledge is being produced, and used.

Following Massey’s reflections on London as a relational, world city, the notion of London as standing for, or representing, something need not preclude that the world, or the urban future, is not radically multipolar (Massey, 2013), and need not privilege London’s experience. Chapter two, a ‘zoomed out’ investigation of processes at a London scale, and an attempt to understand housing and urban financialisation in London by ‘theorising from elsewhere’, was where these lessons have been most relevant in this thesis. Across the research for that paper, no one place or city was taken to be the ‘home’, or origin of the processes in question, or to offer a blueprint for what those processes should

look like, and instead the research took care to “consider all cities as both resources and sites for theory generation” (Robinson, 2011: 17). The genesis of chapter two was in an international collaborative academic project that I was involved in, *Contested Cities*, which brought together academics from multiple national settings, and had an explicitly comparative objective. With colleagues, I organised a seminar on the issues which are the focus of the paper, and we then undertook a comparative analysis, tracing similar trends and processes over the boom, bust and post-crisis periods in each national housing system using both official data and an interpretative account of state policies, regulatory structures and investor activities. I then reflected these findings upon the emerging developments in the political economy of London’s housing system, while acknowledging that none of the comparators represent cases directly analogous to London, and that I was employing highly variegated and diverse national and urban contexts to comment on a single city.

The overall relational case study I designed comprised three elements, or sub-case studies. Firstly, as has just been discussed, was a reflection on London in relation to other international locations. Secondly, two borough-level case studies, Lambeth and Barking and Dagenham. These case studies were chosen because initial research suggested that the phenomena under study were visible in these places, and so they would allow me to gather data which would deepen my understanding of the processes addressed in the research questions. The case studies are therefore not representative samples, in the sense that they were not intended to stand for the broader situation in London as a whole, but were instead closer to the ‘outlier’ form of case studies, to some extent ahead of the curve in the evolution of the processes under study. Finally, I undertook research at a pan-London scale, focussing on all London boroughs, in order to assess and analyse the extent of the processes under study in London as a whole, and allowing for generalisation and broader comparison. When taken together, the sub-case studies adequately provided a multi-scalar understanding of financialising affordable housing and governance trends in London, allowing for comparative reflection between the two boroughs, and between those two local authorities and London as a whole. This allows me, in chapter three, to take the conclusions reached, and ask to what extent they are generalisable to London. In the final section I outline the methods I used to conduct my case studies, but before that I introduce my positionality, and offer some reflections on the ways in which it influenced my research, as well as the activist tradition in which I undertook the study.

### 1.7.3 Activist Research and the researcher’s positionality

Situating the research project in within the critical tradition of urban studies makes clear the aspiration for the research to contribute to progressive political change (Brenner, 2012). The attempt to overcome

what can at times be seen as a false dichotomy between academia and activism, and create a 'third space' has often been tried (Routledge, 2003) ; activism as research, research as activism. But this approach is always complex, and must be carried out with reflexivity. The aspiration to 'scholar activism' carries with it many pitfalls, ethical, personal and practical (Chatterton et al. 2010), and the process of carrying out collaborative activist research can put great strain on the research and researchers (ibid.).

Throughout the PhD I was involved in activism. However, none of this activist work directly constituted explicit research *per se* and none of the activist groups I am a part of were the focus of the research. Nevertheless, the activism to which I devoted a lot of time obviously influenced the work, and my knowledge of the processes discussed herein proved useful to some activist groups. I was on occasion invited to speak or share knowledge with groups across London, as discussed below. The groups I was/am active with are:

- Radical Housing Network
- London Renters Union
- Lambeth Housing Activists

However, in addition to the activism I engaged in, throughout the PhD I occupied different, simultaneous roles, which gave me a complicated positionality, as opposed to simply being a 'researcher' or 'activist' or even a 'researcher activist'.

In late 2017, I got a job as Head of Housing and Land at the New Economics Foundation. This job, in a progressive think tank working on the field I study, significantly changed the way that some activists viewed me (with greater suspicion sometimes, but also sometimes with something that appeared to be greater respect). It also assisted me in getting a least one of my final interviews, as I needed to meet the person for my role anyway. Lastly, it allowed me to access certain political processes which would otherwise have been precluded to me.

As at the time the main opposition Labour party was led by a progressive leadership, my organisation found itself in the unusual position of having a degree of influence over that party's policies in the run up to the 2019 election. As such, much of my role involved trying to push policy ideas with the opposition in the area of housing and land. This meant that I had the opportunity to discuss with senior opposition MPs and Special Advisors the findings of my PhD and lobbied for policy positions based on my research. While I was in part successful in this effort, the opposition party lost the election, and so the research has not had any direct influence over national policy.

Occupying these multiple roles across the research made for perhaps a more 'messy' and complex research process. However, this need not be limiting or straightforwardly a hindrance (Clare, 2017).



Indeed, on reflection, I feel that this was not in this case, as rather my complicated positionality perhaps made the research richer and increased its potential for impact. The different roles I occupied allowed me to view processes from multiple different angles, some of which are traditionally hard to access, which has led to a more nuanced, deeper account. The intellectual task of designing progressive housing policy, which is a large part of my professional role, stood in marked contrast to much of the intellectual work that my PhD focussed upon, which was understanding, theorising and critiquing current housing policies. However, these two activities are in many respects two sides of the same coin, and investing capacity in attempting to design policy, made me revisit with fresh insight the critiques which my research was offering. If anything, I would perhaps hazard that this dual role has made my research more considered, and given me a deeper understanding of the motivating factors, and hindering factors in policy development, allowing for greater nuance in my findings.

Nevertheless, a messy positionality always requires constant attention, evaluation and re-evaluation, and this became a central aspect of my research process. It is of course never possible to fully remove one 'hat' (say, researcher) and replace it with another (activist, or policy professional). The reality of this emphasised the importance about being clear in spaces and with people about my role, but also being aware of the influences over my thinking and ways of seeing that my multiple roles created, and the negative and positive implications of this for my research.

#### 1.7.4 Methods

The methods which I employed to generate my case study are described below. I then close by detailing the approach that I took to analysing and assimilating the data collected.

##### **Interviews**

Interviews were a very useful tool in gaining relevant data for the thesis and formed an essential part of the borough case studies, as well as the London-wide research. By speaking to people directly involved in the processes I was able to develop a deeper situated understanding of them from the perspective of key actors (Dowling et al, 2016). I used open-ended, semi-structured interviews, which privilege the experiences and interpretations of participants, allowing 'respondents [to] use their own way of defining the world, assume that no fixed sequence of questions is suitable for all respondents, and allow respondents to raise considerations that interviewers did not think of' (Fielding & Thomas, 2016, 296). I undertook 18 interviews for the thesis (see annex one), across 2016-8. Interviewees were selected based on desk-based research, knowledge gained through activism, and a snowball sampling approach,

following suggestions from other interviewees. The sample strategy I used was to concentrate on getting interviews with people with experiences highly relevant to the research, and some people required extensive efforts to engage. I wanted to speak to as many 'key players' as I could in the processes I was investigating. This approach proved effective, as all interviews yielded information not publicly available, and informed my understanding of the topic. As can be seen in annex one, my interviews can be grouped into four groups – senior politicians and officers from London local authorities (the largest group), senior investors in the sector (who were difficult to access – see below), senior officers and politicians from London regional government, and a senior social housing consultant. These groups, and the different political scales at which some of them operated assisted in the construction of the multi-scalar case study approach.

Interviews lasted between 50 minutes and 2 hours, and generally took place in coffee shops or in the interviewees' place of work. All interviewees were offered anonymity. While there is a balance to be struck, I felt that the anonymising of all participants would encourage greater candidness, especially when discussing both at times controversial political phenomenon, and business matters/investments, in what is a relatively small, and emerging, social world. The appropriate ethics and consent process was followed for all interviewees, as approved by the University. Once the interview data was gathered, and securely stored, I transcribed and coded all interviews, coding them based on broad themes and relevance to different aspects of my case study. I then repeated this process with the different themes and again coded into sub themes, in order to be able to compare across themes.

### **Elite Interviews**

As I was studying an emerging political economic process, and relying on interviews as part of my method, unsurprisingly many of my interviews could be considered 'elite' interviews (Rice, 2010) – I was interviewing people who played senior roles in financial and political processes. Commentators have suggested that there is something inherently different with 'interviewing up' (Clare, 2017). It was important not to 'reify' such interviewees and avoid taking their accounts more seriously. Perhaps for reasons of difficulty of access, there is less urban research which draws on elite interviews, exploring what people 'up there' are doing (Clare, 2017), with more of a focus on movements, directly affected people and activists. Slater (2016) has critiqued this, arguing that there is a need for militant activist research to study up as much as down, and Clare (2017) has recently developed the concept of 'militant studying up' to explore how we can study elites without reifying their experiences and identities, and this approach was useful in reflecting on how I approached, undertook and analysed elite interviews and the data they yielded. As I discussed in 1.7.3, the research was undertaken from an activist research perspective, and throughout the PhD I also engaged in housing activism. When considered from this

perspective, the elite interviews which I undertook, and which gave me access to information which was not publicly available were a useful tool in activism. I was invited to give talks to activist groups about my findings, to people involved in current struggles which related to the issues under study, and so was able to disseminate my findings in a way that was useful to contributing to efforts towards progressive political change without compromising the anonymity of my interviewees.

Accessing the investors I wished to speak to for interview was one of the more challenging methodological elements of the PhD. Even finding email addresses was sometimes a half day-long desk job, applying a range of strategies and advanced searches. On more than one occasion, my 'academia.edu' account would buzz into action almost as soon as the email was sent, with page viewings, presumably from the requested interviewee. If a reply was received this would sometimes lead to an extensive back and forth, including an inquisition about where I had found their email address, and on one occasion a series of questions about my online presence's association with 'marxism', before an interview was agreed to, if it was at all.

### **Freedom of Information Requests**

In order to generate data which would allow me to answer the research questions at a London-wide scale, I used the Freedom of Information (FOI) system (see: Lee, 2005; Savage and Hyde, 2014) to access comparable data from all London boroughs. In combination with my borough case studies, which provide textured and rich detail about the processes I am studying, this allowed me, within the confines of a PhD project, to generate detailed knowledge which can be, at least, reflected upon or compared at a London-wide scale. I acquired data from all London local authorities and had to go through an extensive process with some to ensure that I got comparable information (the request is contained in annex two at the end of the thesis). Local authorities are legally obliged to respond to reasonable and affordable freedom of information requests, as long as they comply with certain rules. However, some authorities failed to initially respond in the time allowed or provided inadequate or partial information. This meant that with some authorities I had to enter into a lengthy negotiation to get the information I needed, in the form I had requested – with the numbers of emails eventually numbering in the hundreds across the whole process. As is identified in chapter four, although all local authorities responded to my requests, a small minority were unwilling to provide the information in a manner which made it comparable, particularly in relation to the housing output questions. However, as the vast majority did, I was able to make comparisons and reach conclusions about London as a whole, which are contained in chapter four. By carefully designing the FOI request, I am able in chapter four to compare the extent of municipal housing financialisation across boroughs, as well as making comparisons regarding other elements of my study, including the austerity drivers of financialisation, and the types of

housing which the companies are building. This allows me to comment on the extent of the processes under study in each London borough, as well as across London in general.

### **Documentary Analysis**

Analysis of publicly available documentation was extremely useful for both gaining a background understanding into the processes, and, later, supplementing the FOI and borough-level research with publicly available information (see Limb and Dwyer, 2001). Extensive documentation on LHCs, the build to rent sector, private investment in social housing, as well as council documents, exist in the public domain. I initially undertook general research into which documents were available, before identifying broad groupings of key documents which contained information which could inform my research that I then systematically collected and stored. For each local authority under study, for instance, I ensured to read the same documents, and as I learnt of new sources as the work went on, went back to check the existence for other locations of study. While I did not code my documentary research, I systematically and critically analysed documents involved in the financialisation of urban policy and rental housing, by undertaking an approach which did not privilege the content contained, but instead considered it in its context, and the motivations and pressures under which it might have been written, and with what purpose it was constructed (Bowen 2009). As is discussed across papers two and three, the discourse surrounding the establishment of LHCs is divisive, and so it was especially crucial to engage critically with texts, and not consider them as neutral artefacts. In general, I catalogued the data into themes and by borough, as well as London-wide information, and then read and compared the information, cross referencing it with data that I generated from other methods, in order to develop and informed opinion of the information which individual documents contained (see Ryan and Bernard, 2003).

The grouped documents included: council publications; council policy; minutes of council meetings; central government reports; think tank reports; investor reports; publicly filed investor information; intermediaries reports and publications; marketing and publicity publications for investors, buyers, and others; company annual reports; company investor prospectuses; company publications.

### **Observation**

Observation formed a central part of my methodological architecture, and I attempted to spend as much time as possible a part of the social world which I was studying, and by participating, attending, listening and watching I developed a richer understanding of the processes in my research questions (Silverman 2005; Hammersley & Atkinson 2007). As discussed above, my complex positionality – as researcher, activist and policy professional – gave me access to spaces relating to the processes under study from a variety of different levels and perspectives, which was in keeping with the multi-scalar case

study approach, and nuanced understanding I was seeking to build. Across the course of the research, I attended more than a hundred council meetings, roundtables, events, protests, activist and public meetings. Some of these were explicitly attended for research – I attended them to gain greater understanding a part of the research project, and identified myself as doing so if appropriate. However, at other events my role was blurred, and, as discussed above, it was not possible to engage with only one ‘hat’, as it were (see Hitchings and Latham, 2020). However, when attending, and engaging, and sometimes explicitly participating in events, I always attempted to be aware of my positionality and how it was informing my impressions of what I was seeing. This positionality – and the access it sometimes gave me – ultimately led to a richer understanding of the issues, and I was able to engage in the social world constructed around the processes I was studying, and, either through explicit information obtained, and through connections, impressions and forms of presentation, observation proved a rich seam for deepening my knowledge of urban and housing financialisation. For instance, gaining access to a series of invite-only roundtables on council building programmes early in my research gave me to access to ‘frank’ discussion by participants in the LHC sector about their objectives, which was very different to much of the publicly available information, which generally accentuates the housing policy objectives, and plays down the revenue generation objectives. This issue is further discussed in the conclusion.

Access to relevant events was not always straightforward, and a further methodological challenge arose when I attempted to attend the MIPIM property fair (discussed in a vignette at the beginning of this chapter). The event has been targeted for protests the year before by a housing activist group that I am involved in, the Radical Housing Network, and so the organisers were very suspicious of my intentions. I had to speak to the Deputy Chief Executive of MIPIM on the phone, and then was chaperoned by a security guard at all times when I was in the event.

### 1.7.5 Analysing the data and closing remarks

The multifaceted nature of my research design proved essential in arriving at the nuanced and textured understanding of the processes under study that this thesis provides. However, it also produced a lot of raw data – across transcripts, meeting notes, documentary information and so on. I stored all the data I gathered and systematised it (David, 2005), holding record of everything in a central spreadsheet, and ordering by theme and geography. This allowed me to reread and analyse all data gathered related to a particular theme, when I was undertaking analysis in relation to that theme. I often did this more than once, as the three papers to some extent naturally fell into three distinct research projects. I analysed by

reading thematically (see Limb and Dwyer, 2001; Ryan and Bernard, 2003), developing further themes, or initial hypotheses, and then returning to the data with these hypotheses in order to test them. In addition, analysis often generated more questions than it did answers, and so I would then seek further data, drawing on the breadth of my methods, to attempt to answer these questions.

\*\*\*

This research project, which has the aim to provide a comprehensive overview of directions of travel in urban financialisation in London, in the fields of affordable housing and municipal governance, required methodological elements that were both specific enough to explain in detail situated processes, but also broad enough to allow for generalised conclusions. No study has yet attempted to analyse these processes in detail in London, and so no territory or directions had already been covered by scholars, although the evidence of them in many other national settings has grown in the years after the GFC, as was explored in 1.5. This therefore suggested a research design which enabled me to draw on developments in other national settings to advance our understanding of London, by utilising the expertise of colleagues on financialisation in cities and countries elsewhere and reflecting this back on London, and this is undertaken in the next chapter. Alongside this, the specific policy context created in the post-GFC era, as outlined in 1.4, meant that any financialising trends in London could likely only be fully understood within the path-dependent context of austerity. As such, the research questions set out to both ask whether financialisation was happening in the urban and housing systems of London, but also why it was happening, and what relation it holds to previous housing systems and modes of statecraft. To this end, the research contained in chapters three and four addresses the research aim and questions by outlining detailed case-study examples of financialisation at the borough level, as well as a broad cross-London impression of the processes at a city-wide scale. Drawing on the experiences afforded by my specific positionality, and the mixed methods described above, these studies both identify embryonic financialising trends, from a number of different perspectives, including that of investors, and sets out the reasons that, far from an arbitrary or innocuous development in housing policy, they are in fact a consequence of the unique fiscal and political circumstances which local authorities have faced in the decade since the GFC. Finally, drawing on the cross-London study, in chapter four and the conclusion I am able to provide an answer to the broader question, about the extent to which these processes pertain at a London-wide level, and importantly offer important reflections on the variegated picture of urban and housing financialisation which this study reveals in London, and the drivers behind this variation.

## Bibliography

- Aalbers, M., (2006). 'When the banks withdraw, slum landlords take over': The structuration of neighbourhood decline through redlining, drug dealing, speculation and immigrant exploitation. *Urban Studies*, 43(7), pp.1061-1086.
- Aalbers, M. (2016). *The financialisation of housing: a political economy approach*. Routledge.
- Aalbers, M.B., Loon, J.V. and Fernandez, R., (2017). The financialization of a social housing provider. *International Journal of Urban and Regional Research*, 41(4), pp.572-587.
- Amin, A. and Thrift, N., (2002). *Cities: reimagining the urban*. Polity Press.
- Arrighi, G., (1994). *The long twentieth century: Money, power, and the origins of our times*. Verso.
- Ashton, P., Doussard, M and Weber, R (2016). Reconstituting the state: City powers and exposures in Chicago's infrastructure leases. *Urban Studies* 53.7, 1384-1400.
- Barnekov, T.K., Boyle, R and Rich, D. (1989). *Privatism and Urban Policy in Britain and the United States*. Oxford University Press, Oxford.
- Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D and Hodkinson, S. (2016) Speculating on London's Housing Future: The rise of global corporate landlords in 'post-crisis' urban landscapes. *City* 20.2, 321-341.
- Beswick, J. and Penny, J. (2018). Demolishing the Present to Sell off the Future? The Emergence of 'Financialized Municipal Entrepreneurialism' in London. *International Journal of Urban and Regional Research*, 42: 612-632.
- Beswick, J., Milan, W. & Olivera. (2019). Access to housing in the neoliberal era: a new comparativist analysis of the neoliberalisation of access to housing in Santiago and London. *International Journal of Housing Policy*. 1-23.
- Boughton, J. (2018). *Municipal dreams: The rise and fall of council housing*. Verso.
- Bowen, G.A., (2009). Document analysis as a qualitative research method. *Qualitative research journal*, 9(2), p.27.
- Brenner, N., Marcuse, P. and Mayer, M. eds. (2012). *Cities for people, not for profit: Critical urban theory and the right to the city*. Routledge.
- Brenner N (2003) Stereotypes, archetypes and prototypes: Three uses of superlatives in contemporary urban studies. *City and Community* 2(3): 205–215.

- Brenner, N. and Theodore, N. (2002). Cities and the geographies of “actually existing neoliberalism”. *Antipode*, 34(3), pp.349-379.
- Chatterton, P., Hodkinson, S. and Pickerill, J. (2010). Beyond Scholar Activism: Making Strategic Interventions Inside and Outside the Neoliberal University. *Acme: An international e-journal for critical geographies*, 9(2).
- Christophers, B. (2017) The State and the Financialization of Public Land in the UK. *Antipode*, 49: 62– 85
- Christophers, B. (2015) The limits to financialization. *Dialogues in Human Geography* 5.2, 183–200.
- Christophers, B. (2019). Putting financialisation in its financial context: Transformations in local government-led urban development in post-financial crisis England. *Transactions of the Institute of British Geographers*, 44(3), pp.571-586.
- Clare, N., (2017). Militantly ‘studying up’?(Ab) using whiteness for oppositional research. *Area*, 49(3), pp.377-383.
- Coakley, J. (1994) The Integration of Property and Financial Markets. *Environment and Planning A* 26.5, 697–713.
- Cochrane, A. (2007) *Understanding Urban Policy: A Critical Approach*. Blackwell, Oxford.
- Cole, I. and Furbey, R. (1994). *The Eclipse of Council Housing*, London: Routledge.
- Copley, T. (2019). Right to buy: wrong for London. Greater London Authority.
- David, M. (2005). *Methods in Human Geography: A guide for students doing a research project*. Routledge.
- Davidson, M and Ward, K. (2014) 'Picking up the pieces': Austerity urbanism, california and fiscal crisis *Cambridge Journal of Regions, Economy and Society* 7.1, 81–97.
- Davis, C. (2013) *Finance for housing: An introduction*. Policy Press, Bristol.
- DeFilippis, J. (2004) *Unmaking Goliath: Community Control in the face of Global Capital*. Routledge, London and New York.
- Department for Communities and Local Government [DCLG]. (2015). ‘Table 253a: permanent dwellings started and completed, by tenure and district (quarterly)’, data, accessed February 2016. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>
- Dowling, R., Lloyd, K., & Suchet-Pearson, S. (2016). Qualitative methods 1: Enriching the interview. *Progress in Human Geography*, 40(5), 679–686.
- Edwards, M. (2015). Prospects for land, rent and housing in UK cities. Government Office for Science.



- Edwards, M. (2016) The housing crisis and London. *City* 20.2, 222-237.
- Epstein, G.A. ed., 2005. *Financialization and the world economy*. Edward Elgar Publishing.
- Feagin, J.R., Orum, A.M. and Sjoberg, G. eds., 1991. *A case for the case study*. UNC Press Books.
- Featherstone, D., Ince, A., McKinnon, D., Strauss, K and Cumbers, A (2012) Progressive localism and the construction of political alternatives. *Transactions of the Institute of British Geographers* 37.2, 177–182.
- Fielding, N & Thomas, H 2016, Qualitative Interviewing. in N Gilbert & P Stoneman (eds), *Researching Social Life*. 4th edn, Sage, London, pp. 281-300
- Fields, D. (2013) *From property abandonment to predatory equity: Writings on financialization and urban space in New York City*. City University of New York.
- Fields, D., 2017. Unwilling subjects of financialization. *International Journal of Urban and Regional Research*, 41(4), pp.588-603.
- Fields, D and Uffer, S. (2016) The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies* 53.7, 1486–1502.
- Fitzgerald, A. and Lupton, R., 2015. The limits to resilience? The impact of local government spending cuts in London. *Local Government Studies*, 41(4), pp.582-600.
- Fitzpatrick, S & Pawson, H. (2014). Ending Security of Tenure for Social Renters: Transitioning to 'Ambulance Service' Social Housing?. *Housing Studies*, 29:5, 597-615.
- Flyvbjerg, B. (2006). Five Misunderstandings About Case-Study Research. *Qualitative Inquiry*, vol. 12, no. 2. 219-245.
- Forrest, R. & Hirayama, Y. (2009). The Uneven Impact of Neoliberalism on Housing Opportunities. *International Journal of Urban and Regional Research*. 33:4, 998-1013.
- Forrest, R & Murie, A. (1983). Residualization and Council Housing: Aspects of the Changing Social Relations of Housing Tenure. *Journal of Social Policy*. 12(04): 453-468,
- Forrest, Ray & Murie, Alan. *Selling the Welfare State: The Privatisation of Public Housing*. 1988. London, Routledge.
- Ginsburg, N., 2005. The privatization of council housing. *Critical Social Policy*, 25(1), pp.115-135.
- Ginty, T. (2015). The PAH: defending the right to housing in Spain. *ROAR magazine*.
- Gitlin, T. (2012). *Occupy Nation: the roots, spirit and the promise of the occupy movement*. It Books.
- Gotham, K. (2009) Creating Liquidity out of Spatial Fixity: The Secondary Circuit of Capital and the Subprime Mortgage Crisis. *International Journal of Urban and Regional Research* 33.2, 355–371.
- Gotham, K. (2016) Re-anchoring capital in disaster-devastated spaces: Financialisation and the Gulf

- Opportunity (GO) Zone programme. *Urban Studies* 53.7, 1362–1383.
- Hackworth, J., & Moriah, A. 2006. Neoliberalism, Contingency and Urban Policy: The Case of Social Housing in Ontario. *International Journal of Urban and Regional Research*, 30(3), 510–527.
- Hackworth, J. (2002) Local autonomy, bond-rating agencies and neoliberal urbanism in the United States. *International Journal of Urban and Regional Research* 26.4, 707–725.
- Haila, A. (2015) *Urban Land Rent: Singapore as a Property State*. Studies in Urban and Social Change, Wiley-Blackwell, Oxford.
- Hall, T and Hubbard, P. (1996) Entrepreneurial City: New Urban Politics, New Urban Geographies? *Progress in Human Geography* 20.2, 153–174.
- Hanley, L. (2012). *Estates: an Intimate History*. Granta.
- Hammersley, M. and Atkinson, P., 2007. *Ethnography. Principles in practice*. 2007. *London and New York: Routledge*.
- HAMNETT, Chris. (2003). Gentrification and the middleclass remaking of Inner London, 1961-2001. *Urban Studies*. 40(12): 2401-2426,
- Harloe, M. (1995). *The People's Home? Social Rented Housing in Europe & America*. Wiley-Blackwell.
- Harvey, D. (1989). From Managerialism to Entrepreneurialism: The Transformation in Urban Governance in Late Capitalism. *Geografiska Annaler*. Vol. 71, 1: 3-17
- Harvey, D. (1999) *The Limits to Capital*. Verso, London.
- Hastings, A, Bailey, N, Bramley, G, Gannon, M & Watkins, D. (2015). *The Cost of the Cuts: the impact on local government and poorer communities*. Joseph Rowntree Foundation.
- Hitchings, R., & Latham, A. (2020). Qualitative methods II: On the presentation of 'geographical ethnography.' *Progress in Human Geography*, 44(5), 972–980
- Hodkinson, S., 2011. Housing regeneration and the private finance initiative in England: Unstitching the neoliberal urban straitjacket. *Antipode*, 43(2), pp.358-383.
- Hodkinson, S., 2020. *Safe as houses: Private greed, political negligence and housing policy after Grenfell*. Manchester University Press.
- Hodkinson, S. & Watt, P. & Mooney, G. (2013). Introduction: Neoliberal housing policy - time for a critical re-appraisal. *Critical Social Policy*.
- Hodkinson, S., & Robbins, G. (2013). The return of class war conservatism? Housing under the UK Coalition Government. *Critical Social Policy*, 33(1), 57–77.

- Irish Independent. 2014. 'Blackstone: billions on the line and out for blood, Irish Independent, 14 August, <http://www.independent.ie/business/irish/blackstone-billions-on-the-line-and-out-for-blood-30507450.html>
- Jefferys, P; Lloyd, T; Argyle, A; Sarling, J; Crosby, J & Bibby, J. 2015 Building the Homes We Need. [Online]. KPMG.. Available at: <https://home.kpmg.com/content/dam/kpmg/pdf/2015/03/building-the-homeswe-need.pdf>.
- Krippner, G. (2005) The financialization of the American economy. *Socio-Economic Review* 3, 173-208.
- Lee, Raymond. (2005). The UK Freedom of Information Act and social research, *International Journal of Social Research Methodology*, 8:1, 1-18
- Leitner, H. (1990) Cities in pursuit of economic growth. *Political Geography Quarterly* 9.2, 146–170.
- Limb, Melanie and Dwyer, Claire. (2001). *Qualitative Methodologies for Geographers: Issues and Debates*. Hodder Arnold Publication.
- Logan, J and Molotch, H. (1987) *Urban Fortunes: The political economy of space*, University of California Press, Berkeley.
- Madden, D. and Marcuse, P. (2016). *In Defense of Housing*. Verso
- Malpass, P. 1990. *Reshaping Housing Policy: Subsidies, Rents and Residualisation*, London: Routledge.
- Malpass, P. 2003. The eclipse of private enterprise? A reassessment of British housing policy in the 1940s. *Housing Studies*, 18(5): 645–659.
- Malpass, P. & Victory, C. (2010). The Modernisation of Social Housing in England. *International Journal of Housing Policy*. 10:1, 3-18
- Massey, D. (2013). *World City*. Polity Press.
- Merrett, S., 1979. *State housing in Britain*. Routledge.
- Ministry for Housing Communities and Local Government [MHCLG]. (2019). *English Housing Survey 2017-18*. UK Government.
- MacLeod, G and Jones, M. (2011) Renewing Urban Politics. *Urban Studies* 48.12, 2443–2472.
- McFARLANE, Colin. 2010. The comparative city: Knowledge, learning, urbanism. *International Journal of Urban and Regional Research*. 34(4): 725-742,
- Mullins, D. and Murie, A. 2006. *Housing Policy in the UK*, Basingstoke: Palgrave.
- Nethercote, M., 2020. Build-to-Rent and the financialization of rental housing: future research directions. *Housing Studies*, 35(5), pp.839-874.

- Newman, K. (2009) Post-Industrial Widgets: Capital Flows and the Production of the Urban. *International Journal of Urban and Regional Research* 33.2, 314–331.
- Odell, John S. (2001). Case study methods in international political economy. *International studies perspectives* 2, no. 2: 161-176.
- Ong, A. (2007). Neoliberalism as a Mobile Technology. *Transactions of the Institute of British Geographers*, 32(1), 3-8.
- Orueta, F., Fainstein, S. The New Mega-Projects: Genesis and Impacts. *International Journal of Urban and Regional Research*. 32: 4, 759-67.
- Owen, J. (2015). Gentrification pushing some of the poorest members of society out of their homes, says study. *The Independent*, 15 October 2015, <https://www.independent.co.uk/news/uk/home-news/gentrification-pushing-some-of-the-poorest-members-of-society-out-of-their-homes-says-study-a6695926.html>
- Pacewicz, J. (2013) Tax increment financing, economic development professionals and the financialization of urban politics. *Socio-Economic Review* 11.3, 413-440.
- Peck, J. and Tickell, A., 2002. Neoliberalizing space. *Antipode*, 34(3), pp.380-404.
- Peck, J and Whiteside, H. (2016) Financializing Detroit. *Economic Geography* 92.3, 235-268.
- Peck, J. (2016) Transatlantic city, part 1: Conjunctural urbanism. *Urban Studies* 54.1, 4–30.
- Rice, G. (2010). Reflections on interviewing elites. *Area*, 42(1), 70-75.
- ROBINSON, J., 2003. Postcolonialising geography: Tactics and pitfalls. *Singapore Journal of Tropical Geography*, 24, pp.273–289.
- Robinson, J., 2011. *Comparisons: Colonial or cosmopolitan?* *Singapore Journal of Tropical Geography*, 32, pp.125–140.
- Robinson, J. (2013). The urban now: Theorising cities beyond the new. *European Journal of Cultural Studies*, 16(6), 659–677.
- Rutland, T. (2010) The financialization of urban redevelopment. *Geography Compass* 4.8, 1167–1178.
- Routledge, P., 2003. Convergence space: process geographies of grassroots globalization networks. *Transactions of the Institute of British Geographers*, 28(3), pp.333-349.
- Penny, J. (2016) Between coercion and consent: the politics of “Cooperative Governance” at a time of “Austerity Localism” in London. *Urban Geography* 0.0, 1–22.
- Rolnik, R. (2019). *Urban Warfare: Housing Under the Empire of Finance*. Verso.

- Ryan, G. W., & Bernard, H. R. (2003). Techniques to Identify Themes. *Field Methods*, 15(1), 85–109.
- Savage, A & Hyde, R. (2014). Using freedom of information requests to facilitate research, *International Journal of Social Research Methodology*, 17:3, 303-317
- Silverman, D., 2005. *Doing qualitative research*. Sage Publishing.
- Silverman, D. and Marvasti, A., 2010. Quality in qualitative research. *Doing qualitative research*, pp.268-289.
- Slater, T. (2016). The housing crisis in neoliberal Britain: free market think tanks and the production of ignorance, in S Springer, K Birch and J MacLeavy eds. *The handbook of neoliberalism*. Routledge. 370–82
- Tickell, A. (1998) Creative finance and the local state. *Political Geography* 17.7, 865–881.
- UK Parliament. (No date). Living Heritage: Council Housing. <https://www.parliament.uk/about/living-heritage/transformingsociety/towncountry/towns/overview/councilhousing/>
- Wainwright, T and Manville, G. (2017) Financialization and the third sector: Innovation in social housing bond markets. *Environment and Planning A* 49.4, 819-838.
- Wallace, A. (2010). *Remaking Community?: New Labour and the Governance of Poor Neighbourhoods*. Routledge.
- Ward, K., 2010. Towards a relational comparative approach to the study of cities. *Progress in Human Geography*, 34, pp.471–487
- Ward, K. (2017) Financialization and urban politics: Expanding the optic. *Urban Geography* 38.1, 1–4.
- Watt, P. (2009). Housing Stock Transfers, Regeneration and State-Led Gentrification in London. *Urban Policy and Research*, 27:3, 229-242.
- Watt, P. (2018). ‘This Pain of Moving, Moving, Moving’: evictions, displacement and logics of expulsion in London. *L’Année Sociologique*. 68 (1), 67-100.
- Watt, P. (2020). Territorial Stigmatisation and Poor Housing at a London ‘Sink Estate’. *Social Inclusion*. 8: 1, 20–33
- Watt P & Minton A. (2016). London's housing crisis and its activisms, *City*, 20:2, 204-221
- Weber, R., 2010. Selling City Futures: The Financialization of for their cooperation and. *Economic Geography*, 86(3), pp.251–274.
- Wheatley, H, Arnold, S, and Beswick, J. (2019). *Getting Rents Under Control*. New Economics Foundation.

Wijburg, G., Aalbers, M.B. and Heeg, S. (2018), The Financialisation of Rental Housing 2.0: Releasing Housing into the Privatised Mainstream of Capital Accumulation. *Antipode*, 50: 1098-1119.

Wilcox, S, and Williams, P. (2018). *Dreams and Reality? Government finance, taxation and the private housing market*. Chartered Institute of Housing

Wilcox, S, Perry, J, Stephens, M and Williams, P. (2016). *UK Housing Review 2016*. Chartered Institute of Housing.

## 2: Speculating on London's Housing Future: The Rise of Global Corporate Landlords in 'Post-Crisis' Urban Landscapes

Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D and Hodkinson, S. (2016). *City* 20.2, 321-341.

### 2.1 Abstract

London's housing crisis is rooted in a neoliberal urban project to recommodify and financialise housing and land in a global city. But where exactly is the crisis heading? What future is being prepared for London's urban dwellers? How can we learn from other country and city contexts to usefully speculate about London's housing future? In this article, we bring together recent evidence and insights from the rise of what we call 'global corporate landlords' (GCLs) in 'post-crisis' urban landscapes in North America and Europe to argue that London's housing crisis—and the policies and processes impelling and intervening in it—could represent a key moment in shaping the city's long-term housing future. We trace the variegated ways in which private equity firms and institutional investors have exploited distressed housing markets and the new profitable opportunities created by states and supra-national bodies in coming to the rescue of capitalism in the USA, Spain, Ireland and Greece in response to the global financial crisis of 2007-2008. We then apply that analysis to emerging developments in the political economy of London's housing system, arguing that despite having a very low presence in the London residential property market and facing major entry barriers, GCLs are starting to position themselves in preparation for potential entry points such as the new privatisation threat to public and social rented housing.

### 2.2 Introduction

London, more than anywhere else in the United Kingdom, is experiencing an acute, pervasive and socially explosive housing crisis so severe and polarising that it has become the city's number one political issue. The crisis is dominated by evidence and platitudes over rising property prices and plunging affordability, and for good reason: London is now the unrivalled king of the global property league for the super-rich, with prime property values rising faster than any major city in the last decade (Knight Frank 2015). Ordinary Londoners meanwhile wilt under average house prices of £500,000 (in October 2015)—more than double the country average (Land Registry 2015)—and by far the highest average private sector rents in the UK (Anderson 2015), with landlords increasingly empowered to choose their tenants and a growing willingness to engage them in rental price bidding wars (Lunn 2014). No wonder evictions and homelessness are on the rise. The London housing crisis does not stand uncontested from below and is

generating an embryonic 'urban social movement' (Castells 1983) pushing at the political space opened up by the recent election as Labour Party Leader of a leading anti-privatisation voice in the shape of Jeremy Corbyn. But with the crisis worsening all the time, looming around the corner is a palpable sense that once the Conservative Government's current Housing and Planning Bill (House of Commons 2016) becomes law, its intended radical assault on the remaining public housing stock and the security of tenure and affordability it once guaranteed will accelerate the class cleansing of London begun under the Coalition Government (2010-2015) (Hodkinson and Robbins 2013).

If this is the today and tomorrow of the London housing crisis that authors elsewhere in this Special Feature examine, our focus here is on its longer-term repercussions. Drawing speculatively on the initial findings of an ongoing international research project investigating the growing transnationalisation of housing systems, this article suggests that the rise of private equity firms as nascent 'global corporate landlords' (GCLs) in the 'post-crisis' urban landscapes across the USA, Spain, Ireland and Greece might be a harbinger of London's housing future. By *post*-crisis we are referring not to the definitive end of crisis but rather to the immediate aftermath of the extreme structural conditions and uncertainties that characterised the dramatic crisis events of 2007-2008 and which can now be seen as facilitating new rounds of 'accumulation by dispossession' (Harvey 2003). While the suddenness and severity of the global financial crisis conjured illusions that the neoliberal game was up, in reality, the co-constitutive relationship between finance and urban space so central to neoliberalisation has continued to develop with new asset classes emerging and new financial and investment strategies being pursued. This article focuses on one such post-crisis development—the vulture-like move by private equity firms and other institutional investors to accumulate wealth from the dispossession experienced by millions of people through foreclosures (repossessions) of distressed residential real estate and mortgages. These corporate vultures precisely target crisis contexts, exploiting household precarity, homelessness, state programmes to recapitalise banks through buying up and selling on toxic debts and assets, and the wider structural reverse from homeownership to renting that was kick-started by the global financial crisis.

This article tracks the rise of GCLs in four of the worst-hit national housing markets during the 2007-2008 financial crisis—the USA, Spain, Ireland, and Greece—and examines what this might tell us about the possible future trajectory of the London housing system. A first section draws out what we call the 'Blackstone Connection' between our four post-crisis urban contexts, showing how GCLs like Blackstone—one of the world's largest private equity firms—are taking over and profiting in these landscapes. We then analyse the finance-led real estate boom and bust in the countries mentioned above, subsequent state action to restore this mode of accumulation, and the nature of the re-emerging real estate-finance link



with respect to the fundamental aspects of GCLs' role in the restructuring of the post-crisis housing markets. The analysis is built on a comparative methodology that traces similar trends and processes over the boom, bust and post-crisis periods in each national housing system using both official data and an interpretative account of how state policies, regulatory structures and investor activities are transforming and reorganising the relationship between finance and urban space. We then apply that analysis to emerging developments in the political economy of London's housing system, arguing that despite the present (low) exposure of London residential property to GCLs and major entry barriers, the picture is beginning to change in ways analogous to these other countries, reinforced by the concerted efforts of the state and a league of real estate-financial complex intermediaries to rapidly make markets, and create new asset classes. While acknowledging that none of the comparators represent cases directly analogous to London, and that we are employing highly variegated and diverse national and urban contexts to comment on a single city, we nevertheless discern clear lessons for London from a comparative analysis of these national case studies. We conclude by arguing that a key task for activism in preventing London's housing crisis from becoming a future corporate dystopia is to block off the main entry point to global corporate landlordism in London, namely the current government's privatisation assault on public and social rented housing.

### 2.3 The Blackstone Connection: the Rise of the Global Corporate Landlord

On 14 October 2015, housing activists in the USA and Spain organised the third global day of action against Blackstone under the banner '#StopBlackstone Our Homes Are not a Commodity'. The campaign's international focus on Blackstone follows the firm's recently acquired status as the largest single owner of repossessed homes and non-performing mortgage loans in the USA and Spain respectively, making it arguably the leading *global* corporate residential landlord. Blackstone's poor treatment of its tenants and its market-leading position have fuelled a growing movement to demand it stop buying occupied, foreclosed and subsidised (public or social) housing, as well as ensure that 25% of its housing in any city is affordable to people on low incomes (Right to the City Alliance 2015). But Blackstone has also become a symbolic nemesis for housing campaigners, an example of how the ongoing decline in homeownership rates, constrained mortgage credit, and a post-crisis surge in rental demand are enabling global investment companies to become private landlords with unprecedented power over their tenants, who have in turn faced the loss of rent subsidies, unwarranted eviction notices, and exorbitant rent increases and additional charges (Call et al. 2014; Dowsett 2014; Garcia 2015; Ingliss 2015; Van der Voo 2015). Facilitated by enabling states and available private finance, GCLs like Blackstone are targeting severely

undervalued property markets, where large-scale acquisition of (distressed) residential assets—ideally high volume portfolio purchases—can be executed rapidly, before the housing market ‘normalises’. The devaluation of the targeted housing markets, the potential for impressive capital gains later, and the opportunity to use residential assets as the basis for financial instruments means they offer a formidable income yield. Or, as Blackstone CEO Steve Schwarzman stated in 2010 describing his firm’s strategy in post-crisis Europe as ‘basically waiting to see how beaten up people’s psyches get, and where they’re willing to sell assets... You want to wait until there’s really blood in the streets’ (Irish Independent 2014).

While all kinds of investors have waded into the distressed real estate market, the entry of *institutional* investors, and specifically *private equity firms* like Blackstone, deserves special attention by those organising for a more just housing system. Private equity firms raise capital from large institutions such as pension funds and insurance companies to leverage further loans from banks and capital markets in order to pursue investments. One strategy is opportunistic investments in high-risk/high-return markets. In an era marked by high liquidity and low yields, private equity strategies attract institutions seeking to garner larger returns for their clients, e.g. pension holders (see Acharya et al. 2007, and Creswell 2008 on these dynamics in the lead up to the global financial crisis). As its name indicates, private equity is not publicly-offered, making its funds and actors far more opaque than publicly-listed ventures. The combination of light-touch regulation and low transparency can make private equity firms far less accountable to both investors and people on the ground, such as tenants. This is of particular concern in the case of distressed/opportunistic private equity strategies, which by nature are high risk, frequently short-term, and often associated with loading assets with unsustainable debt (Fields, *Forthcoming*; Creswell, 2008). Institutional investors also have an edge over smaller actors: they can buy in very high volumes thanks to credit facilities from major retail and investment banks and equity financing from public pension funds (Perlberg and Gittelsohn 2013; Burns 2015). In-house expertise allows them to analyse markets, target purchases and engage in financial engineering to maximise returns. The volume of repossessed homes and distressed mortgages consolidated under the ownership of banks and asset management companies represents a new canvas for institutional actors to capture financial rents, e.g. issuing rent-backed financial instruments or repackaging distressed loans into bonds. The result is the centralisation of housing ownership under the control of global investment companies, who are tying residents into capital markets even after the mortgage relation has been severed.

The institutional investor-as-landlord model is the most developed in the USA, where private equity firms started buying up and renting out repossessed detached (single-family) homes as early as 2008 (Brennan 2013). In 2012, some of the world’s largest real estate private equity firms, including Blackstone and

Colony Capital, followed early entrants like Waypoint into the market. They rapidly accumulated large property portfolios: Blackstone's rental subsidiary Invitation Homes controls about 50,000 rentals, followed by American Homes 4 Rent's 38,000 homes and Colony Starwood Homes' 30,000 (Gopal and Perlberg 2015). Despite controlling a small share of the market overall (about 1% of the nation's 15 million detached rental homes, cf. Zandi and Lafakis 2015), targeted acquisitions by institutional investor-landlords have profoundly impacted Sun Belt markets, including Phoenix, Atlanta, and Tampa. Investors have also been entering the market for distressed real estate assets in Spain, taking control of large amounts of land and housing, primarily in the urban centres of Madrid and Barcelona (Mendez and Pellicer 2013; Baker 2014). As in the USA, Blackstone appears to be the dominant player, undertaking extensive and varied purchases. The firm edged out competitors like Goldman Sachs, Oaktree Capital Group, Apollo Global Management, and Lone Star Funds in a bidding war for the entire defaulted mortgage portfolio (consisting of 94,000 loans) of failed bank CatalunyaCaixa (at a 40% discount, paying only €3.6 Billion for a portfolio valued at €6.5 Billion). It has also purchased close to 4000 units of housing directly (much of it state-subsidised), and a portfolio of 29 completed residential developments and vacant land for construction. In Ireland, similar to Spain, state-led deleveraging institutions have acted as 'market makers' for institutional actors, selling almost exclusively to US private equity firms and hedge funds, including Blackstone, Colony Capital, Lone Star Capital, and Oaktree Capital (Cushman and Wakefield 2015). So far the surge of foreign investment capital has primarily been directed into Ireland's *commercial* real estate market with debt sales in 2014 amounting to €21 Billion suggesting an enormous quantity of transactions (Goodbody 2015). Some of the investment-grade assets being purchased in Ireland are development land, which firms plan to develop as rental housing (Byrne 2015a). In Greece too, firms are attracted to distressed commercial loans, as well as absorbing Greek companies, or controlling Greek banks. In Athens, Blackstone part-owns a real estate developer building a resort on the site of the former airport and also owns a former factory site where it wants to build a shopping mall. Oaktree Capital, Dolphin Capital, and Goldman Sachs have also been active in buying up companies, public land, and development sites (Hadjimichalis 2014; Vourekas 2014).

Having introduced the basic concept of the 'global corporate landlord' model through the connecting activities of Blackstone in the post-crisis urban contexts of USA, Spain, Ireland and Greece, we now offer a more considered comparative analysis of how the crisis of neoliberal urban financialisation and subsequent state action to resuscitate capitalism in these four very different countries has opened the door to GCLs.

## 2.4 Preparing the Ground for Vulture Capital: the Crisis of Urban Financialisation in the USA, Spain, Ireland and Greece

The sudden rise of GCLs in North America and Europe outlined in the previous section may appear as a spontaneous post-crisis development but it was strongly presaged in the process of neoliberalisation itself that has driven the growing interdependence between urbanisation and financialisation over the past forty years. Finance capital has of course always played a central role in (re)developing urban infrastructures necessary for the reproduction and expansion of capitalist relations (Harvey 1982; Moreno 2014). But neoliberalisation transformed the built environment itself into a mechanism for value capture by finance as a mode of accumulation (Weber 2002; Newman 2009). This integration of finance and urban space in turn rendered real estate increasingly 'liquid' i.e. converted it into a tradeable income-yielding asset (Coakley 1994; Guironnet and Halbert 2014). This ability to trade investments in property on global markets in the form of securities, derivatives, and loan portfolios (Weber 2002; Gotham 2006) combined with the neoliberal state's marketisation mission that removed borders to capital mobility, withdrew from playing a strong direct or regulatory role in providing social and physical infrastructure (including public housing) and incentivised owner occupancy by expanding access to mortgage credit (López and Rodríguez 2010). The outcome was to facilitate finance capital's penetration throughout society through household indebtedness and intensify the finance-real estate relation, exacerbating capitalism's fault lines through cycles of speculation-fuelled crisis that reached unprecedented levels in 2007-2008 and hit our four country cases especially hard.

The importance of expanding homeownership to ever wider sections of society was a central feature of political life in the USA, Spain, Ireland and Greece from the early 1990s. As home ownership grew, historically low interest rates attracted flows of capital into the real estate sector due to its promise of high returns and its reputation as a stable asset class. Economic policies provided tax incentives for promoting homeownership and property development, while planning amendments by pro-growth planning regimes in Ireland, Spain, and Greece liberated land for further construction. The global credit boom made both consumer and commercial mortgages widely and easily available; even households with insecure and low paid jobs could access mortgage debt from so-called subprime lenders, helping to fuel the real estate bubble. It was during this period that the transformation of housing from a physical commodity into a financial asset could be observed, either through securitisation (primarily in the USA, but to some extent also in Spain) or the growing interrelationship between local real estate and global circuits of capital (primarily the Irish and Spanish cases), with ensuing market volatility (especially Spain

and Greece). The financialisation of housing generated vast increases in house prices everywhere from 1997 to 2008 – doubling in the USA, Spain and Greece and tripling in Ireland (see Table 2.4).

**Table 2.4: The boom-bust cycle in the USA, Spain, Ireland, and Greece compared**

		USA	Spain	Ireland	Greece
<b>The boom years</b>	<i>Peak housing production</i>	6.7 units per 1,000 inhabitants	17.7 units per 1,000 inhabitants	18.0 units per 1,000 inhabitants	11.1 units per 1,000 inhabitants
	<i>Price increase, 1997 to peak</i>	93% (nominal), 59% (real)	203% (nominal), 118% (real)	294% (nominal), 187% (real)	173% (nominal), 103% (real)
	<i>2007 homeowner rate</i>	68.7%	80.6%	78.1%	75.6%
<b>The crisis years</b>	<i>Foreclosures</i>	7 million from 2007-2014	375,000 since 2008 (nearly 7% of all mortgages)	Negligible; 15% (100,000) of mortgages in arrears	14,000 in 2014-15; huge increase predicted for 2016
	<i>Housing price decline</i>	27% average decrease (tipping point: April 2011)	43% average decrease (tipping point: March 2014)	49.5% average decrease (tipping point: January 2013)	53% average decrease (no tipping point in sight)
	<i>Homeowner rate decline</i>	5.3% drop (to 63.4%, 2015)	2.9% drop (to 77.7%, 2013)	8.2% drop (to 69.9%, 2013)	1.6% drop (to 74%, 2014)

Statistical data: OECD, Eurostat

This financialisation of housing in each national context was built on a fundamental contradiction with circuits of capital increasingly organised around investment and trading in mortgage debt and derivative products, which depended on rising asset prices and increasing numbers of people taking on higher levels of personal debt to access housing. In the USA, as securitisation came to dominate the mortgage market, mortgages themselves became the raw materials for globally traded financial instruments (Newman 2009), ending up as ‘Collateralised Debt Obligations’ (CDOs) in the books of European banks, distributing the risk throughout the system (Aalbers 2008). As US house prices stalled after 2006, subprime borrowers began defaulting in higher numbers, foreclosures increased, and the financial instruments crafted from

these loans became illiquid, setting off the chain of events that rapidly became a global financial crisis (Harvey 2011; Lapavitsas 2013; Immergluck 2015). National housing systems erupted into chaos resulting in the profound devaluation of both property itself and related financial assets (see Saegert et al. 2009, Immergluck 2010, for USA; Colau and Alemany 2014, Janoschka 2015 for Spain; Norris and Byrne 2015 for Ireland; and Nikolidaki 2015 for Greece). What became clear in 2008 was the extent to which markets and economies around the world were interconnected, as the collapse of retail and investment banks in the USA like Lehman Brothers led to a housing crisis and destabilised the banking sector in Europe, leading to heightened public deficits (see Spain, Italy and Portugal) and default (Greece) in Southern Europe. Wide sections of the financial system became insolvent due to the collapse of asset values, proliferation of distressed debt, and the dispersal of risk throughout the financial system via 'toxic assets'.

### *From crisis to opportunity*

While the urban legacy of the financial crisis continues to evolve with further retrenchment of public services and redistributive policies under 'austerity urbanism' (Peck 2012), what we are most interested in here, however, is the ways in which the political economic consequences of the crisis have served to produce the terrain for a new round of post-crisis financialisation. As the previous discussion of Blackstone indicates, this has occurred via a series of transformations and reorganisations in the relationship between finance and urban space, many of which have been facilitated and promoted by states. Below we discuss these transformations under the following categories: distressed assets; state re-financing and the 'bad banks'; new financial actors; and new investment strategies.

#### *(i) Distressed assets*

The periodic devaluation of capital invested in the built environment has long been a feature of capitalist crises (Harvey 1982). In the current context this process is reflected in the proliferation of distressed real estate assets and related financial commodities that now serve as the vehicle for a renewed finance-real estate complex based on a different set of key actors and new investment strategies. House prices fell by approximately 27% in the USA, 43% in Spain, 45% in Ireland, and 53% in Greece (see Table 2.4), and large swathes of mortgage loans turned bad, particularly those issued at the 2005-2007 peak of the boom in most countries to the extent that roughly 15% of all mortgages in Ireland and more than 30% in Greece are in arrears. This price-mortgage spiral has contributed to the more than seven million foreclosures completed in the USA (accounting for 15% of all mortgages) and in excess of 375,000 in Spain. Beyond the residential market, investment-grade commercial assets have been equally badly hit. Current estimates

suggest that nearly two-thirds of the €879.1 Billion of 'non-performing loans' (i.e. distressed debt) held by European banks relate to real estate (BTG Global Advisory 2015).

*(ii) State re-financing and the 'bad' banks*

Selective state intervention in the management of both the wider financial system and specifically with regard to these distressed assets has been vital to the re-establishment of the financialisation-real estate nexus since 2008. One strategy has been state re-financing of the banking system. The US government spent \$4.5 Trillion between 2008 and 2014 purchasing illiquid assets and troubled mortgages and recapitalising banks in an effort to strengthen financial markets and bolster the housing market. This 'quantitative easing' allowed financial institutions to clear up their balance sheets and avoid further losses; meanwhile the US central bank has held interest rates near zero for several years, sending investors abroad in search of profitable yield. Governments in the so-called 'PIGS' countries of Portugal, Ireland, Greece and Spain (a derogatory term for those EU member states unable to refinance their government debt or to bail out over-indebted banks on their own) have ploughed similarly dizzying quantities of money into their respective financial system, bringing about fiscal and sovereign debt crises across the European periphery: Spain's government spent €14.5 Billion to recapitalise and merge regional banks from 2010-2012, then used €41 Billion in bailout funds from the EU to nationalise the regional banks; in Ireland the government spent €65 Billion recapitalising and ultimately nationalising much of its beleaguered banking sector; and in Greece more than €90 Billion were spent for bank recapitalisations. While in the initial recapitalisations the state participated as a basic shareholder, after Greece's recent third recapitalisation in November 2015, ownership of banks' shares passed to international banks and hedge funds (Alexandri and Janoschka forthcoming). Interestingly, since 2011 Blackstone has been responsible for stress testing the Greek banking sector, and in September 2015 was hired as an expert advisor by the Central Bank of Greece on the issue of non-performing loans.

A second strategy for dealing with distressed assets has been the establishment of the so-called 'bad banks' or Asset Management Companies (AMCs) to acquire and manage distressed assets (Byrne 2015b). Spain's bad bank, SAREB (Management Company for Assets Arising from the Banking Sector Reorganisation) was established in 2012 and took control of debts, repossessed homes, stalled property developments, and land from homeowners, construction companies, and real estate developers. Ireland's NAMA (National Asset Management Agency) fulfils the same role, acquiring €72 Billion in real estate related debt since its foundation in 2010, equal to a remarkable 47% of Irish GDP, from across the banking sector (Byrne 2015b). From a different angle, in Greece where the need for a 'bad bank' has been solved

through the takeover of its national banks by international hedge funds, the rescue and recapitalisation of the banks was accompanied by vast increases in direct and indirect taxation related to property ownership, inaugurating a process of dispossession through unpaid taxes when at the end of 2014 foreclosures were ordered on outstanding tax payments to public and private actors. In all four countries, monetary policy and the reorganisation of assets went hand in hand, orchestrating a flow of capital from the public to the financial system.

### *(iii) New financial actors*

The proliferation of distressed (and thus extremely devalued) assets and state structures to acquire and manage them in the wake of the crisis has, from a financial investor perspective, created vast new 'opportunities' and 'markets'. And yet, the very crisis-ridden nature of the financial and real estate sectors in the USA, Spain, Ireland, and Greece have required *new* sources and forms of capital to exploit the moment. This has seen a new set of financial actors rise in influence, namely private equity firms, hedge funds and other 'alternative investment funds' that specialise in distressed assets. These financial actors, often referred to as 'vulture funds' due to their focus on countries and companies in crisis, have been snapping up devalued direct property assets and non-performing loans on both sides of the Atlantic. Real Estate Investment Trusts (REITs) have also emerged as important actors, publicly listed vehicles that allow for real estate investment without buying bricks and mortar property, making for a highly liquid investment. REITs are shareholding companies and investing in their shares is another investment avenue for 'vulture funds'. Legislation providing for REITs was either introduced or amended after the crisis in Spain, Ireland and Greece, and they have become important investors in distressed debt (see below). Similarly to the previous boom cycle, substantial tax breaks and other state measures accompany this strategy of orchestrating a new cycle of accumulation by dispossession in the post-crisis era.

The scale of this transformation certainly gives cause for concern. By mid-2015, US institutional investors had amassed half a million single-family rental homes, and just seven of the largest firms currently control more than 150,000 properties (with Blackstone and its subsidiary companies, such as Invitation Homes or Bayview Asset Management, heading this list). In European commercial debt markets an estimated €163 Billion of distressed debt was offloaded between 2012 and mid-2015, 27% of which was sold on by the bad banks. Ireland has led the way here with its bad banks, NAMA and the Irish Banking Resolution Corporation (IBRC), the largest vendors of distressed real estate assets in Europe in 2014, responsible for just under a third of the €96.7 Billion of distressed real estate asset sales in Europe in 2013 and 2014. Spain's SAREB was set up two years after NAMA but has already de-leveraged assets worth €20 Billion to



institutional investors (Cushman and Wakefield 2015) as part of its legal requirement to deleverage assets within 15 years (Font and Garcia 2015). A significant majority of European distressed debt has been bought up by just a handful of 'vulture funds' dominated by US private equity: 33% of all such assets disposed between 2012 and 2014 were bought by Lone Star Funds, 17% by Cerberus Asset Management and 10% went to CarVal Asset Management (Cushman and Wakefield 2014). In the Irish case, for example, 90% of NAMA assets have been purchased by US private equity firms (Byrne forthcoming).

*(iv) New investment strategies*

The entry of 'vulture' capital signals a significant transformation in the urban housing systems of post-crisis countries. In short, diverse facets of the financial-real estate complex are being concentrated in one set of global actors who are gaining control of both direct property assets and financial assets linked to property. While it is too early to understand the implications of these actors' investment strategies, some of the dynamics emerging in the private rented sector seem to us both illuminating and concerning. As our discussion of Blackstone has already indicated, rental properties have emerged as a major new 'asset class' for the new breed of investor, underlining how housing realities and financial dynamics are driving new rounds of financialisation. Two features of housing systems in crisis-hit countries are particularly salient here – the plummeting of property prices on the one hand and the drying up of mortgage credit and with it possibilities for investment in mortgage markets on the other. In this context, and given the continued and exacerbated unavailability of social housing, the private rented sector has grown quickly and with housing stock available at exceptionally low prices, investor yields in the rental sector have become attractive. We have already noted that private equity and institutional investment in US rental markets has exploded in the wake of the crisis: as of July 2015, eight companies had issued 21 single-family rental (SFR) securitisations, covering the rental income stream of 84,000 properties with a market value of more than \$16 Billion. Despite their novelty, from the start these instruments have been subject to more market demand than can be accommodated (Corkery 2014; Tricon Capital Group 2015). As the market evolves it remains to be seen whether corporate landlords are gearing their investments with excessive leverage that could affect their ability to effectively manage the properties, which could have problematic implications for both tenants and bond investors. Meanwhile six single-family rental REITs in the USA are now publicly listed on the stock market. REITs have also emerged as a key vehicle for re-financialising housing via the rental sector in Spain (called *socimis*) and Ireland. Indeed Ireland's largest landlord – the Irish Residential Real Estate Investment Trust (IRES) – with 1200 apartments largely bought from NAMA is now a REIT, largely financed by Canadian firm CAPREIT, which aims to 'consolidate the

fragmented Irish rental market' (IRES website 2015); IRES has announced it hopes to increase rents by a startling 20% across its portfolio in 2015 (Byrne 2015a).

The involvement of global finance in local real estate markets is far from novel; indeed it was perhaps the central driver of the global financial crisis. What is novel, however, is the nature of the flows of capital which characterise the post-crisis context. During the boom, property was linked to global flows via numerous avenues. In the USA this infamously took the form of mortgage securitisation and related derivative products. In Europe, certainly in Ireland, Spain and Greece, this primarily took the form of national banks borrowing on inter-bank markets and lending into their respective national construction and property sectors. In all these cases, the key actors were in some sense familiar: property developers; mortgage brokers; and domestic banks. But the rise of GCLs is transforming the world of urbanisation and finance. A housing estate in a local neighbourhood of Madrid can now be directly owned and controlled from the heights, so to speak, of the global financial system, largely without the involvement of domestic actors. In a sense, then, the link between local property and global flows of capital has been *intensified*. The implications of tenants and for housing markets in Europe are as yet unclear, but the example of Blackstone and the US experience (Calls 2014; Fields 2015; Ingliss 2015) suggests that the cost of rent and security of tenure are likely to be the first victims of this emerging 'investment' strategy.

Standing back from this comparative picture and thinking about how it relates to the United Kingdom, and particularly its global city of London currently gripped by a housing crisis that in many ways sets it apart from the rest of the national housing system, our final section below now explores what the post-crisis rise of the global corporate landlords in the USA, Spain, Ireland and Greece might realistically imply about the long-term denouement of the London housing crisis.

## 2.5 The London Housing Crisis of 2015: Entry Point for Global Corporate Landlords?

Connecting London's housing crisis to foreign investors has become a *cause celebre* in recent years with lurid media tales of billionaire oligarchs buying up mansions they then leave to crumble whilst empty, and foreign non-resident buyers vacuuming up the vast majority of homes put up for sale, thus preventing local residents from buying and helping to inflate prices and rents for everyone (Hill 2013). Some commentators have gone as far as to claim that the capital's housing stock provides a 'new global reserve currency' (Goldfarb2013). However accurate that analysis might be, it remains firmly rooted in the present and firmly focused on individual overseas ownership, thus leaving alone the crucial issue of financialisation

and the future role of GCLs in a post-crisis London housing system. Looking far further ahead, we want to explore what the rise of GCLs elsewhere might mean for London.

On the surface, current evidence suggests the answer could be ‘very little at all’. The UK has by far the least financialised rental sector among comparable advanced capitalist countries (Faulkner 2015) with corporate residential landlordism and institutional investment at less than 1% (DCLG 2011; Investment Property Forum 2014). By mid-2013, institutional capital held just one-fiftieth of the £837 Billion of private rental stock in the UK (Investment Property Forum 2014), and as Table 2 shows, both the contribution of direct GCL investment and the exposure of UK REITs to the private rental sector (PRS) are at present insignificant.

**Table 2.5: Global Corporate Landlords and Real Estate Investment Trusts in the UK Private Rental Sector**

Proportion of UK PRS stock directly held by overseas investors (GCLs), by value	0.2%
Proportion of UK PRS stock held by REITs, by value	0.3%
Proportion of overseas investors’ (GCLs) directly-held PRS holdings as % of total UK housing stock, by value	0.04%
Proportion of REITs’ PRS holdings as % of total value of UK housing stock	0.06%

Source: DCLG (2011) and Investment Property Forum (2014)

There are three compelling reasons why this picture is unlikely to change either now or in the foreseeable future.

1. *Structural limits to institutional investment in private renting.* Private renting in the UK was a marginal and marginalised tenure for much of the twentieth century as a result of state policies in favour of owner occupation and a public house building. By the 1990s, the PRS housed barely over 10% of Londoners (Greater London Authority 2014). While the neoliberal assault on public housing and the state-led efforts to re-boot the PRS through the roll-out of housing demand subsidies (housing benefit) have seen it rapidly re-emerge to house just under one-third of the population, this has so far been driven by individual not institutional private landlords with 78% of landlords in the UK private rental sector owning just one unit, and 95% owning less than four (DCLG 2011). The PRS renaissance has therefore been accompanied by a shift towards widespread small-scale landlordism, linked to the rise of asset-based welfare (Lowe 2011). This poses major entry barriers to the *existing* PRS for GCLs.

2. *Crisis but no systemic crash.* In contrast to how GCLs entered the post-crisis urban landscapes discussed in this article, London and the wider UK context managed to avoid the catastrophic impact of the global financial crisis on the housing system. There is therefore currently no giant pool of distressed assets that can be systematically acquired by vulture capital. London experienced a sharp but relatively modest decline in average house prices by 17% between 2008 and 2009, returning to their pre-recession levels by 2012 and now standing at 41% higher than that low-point figure (Land Registry Housing Price Index 2015). Despite rising unemployment and mortgage arrears, repossessions peaked at 0.43% of all mortgages in 2009 and dropped to 0.26% by 2013 (DCLG, 2014) - compared to 15% and 7% in the US and Spain respectively. Reasons for the comparatively small scale of repossession include the central bank's decision to drop the base interest rate from 5.75% in 2007 to 0.5% in 2009 where it currently sits, state rescue schemes for mortgage holders, and a semi-formalised pact between the state and financial institutions encouraging the latter to exercise restraint in their repossession activity (Wilson 2014). This latter measure could be interpreted as a *quid pro quo* for the scale of the rescue package gifted to the financial sector in the wake of the credit crunch. Given the systemic interdependence between the UK economy and the housing market—and the potential for economic collapse should interest rates rise, banks abandon forbearance and house prices fall, with all its political implications—it is unlikely the UK government would do anything to change these current favourable conditions in the near future (see Edwards 2015).
  
3. *London's over-priced property market.* Alongside unavailability of distressed real estate, a third barrier to GCLs is London's over-valued housing market. UBS, the major Swiss investment bank, reports that London property is the most overpriced of any major city in the world, and urges 'caution' with respect to the city, which scores higher than any other on their Global Real Estate Bubble Index (2015). Over-valuation combines with under-availability to explain the current absence of GCLs in London's rental market and while London property may provide high capital returns, the entry costs are arguably prohibitive in London.

However, while the present low levels of GCL exposure in London, the hitherto absence of a crisis sufficient to prepare the ground for the next round of financialisation of housing in the city, and the historical entry barriers to GCLs in the PRS might reflect the present pathway, there is another way of viewing the London housing crisis in ways far more relevant to a GCL takeover in the long-term. We have identified three broad gateways through which this can happen, and in fact *already has*:

1. *The UK's 'bad bank' and its subprime mortgage auction.* Although the UK avoided a full-scale housing market and mortgage meltdown, many UK banks including Northern Rock were fatally wounded by the global financial crisis and were effectively nationalised by the UK government. Beneath the political radar, in 2010, the government set up its own state-owned deleveraging vehicle ('bad bank') called UK Asset Resolution (UKAR), taking over the toxic assets it held from the nationalisation of Northern Rock and Bradford and Bingley, who had embraced subprime lending and extensive securitisation. By 2011 UKAR's mortgage book was worth £77 billion (UKAR 2014), making it larger in book value than Spain's SAREB and similar to Ireland's NAMA. Like its Irish and Spanish equivalents, UKAR has been rapidly deleveraging these distressed, undervalued assets by selling them on to a coterie of *private equity funds and investment banks* queuing up to take them off their hands, with its book value reduced to £51.1 billion by March 2015 (UKAR 2015). The latest UKAR sale, of the Granite portfolio to private equity firm Cerberus coalition for £13 Billion, beating off competition from rival consortia of Goldman Sachs/Blackstone, and JPMorgan/CarVal to buy 118,323 securitised mortgages, which include many of Northern Rock's now infamous 'Better Together' loans that allowed mortgagors to add a £30,000 loan on to a full mortgage targeted at subprime borrowers—the pinnacle of the UK's pre-recession credit binge (Dunkley 2015). Cerberus also acquired a £3.3 Billion portion of TSB's mortgage debt, making it a lender to an additional 34,000 homeowners across the UK (ibid). While we do not know how much London property is contained in these two portfolios, these transactions, and others like it, reveal GCLs' readiness to participate in the financialisation of the UK housing market and gain a foothold in preparation for a more serious phase of the London housing crisis to come.
2. *State-led financialisation of the 'new' private rental sector.* GCLs might struggle to access the existing PRS dominated by individual landlords, but an alternative entry route is currently being prepared through a state-led project to transform the London rental property market into an internationally tradeable asset class. This project can be visibly traced at least as far back to 2007 at the height of the housing boom when the Labour Government created the legislation allowing REITs to be set up in the UK. But in reality it has much deeper historical roots laid during the decades of public housing privatisation and the major deregulation reforms of the private rental sector during the late 1980s that re-empowered private landlords to raise rents and evict tenants. This laid the basis for the PRS's rapid re-emergence and predicted growth over the next ten years with London experiencing the potentially systemic tenure shift towards private rental we have observed in the other locations (Whitehead et al. 2012; Greater London Authority 2014). The state-led project works alongside an informal 'discourse coalition' (Hajer1993) of real estate intermediaries to construct a compelling case

for GCL investment in a financialised ‘rental revolution’ (Knight Frank 2014) that would benefit investors while solving London’s housing affordability crisis. The financialisation of student housing has trail blazed this agenda. Purpose-built student accommodation was recently declared a ‘mature and globally recognised’ asset (Savills 2015), and student housing REITs are now listed on the London Stock Exchange. The £4.2 Billion of investment in the first five months of 2015 already surpassed any previous year-long total, and overseas capital accounted for over 90%, dominated by North American private equity and institutional investors (ibid.). No wonder given the startling 97% average increase in student housing rents in the decade to 2012-13 (National Union of Students 2012; Greater London Authority 2015).

Holding up student housing as a model of rental market financialisation, the 2010-2015 Conservative-led UK Coalition government turned its focus on the mainstream rental sector with the launch of a review in 2012 into the ‘barriers to institutional investment in private rented homes’ (DCLG 2012). It was led by none other than Sir Adrian Montague, a City of London veteran with a long track record in private equity investment in public projects, who in a previous appointment to the Treasury pioneered the Labour Government’s use of the Private Finance Initiative between 1997 to 2001 that opened the door to more than £300 Billion worth of lucrative contracts for private corporations investing in public infrastructure. His eventual report outlined four areas for strategic state intervention: market making; pump priming; creating and incentivising new investment vehicles; and the eradication of elements unattractive to investors. In line with this roadmap, in 2013 a market-making ‘PRS Taskforce’ was established within the Department for Communities and Local Government to ‘kick-start the new private rented sector...characterised by a growing number of large scale, professionally managed developments, owned and managed by institutional investors’ (House of Commons 2015, 12). A £700,000 ‘Build to Rent’ fund was established in 2012, increased to £1.1 Billion in 2013, to help finance construction. Despite mixed success so far, the asset class is nevertheless beginning to emerge with 21,388 build to rent apartments either completed, under construction or in the planning process as of October 2015 (Patnaude 2015) – a decade ago the figure was nearly zero – with 93.4% of completed homes built in London. Early movers in the sector include: Essential Living, who are capitalised by M3 partners, a London based manager of global funds; Get Living London, offering 1439 rental homes on the former Olympic site in East London, and owned by the Qatari sovereign wealth fund; and Fizzy Living, backed by £200 million from Abu Dhabi Investment Authority.

Following a slow start, UK REITs are also now beginning to flourish from new incentives including abolishing the 2% entry charge and zero capital gains tax with around 40 UK REITs listed, with

capitalisation of over £33 Billion (British Property Federation 2015). The majority of REITs centre on commercial real estate, although some hold mixed portfolios, featuring residential and commercial. The first residential-only vehicle—the Mill REIT—launched in 2014 and focussed on London, but was liquidated in October 2015 citing a lack of interested investors. However, there are signs that London rental property is becoming attractive to institutional investors and private equity. According to an industry consultant UK REITs plan on devoting a quarter of their future activity to residential projects, and the government’s exemption of financial capital from capital gains tax in April 2015 may have been behind Lone Star Capital’s acquisition in October 2015 of a portfolio of mixed-use UK real estate assets for just under £1 Billion. The REIT sector will have been massively boosted by the government’s 2013 decision to change the law controlling the development of office buildings meaning that empty offices can now be converted into houses or flats without planning permission. This creates a further entry point for GCLs: as a highly valorised central node in the global financialised economy, the City of London’s *commercial* property portfolio represents a highly-traded global asset class where over 60% of the stock is held by overseas capital (IPF 2014). By converting their empty offices to housing, GCLs can overnight become major players in the London housing rental market.

3. *Capturing the London rent gap through social housing privatisation.* Up to now, the exposure of the social housing sector to global financial flows and ownership has been extremely limited. The exception has been the New Labour government’s experiment with the Private Finance Initiative in public housing regeneration which has seen around 20 council estates in England—including six in London—taken over on long-term lucrative investment contracts owned to varying degrees by offshore infrastructure companies with often disastrous consequences for residents and the taxpayer (Hodkinson 2011; Hodkinson and Essen 2015). However, this could now change as a result of the new and highly aggressive phase of social housing privatisation underway since 2010 (Hodkinson and Robbins 2013) that threatens to generate multiple routes through which a large pool of social housing can be acquired by GCLs listed below as follows:

- The relaunched Right to Buy (RTB) offers council tenants in London a £102,000 discount on the purchase of their council home, and in the future all housing association tenants being able to buy their homes at equivalent discounts. Recent research has found that at least 36% of former council homes sold under the RTB in London are now owned by buy-to-let landlords (Copley 2014). There is no reason why the new glut of ex-council homes destined to enter the housing market should not also find their way into the hands of institutional landlords.

- English local authorities will be required to sell all their empty council homes valued in the top third most expensive properties for the local area. For London, the implications are stark: Shelter estimates that 1433 council homes would be forcibly sold each year under the scheme with up to 60,314 eventually affected (Shelter 2015). But these stock numbers could rise even further under plans to legally compel social landlords to charge market or near market rents to tenants with an income of over £40,000 in London and £30,000 elsewhere. Consultancy firm Savills estimates 60.1% of the 27,108 affected households in London will neither be able to afford market rent or be able to buy their house under the Right to Buy (Brown 2015), placing them under greater risk of eviction to the PRS and growing the numbers of empty council homes that could be forcibly sold off as bulk sales with institutional investors waiting in the wings.
- Following a change in UK law in 2010, investors can now profit for the first time from social housing in Britain and the government has been going to extra lengths to make the existing social rented sector attractive to institutional investors by further deregulating rents and tenancy protections. State funding for social house building in England is now conditional on renting out new homes at up to 80% of local market rents; and the government has created flexible landlord-friendly tenancies by ending statutory security of tenure for new social tenants. It is against this background that the recent, seemingly inconsequential, statutory reclassification of housing associations as ‘public non-financial institutions’, taking them out of the charitable sector, and effectively bringing them into the public sector, now appears as a deliberate act by the government to prepare the sector for either full-scale deregulation or full-scale privatisation, but in either scenario institutional investors and private equity can takeover and profit (Wiles 2015). This is because by reclassifying all housing associations as public bodies, their debt is placed onto the public books, providing the state with a ready and effective motive to remove that debt by either deregulating them further so as to prompt a reversed classification, or by effectively selling off the debt to investors. This ‘nationalise to privatise’ strategy (Wiles 2015) would bring social housing in London (where the most profitable estates lie) one step closer to corporate takeover, GCL capture and the consequent loss of the city’s affordable rental stock.
- Against a background in which London Local Authorities are operating under a rampant austerity programme, and cuts to local government have been higher than almost any other public department, many London urban authorities are seeking to exploit the ‘rent gaps’ (Smith 1979) located in their own public housing estates (Watt 2009, 2013), which are sited in the most expensive real estate market in Europe, to expand the overall housing supply at the expense of affordable and secure housing under so-called ‘regeneration’ schemes. The motivation is clear, and at times explicitly acknowledged, with senior Labour politician Lord Adonis (unintentionally)



adopting a rent gap analysis in a recent influential report urging Councils to knock-down and 'regenerate' estates, commenting that there are 'particularly large concentrations of council owned land in inner London, and this is some of the highest-priced land in the world' (Financial Times 2015). In order to redevelop these estates, some London local authorities are using the opportunities afforded by the global real estate fair, MIPIM, each year, to attract global investors to finance and build new homes and mixed use developments, opening the door to GCLs.

What will actually happen with respect to these three gateways remains conjecture and speculation, but there is no doubting the interest that global investors have in entering the UK social housing sector and especially its London portal. This was evidenced in 2011 when Hong Kong-based Chow Tai Fook Enterprises Ltd—owned by billionaire Cheng Yu-Tung—joined forces with two other Hong Kong investors to acquire a £30 million stake (61%) in the UK's Pinnacle Regeneration Group. As well as wanting to diversify their investments out of Hong Kong's over-heating property market, they explained their main motive was the opportunities created by government cuts to social housing for investors to fill the hole through regeneration partnerships with local authorities and gain the 'key into a door', namely the door of London's profitable real estate market (Barwell 2011). Sensing similar opportunities to profit from London's affordable housing shortage and the upward pressure on rents and prices everywhere, in the Spring of 2014, a private consortium purchased the New Era estate in the London Borough of Hackney. Built in the 1930s by a charitable trust in Hoxton, the 96-flat estate provides affordable accommodation for working class Londoners. Its new owners were led by Westbrook Partners, a private equity firm headquartered in New York specialising in international real estate—an archetypal GCL—and primarily invested in by US pension funds. On acquisition, the consortium offered tenants the chance to remain on the Estate, provided they could meet the new 'normalised' rents, amounting to an increase of 400%. Amid growing tenant and media opposition, Westbrook then served eviction notices for Christmas, but were eventually forced to back down and in December 2014 the Estate was transferred to a charitable landlord, the Dolphin Square Foundation, who assured tenants of continued affordable rents. However, what this shows is how a new class of investors are eschewing prime real estate for which they could overpay in favour of opportunities to buy into the social housing sector that will generate strong returns in the long run. This has particularly menacing implications for London for the simple reason that despite four decades of neoliberal roll-back policies that have decimated the overall public housing stock by over 3 million homes and reduced social renting from 30% to less than 18% of the UK population (Office for National Statistics 2012), tenant opposition to privatisation means London still has a relatively large amount of public and social rented housing, especially in the central urban areas proving so attractive to corporate investors (see Watt 2009).

Returning to our main question, at present London's and the UK's fundamentals are importantly different to the post-crisis national contexts that have spawned GCLs, suggesting that the path of rental financialisation and the rise of the GCL in the city is still one which can be forestalled, resisted and subverted. However, we have identified that London's social and public housing—the legacy of the lengthy post-war class compromise, and a source of convenient, affordable housing for many Londoners—could be *the* portal by which GCLs can gain large-scale access to London's housing in a post-crisis future scenario. This points to a key task for activism in preventing the London's housing crisis from becoming a future corporate dystopia—blocking off the main entry point to global corporate landlordism in London by resisting the current government's privatisation assault on public and social rented housing.

## 2.6 Conclusion: Back to the Future, but which future?

The hitherto absence of critical research on the financialisation of London's rental housing market inevitably makes the work presented here a first but important step in better understanding the long-term ongoing economic and residential restructuring of London. While the findings are clearly preliminary, there is a strong message for London in the snapshots of sudden housing market restructuring in the USA, Spain, Ireland and Greece. The recent shift towards the private rental society, in which the rental sector develops as a centrepiece for the new financial strategies of accumulation and dispossession, has deeply disturbing implications for the notion of housing rights, showing that even without a mortgage contract in place, financial capital is still able to exert control over housing and residents. Indeed, beyond fulfilling the obligations of the lease agreement between tenant and landlord, today rent payments serve as the basis of a global asset class (Bryan and Rafferty 2014). What should be clear at this stage is that the emerging new model re-floats some parts of the real estate economy on the shoulders of the vast majority of the population, the '99%' that is unable to participate in global speculation flows. It further pushes us towards the next stage of the financialisation of housing and the urban more generally, applying again a new and equally heavy load of social pain onto those who have been suffering now for decades the negative effects of previous rounds of financialisation.

At present London is different, marked by the absence of a large pool of available, undervalued assets—the equivalent of foreclosed homes in the USA, or social housing portfolios in Spain—for GCLs to fasten onto. The likely continuation of state policy dedicated to preventing mass mortgage repossessions makes the path of rental financialisation via the future takeover of GCLs seem improbable. However, recent targeted discourses concerning social housing providers, and apparently inconsequential alterations to

the state's classification of social housing stock, alongside key elements of the Housing and Planning Bill, provide a direction of travel which—if followed in the ways that we have speculated—could see the mass transfer of social and public housing to the private sector, with GCLs being the most likely recipients. The slow erosion of London's public housing through 'regeneration' and the capture of state-induced rent gaps provides a clear portal for GCLs to (incrementally) take over London's 'undervalued' housing estates. But what is also clear is that the future of London's housing, and the consequences of financialisation, or otherwise, of the rental sector, remains decidedly open. The recent example of how tenants on the New Era estate in the London Borough of Hackney successfully resisted the takeover of their affordable homes by a US private equity firm shows that London and Londoners can resist the dispossession of their residential use values, and the financialised inflation of exchange values, and achieve an equitable outcome. Tellingly, a leading investment chronicle, reviewing the lesson to be learned from the New Era estate, cautioned interested investors that the London rental sector has become a 'political "hot potato"', and noted that investment in the sector carried 'reputational and political' risk (Handy 2015). Private equity and institutional investors—GCLs—are at present only tentatively responding to the state-led coalition's persistent attempts to financialise the private rental sector. It is clear that the opposition of tenants and ordinary Londoners can, as in the case of New Era, robustly repel financialising capital, and demand an alternative: a more equitable, sane and affordable solution to the present housing crisis. All of this remains speculation with more research needed to better understand the particularities of the London situation compared to the four post-crisis national contexts discussed and provide a more robust treatment of how the new financialisation may develop, or be forestalled.

## Bibliography

Aalbers, M. (2008). 'The financialization of home and the mortgage market crisis', *Competition and Change* 12 (2): 148-166.

Acharya, V.V., Franks, J. and Servaes, H. (2007). 'Private equity: boom and bust?', *Journal of Applied Corporate Finance* 19 (4): 44–53.

Alexandri, G. and Janoschka, M. forthcoming. 'Who loses and who wins in a housing crisis: insights from the Greek and Spanish case', *Housing Policy Debate*.

Anderson, E. (2015). 'London rents now a record 108pc higher than rest of UK', *The Daily Telegraph*, 10 November, <http://www.telegraph.co.uk/finance/property/11984097/London-rents-now-a-record-108pc-higher-than-rest-of-UK.html>

Baker, S. (2014). 'Goldman new Madrid landlord as investors return to Spain', *Bloomberg.com*, 29 August, <http://www.bloomberg.com/news/articles/2014-08-28/goldman-new-madrid-landlord-as-investors-return-to-spain>, [accessed 8 January 2016].

Barwell, T. (2011). 'Hong Kong billionaire fills funding gap in U.K's low-cost housing market', *Bloomberg.com*, 20 July, <http://www.bloomberg.com/news/articles/2011-07-19/hong-kong-billionaire-fills-funding-gap-in-u-k-s-low-cost-housing-market> [accessed 8 January 2016].

Brennan, M. (2013). 'Wall Street buying adds to housing boom. Is a new bubble in the way?', *Forbes*, 4 June.

British Property Federation (2015). 'REITs and property companies', <http://www.bpf.org.uk/reits-and-property-companies>, [accessed 10 November 2015].

Brown, C. (2015). 'Pay to stay will make homes "unaffordable"', *Inside Housing*, 4 September, <http://m.insidehousing.co.uk/pay-to-stay-will-make-homes-unaffordable/7011565.article>

Bryan, D., and Rafferty, M. (2014). 'Financial Derivatives as Social Policy beyond Crisis', *Sociology* 48 (5): 887-903.

BTG Global Advisory (2015). 'European insight: the NPL market Europe 2015', [http://www.btgga.com/assets/uploads/insights/1383%20Capital%20Markets\\_EMAIL.pdf](http://www.btgga.com/assets/uploads/insights/1383%20Capital%20Markets_EMAIL.pdf), [accessed 8 January 2016].

Burns, R. (2015), 'Public pensions invest big in Blackstone's controversial rental properties' *Aljazeera America*, 16 October, <http://america.aljazeera.com/articles/2015/10/16/public-pensions-invest-big-in-blackstones-controversial-rental-properties.html>, [accessed 8 January 2016].

- Byrne, M. (2015a). 'Ireland's new transnational landlords', *Irelandafternama*, 9 September, <https://irelandafternama.wordpress.com/2015/09/09/irelands-new-transnational-landlords>[accessed 10 January 2016].
- Byrne, M. (2015b). 'Bad banks: the urban implications of Asset Management Companies', *Journal of Urban Research and Practice* 8 (2): 255-266.
- Byrne, M. forthcoming. 'Bad banks and the urban dimension of financialization', *City*.
- Call, R., Powell, D., and Heck, S. (2014). 'Blackstone: Atlanta's newest landlord', Atlanta: Occupy Our Homes Atlanta.
- Castells, M. (1983). *The City and the Grassroots: a Cross-Cultural Theory of Urban Social Movements*. Berkeley and Los Angeles: University of California Press.
- Coakley, J. (1994). 'The integration of property and financial markets', *Environment and Planning A* 26 (5): 697-713.
- Colau, A., and Alemany, A. (2014). *Mortgaged Lives: From the Housing Bubble to the Right to Housing*, Barcelona: Cuadrilatero de Libros/Journal of Aesthetics and Protest.
- Corkery, M. (2014). 'Wall Street's new housing bonanza', *The New York Times*, 29 January, [http://dealbook.nytimes.com/2014/01/29/wall-streets-new-housing-bonanza/?\\_r=1](http://dealbook.nytimes.com/2014/01/29/wall-streets-new-housing-bonanza/?_r=1)
- Creswell, J. (2008). 'In private equity, the limits of Apollo's power', *The New York Times*, 8 December, <http://dealbook.nytimes.com/2008/12/08/in-private-equity-the-limits-of-apollos-power/>
- Cushman and Wakefield (2014). 'European real estate loan sales market Q3 2014', <http://www.cushmanwakefield.com/~media/global-reports/European%20CRE%20Loan%20%20REO%20Sales%20Market%20Q3%202014%20-%20Final.pdf> [accessed 10 January 2016].
- Cushman and Wakefield (2015). 'European real estate loan sales market Q2 2015', <http://www.cushmanwakefield.com/~media/global-reports/European%20CRE%20Loan%20%20REO%20Sales%20Market%20Q2%202015.pdf>, [accessed 10 January 2016].
- DCLG. (2011). 'Private landlords survey 2010', *Department for Communities and Local Government*, <https://www.gov.uk/government/statistics/private-landlords-survey-2010> [accessed 3 November 2015].
- DCLG. (2012). 'Review of the barriers to institutional investment in private rented homes', *Department for Communities and Local Government*,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/15547/montague\\_review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15547/montague_review.pdf) [accessed 10 January 2016].

DCLG. (2014). Live Tables: Repossession Activity. Table 1300. Department for Communities and Local Government,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/341771/201408a\\_Table\\_1300.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/341771/201408a_Table_1300.xls) [accessed 9 January 2016].

Dowsett, S. (2014). 'Special report: why Madrid's poor fear Goldman Sachs and Blackstone,' *Reuters UK*, 24 October, <http://uk.reuters.com/article/2014/10/24/us-spain-housing-specialreport-idUSKCN0ID0GP20141024>, [accessed 10 January 2016].

Dunkley, E. (2015). 'UK Treasury sells £13bn of Northern Rock mortgages to Cerberus', *Financial Times*, 13 November, <http://www.ft.com/cms/s/0/d6566948-89dd-11e5-9f8c-a8d619fa707c.html#axzz3wZGM2za0> [accessed 7 January 2016].

Edwards, M. (2015). 'Future of cities: land, rent and housing in UK cities', Government Office for Science, <https://www.gov.uk/government/publications/future-of-cities-land-rent-and-housing-in-uk-cities> [accessed 25 July 2015].

Faulkner, K. (2015). 'Independent report on the private rental sector in England', <https://katefaulkner.wordpress.com/2015/02/10/private-rented-sector-360-degrees-independent-report-by-kate-faulkner/> [accessed 15 November 2015].

Fields, D. (2015). 'Contesting the financialization of urban space: community organizations and the struggle to preserve affordable rental housing in New York City', *Journal of Urban Affairs* 37 (2): 144–65.

Fields, D. forthcoming. 'Unwilling subjects of financialization', *International Journal of Urban and Regional Research*.

Font, M., and Garcia, G. (2015). 'Global capital drives real estate speculation', *La Directa*, 10 March.

Garcia, G. (2015). 'Nova protesta global contra el "vultor" immobiliari Blackstone' *La Directa*, 14 October.

Goodbody. (2015). *Commercial Property: 2015 Outlook*. Dublin: Goodbody.

Goldfarb, M. (2013). 'London's Great Exodus', *New York Times*, October 2013, <http://www.nytimes.com/2013/10/13/opinion/sunday/londons-great-exodus.html> [accessed 10 January 2016].

- Gopal, P. and Perlberg, H. (2015). 'Starwood Waypoint, Colony American to combine in stock deal', *Bloomberg.com*, 21 September, <http://www.bloomberg.com/news/articles/2015-09-21/starwood-waypoint-agrees-to-buy-colony-american-in-stock-deal> [accessed 10 January 2016].
- Gotham, K. F. (2006). 'The secondary circuit of capital reconsidered: globalization and the U.S. real estate sector', *American Journal of Sociology* 112 (1): 231–275.
- Greater London Authority. (2014). *Housing in London 2014 - the basis for the Mayor's housing strategy*. London: Greater London Authority.
- Greater London Authority. (2015). 'Greater London Authority Housing Committee 23 June 2015: transcript of item 9: purpose built student accommodation in London', [https://www.london.gov.uk/moderngov/documents/b12741/Minutes\\_Appendix\\_Transcript\\_Item\\_Purpose\\_Built\\_Student\\_Accommodation\\_in\\_London\\_Tuesday\\_pdf?T=9](https://www.london.gov.uk/moderngov/documents/b12741/Minutes_Appendix_Transcript_Item_Purpose_Built_Student_Accommodation_in_London_Tuesday_pdf?T=9) [accessed 6 November 2015].
- Guironnet, A. and Halbert, L. (2014). 'The financialization of urban development projects: concepts, processes, and implications', Working Paper 14-04. hal-01097192. <https://hal-enpc.archives-ouvertes.fr/hal-01097192/document> [accessed 10 January 2016].
- Hadjimichalis, C. (2014). *Debt Crisis and Land Grabbing*. Athens: KΨM Publications.
- Handy, R. (2015). 'UK residential sector: investors vote for PRS', *IPE Real Estate*, May/June <http://realestate.ipe.com/markets-/sectors/residential/uk-residential-sector-investors-vote-for-prs/10007914.fullarticle>(accessed 15 November 2015).
- Hajer, M. (1993). 'Discourse coalitions and the institutionalisation of practice: the case of acid rain in Great Britain', in F. Fischer and J. Forester (eds), *The Argumentative Turn in Policy Analysis and Planning*. Durham, NC and London: Duke University Press
- Harvey, D. (1982). *The Limits to Capital*. Oxford: Blackwell.
- Harvey, D. (2003). *The New Imperialism*. New York: Oxford University Press.
- Harvey, D. (2011). *The Enigma of Capital: And the Crises of Capitalism*. London: Profile Books.
- Hill, D. (2013). 'London housing crisis: how far are super-rich foreigners to blame?', *The Guardian*, 22 October, <http://www.theguardian.com/uk-news/davehillblog/2013/oct/22/london-house-prices-foreign-investors>
- House of Commons. (2015). *Building the New Private Rented Sector: Issues and Prospects (England)*. London: HM Stationary Office.

- House of Commons. (2016). *Housing and Planning Draft Bill*. London: HM Stationary Office.
- Hodkinson, S. (2011). 'Housing regeneration and the Private Finance Initiative in England: unstitching the neoliberal urban straitjacket', *Antipode* 43 (2): 358-383.
- Hodkinson, S. and Essen, C. (2015). 'Grounding accumulation by dispossession in everyday life: the unjust geographies of urban regeneration under the Private Finance Initiative', *International Journal of Law in the Built Environment* 7(1): 72-91.
- Hodkinson, S. and Robbins, G. (2013). 'The return of class war conservatism? Housing under the UK Coalition Government', *Critical Social Policy* 33 (1): 57-77.
- Immergluck, D. (2010). 'The accumulation of lender-owned homes during the U.S. mortgage crisis: examining metropolitan REO inventories', *Housing Policy Debate* 20 (4): 619-645.
- Immergluck, D. (2015). 'A look back: what we now know about the causes of the US mortgage crisis', *International Journal of Urban Sciences* 19 (3): 1-17.
- Ingliss, A. (2015). 'The new single-family home renters of California: a statewide survey of tenants. Renting from Wall Street landlords', *Tenants Together*, <http://www.tenants-together.org/article.php?id=3595>, [accessed 10 January 2016].
- Investment Property Forum. (2014). *The Size and Structure of the UK Property Market 2013: A Decade of Change*. London: Investment Property Forum.
- Irish Independent. (2014). 'Blackstone: billions on the line and out for blood', *Irish Independent*, 14 August, <http://www.independent.ie/business/irish/blackstone-billions-on-the-line-and-out-for-blood-30507450.html>
- IRES website. (2015). 'About us: better living made simple', <http://www.iresreit.ie/about-us/>, [accessed 10 January 2016].
- Janoschka, M. (2015). 'Politics, citizenship and disobedience in the city of crisis: a critical analysis of contemporary housing struggles in Madrid', *Die Erde-Journal of the Geographical Society of Berlin* 146 (2-3): 100-112.
- Knight Frank. (2014). 'The Rental Revolution: Examining the Private Rented Sector 2014', <http://content.knightfrank.com/research/587/documents/en/2014-1726.pdf>[accessed 10 January 2016].



- Knight Frank. (2015). 'Global Development Report 2015: Prime Residential Development Trends and Insight', <http://www.knightfrank.com/research/global-development-report-2015-3229.aspx> [accessed 10 January 2016].
- Land Registry. (2015). 'September 2015 Market Trend Data', *Land Registry*, <https://www.gov.uk/government/news/september-2015-market-trend-data-from-land-registry> [accessed 10 January 2016].
- Lapavitsas, C. (2013). *Profiting without Producing: How Finance Exploits Us All*. London: Verso Books.
- López, I., and Rodríguez, E. (2010). *Fin de Ciclo: Financiarización, Territorio y Sociedad de Propietarios en la ondalargadelcapitalismohispano (1959-2010)*. Madrid: Traficantes de Sueños.
- Lowe, S. (2011). *The Housing Debate*. Bristol: Policy Press.
- Lunn, E. (2014). 'Renting: it's war as desperate tenants face bidding for properties' *The Guardian*, 25 January, <http://www.theguardian.com/money/2014/jan/25/renting-tenants-bid-properties-auction-website>
- Mendez, R. and Pellicer, L. (2013). 'Spain: for sale', *El País*, 17 September, [http://elpais.com/m/elpais/2013/09/17/inenglish/1379418178\\_027192.html](http://elpais.com/m/elpais/2013/09/17/inenglish/1379418178_027192.html), [accessed 10 January 2016].
- Moreno, L. (2014). 'The urban process under financialized capitalism', *City* 18 (3): 244-268.
- Newman, K. (2009). 'Post-industrial widgets: capital flows and the production of the urban', *International Journal of Urban and Regional Research* 33 (2): 314–31.
- Nikolidaki, F. (2015). 'The red loans; the creditors rationale over the NPLs', *SOS-KATOIKIA*, 7 November, <http://sos-katoikia.blogspot.gr/2015/11/blog-post.html> [accessed 10 January 2016].
- Norris, M., and Byrne, M. (2015). 'Asset price Keynesianism, regional imbalances and the Irish and Spanish housing booms and busts', *Built Environment* 41 (2): 227–43.
- National Union of Students. (2012). *Accommodation Cost Survey 2012/13*. London: NUS, <http://www.nus.org.uk/Global/Campaigns/Accommodation%20Costs%20Survey%20V6%20WEB.pdf> [accessed 10 January 2016].
- Patnaude, A. (2015). 'London builds new apartments for rent... finally', *Wall Street Journal*, 19 October, <http://blogs.wsj.com/moneybeat/2015/10/19/ukflats1019/> [accessed 10 January 2016].
- Peck, J. (2012). 'Austerity urbanism: American cities under extreme economy', *City* 16 (6): 626-655.

- Perlberg, H., and Gittelsohn, J. (2013). 'Wall Street unlocks profits from distress with rental revolution', *Bloomberg.com*, 20 December, <http://www.bloomberg.com/news/articles/2013-12-20/wall-street-unlocks-profits-from-distress-with-rental-revolution> [accessed 10 January 2016].
- Right to the City Alliance. (2015). '#StopBlackstone: international action alert', <http://homesforall.org/action/stopblackstone-international-action-alert/> [accessed 10 January 2016].
- Saegert, S., Fields, D., and Libman, K. (2009). 'Deflating the dream: radical risk and the neoliberalization of homeownership', *Journal of Urban Affairs* 31 (3): 297–317.
- Savills. (2015). 'Spotlight: UK Student Housing', <http://pdf.euro.savills.co.uk/residential---other/spotlight--uk-student-housing-2015.pdf> [accessed 10 January 2016].
- Shelter/KPMG. (2015). 'Building the Homes We Need', <http://www.kpmg.com/uk/en/issuesandinsights/articlespublications/pages/building-the-homes-we-need%E2%80%93programme-2015.aspx> [accessed 10 January 2016].
- Shelter. (2015). 'The Forced Council Home Sell-Off', September, [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0010/1187047/7862\\_Council\\_House\\_Sales\\_Briefing\\_v3\\_FINAL.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0010/1187047/7862_Council_House_Sales_Briefing_v3_FINAL.pdf) [accessed 10 January 2016].
- TriconCapital Group Inc. (2015). 'Tricon Capital Group announces pricing of US\$362 Million single-family rental securitization transaction', *Bloomberg.com*, 28 April, <http://www.bloomberg.com/article/2015-04-28/aXK9UYaEEUeA.html> [accessed 10 January 2016].
- UKAR. (2011). 'UKAR Fact Sheet 2010/11', *United Kingdom Asset Resolution*, <http://www.ukar.co.uk/~media/Files/U/Ukar-V2/Attachments/fact-sheet/UKAR-Fact--Sheet-12-02-09.pdf> [accessed 10 January 2016].
- UKAR. (2015). 'UKAR Fact Sheet 2014/15', *United Kingdom Asset Resolution*, <http://www.ukar.co.uk/~media/Files/U/Ukar-V2/Attachments/fact-sheet/ukar-factsheet.pdf> [accessed 10 January 2016].
- Van der Voo, L. (2015). 'Wall Street moves in on Portland rental homes', *InvestigateWest*, 8 September, <http://invw.org/2015/09/08/wall-street-moves-in-on-portland-rental-homes/> [accessed 10 January 2016].
- Vourekas, C. (2014). 'The rent empire (and the NPLs)', *The magazine for the disruption of peace and quiet*, 14 July,

[http://www.toperiodiko.gr/η-αυτοκρατορία-των-ενοικίων-και-τα-κόκ/#.Vo\\_dJVmHu8A](http://www.toperiodiko.gr/η-αυτοκρατορία-των-ενοικίων-και-τα-κόκ/#.Vo_dJVmHu8A) [accessed 10 January 2016].

Watt, P. (2009). 'Housing stock transfers, regeneration and state-led gentrification in London', *Urban Policy and Research* 27(3): 229-242.

Watt, P. (2013). "'It's not for us": regeneration, the 2012 Olympics and the gentrification of East London', *City* 17(1): 99-118.

Weber, R. (2002). 'Extracting value from the city: neoliberalism and urban redevelopment', *Antipode* 34 (3): 519-540.

Whitehead, C., Williams, P., Tang, C., and Udagawaet, C. (2012). *Housing in Transition: Understanding the Dynamics of Tenure Change - a Report for the Resolution Foundation and Shelter*. Cambridge: Cambridge Centre for Housing and Planning Research.

Wiles, C. (2015). 'This move into the public sector could signal the end for housing associations', *The Guardian*, 30 October, <http://www.theguardian.com/housing-network/2015/oct/30/end-housing-associations-ons-public-sector>.

Wilson, W. (2014). 'Mortgage arrears and repossessions', *House of Commons Library Standard Note*: SN/SP/4769. London: House of Commons.

Zandi, M., and Lafakis, C. (2015). 'Single-family rental: out of the ashes', *Moody's Analytics*, 6 June, <http://www.moodyanalytics.com/Insight-Summary/Economic-Analysis/Global-Economics/2015/2015-30-06-Single-Family-Rental-Out%20of%20the%20Ashes> [accessed 10 January 2016].

## 3: Demolishing the present to sell off the future? The emergence of ‘financialised municipal entrepreneurialism’ in London

Beswick, J. and Penny, J. (2018). *IJURR*, 42: 612-632.

### 3.1 Abstract

This article introduces a new mode of urban entrepreneurialism in London through a study of the state-executed, speculative development and financialization of public land. In response to an intensifying housing crisis and austerity-imposed fiscal constraints, municipalities in London are devising entrepreneurial solutions to deliver more housing. Among these ‘solutions’ can be found the early signs of the state-executed financialization of public housing in the UK with the use of speculative council-owned Special Purpose Vehicles (SPVs) that replace existing public housing stock with mixed-tenure developments, creating ambiguous public/private tenancies that function as homes and globally tradable assets. Drawing together parallel literatures on the financialization of entrepreneurial urban governance and housing, and combining these with original empirical research, we situate these developments in contrast to earlier modes of entrepreneurialism, identifying a distinct mode of entrepreneurial governance in London: *Financialized Municipal Entrepreneurialism*. The local state is no longer merely the enabler – limited to providing strategic oversight of the private sector – but financializes its practice in a reimagined commercialized interventionism, as property speculator. This article concludes that while the architects of this new mode of entrepreneurialism extol the increased capacity and control it provides, any such gains must be set against longer-term financial, democratic, and political risks.

### 3.2 Introduction

*“The absence of the state from the building of social housing is wrong. We’re getting back into it in a totally different way than before... But the fact that we have to do things differently shouldn’t stop us. It cannot be the fear of doing things differently that gets in the way of actually building social housing in London. So it’s got to work... it’s got to work”* (Lambeth Councillor).

This paper introduces and explores a new mode of urban entrepreneurialism in London through a study of the state-led, speculative development and financialization of public land, including public housing estates. Amidst an intensifying housing crisis, exacerbated since 2010 by the ideological pursuit of austerity, a number of Local Authorities in the capital, faced with their own fiscal crises, are actively

devising entrepreneurial solutions beyond providing state-funded public housing, for which central government grant programmes have been all but completely withdrawn, or relying on diminishing gains from private-sector developers. Amongst these solutions is the London Borough of Lambeth's newly constituted Special Purpose Vehicle (SPV), Homes for Lambeth (HfL), a council-owned, speculative real-estate company, that will demolish existing public housing stock and deliver mixed-tenure developments, creating ambiguous public/private tenancies that function as both homes and globally tradable assets. More than an isolated case of municipal innovation, we situate HfL and numerous other council-owned real-estate SPVs across the city, at the leading edge of an emerging mode of entrepreneurial governance – termed here *financialized municipal entrepreneurialism*. Whilst the architects of this new approach claim that it increases the local state's capacity and control, we suggest that any such gains must be set against longer-term financial, democratic, and political risks that will ultimately be borne by residents.

Through a detailed analysis of the case of HfL, we explore this mode of entrepreneurialism and focus in particular on the under-theorized role of the state in processes of financialization, asking why, how, to what extent, and with what implications, local government and its historic housing estates are being financialized. To answer these questions, the paper draws together parallel literatures on entrepreneurial urban governance and its financialization, and the financialization of housing, and combines these with original empirical research. The paper shows that in order to generate income and build more homes, including affordable homes, Lambeth Council, like numerous other authorities across the city, are playing an active role in the financialization of their public housing estates. Council-owned SPVs are opening up a smooth governance space, outside of a number of financial and regulatory constraints imposed from above, enabling Councils to act commercially and speculatively by building private homes to sell and rent and by providing an enhanced role for financial capital in the housing of London's low-income population.

In charting the emergence of council-owned SPVs, we seek to make the following theoretical and empirical contributions to an understanding of the nexus of financialization, statecraft, and housing in London and beyond. First, we confirm a financializing dynamic rooted in the active pursuit of political and fiscal capacity in the context of unequal scalar-state relations, with financialization operating as an urban governance 'fix'. Secondly, we contribute to an emerging literature concerned with the financialization/state nexus – “one of the research frontiers to be pushed in the coming years” (Aalbers 2017: 10) – by providing new evidence of the role of the state in processes of financialization: More than the facilitator and enabler of financialization, Lambeth Council is its active executor, constituting public housing estates as new sites of extraction for financial capital. Thirdly, we evidence further permutations of capital market involvement in new residential spaces, broadening our understanding beyond owner-occupation and contributing to the nascent literature on rental housing as “an important new node for

financializing projects globally” (Fields, 2017: 1; cf. Aalbers 2017). Finally, we situate the developments in contrast to earlier modes of entrepreneurialism, exploring a distinct mode of entrepreneurial governance in London in which the local state is no longer limited to providing strategic oversight to the private sector, but rather initiates financialization in order to develop its fiscal and political capacity to intervene in the housing market.

To substantiate these claims, in the next section, we introduce the paper’s core concepts by drawing together literatures on urban entrepreneurialism and the financialization of urban governance and housing. The relative paucity of studies that address head-on the role of the local state in processes of financialization (Aalbers, 2017) and the “underresearched and under-theorized” area of housing financialization generally (ibid: 2), and of public rental housing particularly, is highlighted. In the third section we introduce HfL and detail its contested composition. We then situate the SPV in the context of the decline and failure of the UK’s two preceding modes of public housing delivery and governance, and detail the financialized municipal entrepreneurialism which is emerging as a new variant of entrepreneurial governance in the city. Finally, in the fifth section, we explore the precise nature and implications of the Janus-faced affordable housing delivered through HfL, as both globally tradeable financial assets and quasi-public, partially decommodified homes.

### 3.3 The Financialization of Urban Governance and Housing

In October 2015 the London Borough of Lambeth’s Executive Cabinet approved a plan to form Homes for Lambeth (HfL), a wholly council-owned Special Purpose Vehicle (SPV) that would enable the Council “*to act in a truly commercial way... effectively as a property developer*” (Lambeth 2015a: 13) and secure funding from “*the open market and institutional investors*” (Ibid: 2) to build market homes, cross-subsidising the development of some affordable homes. HfL represents a significant shift in local government practice with regards to housing in the UK context, and signals a step-change from earlier modes of entrepreneurial governance. For the three decades after the Second World War, the state, through Local Authorities, was a major, and at times dominant, builder of housing, with annual output topping 300,000 homes. These homes – ‘council housing’ – were managed and let by Local Authorities (local government in the UK) to tenants at a rent which was set not by the market, but by regulation, and was usually well below market levels. By the late 1970s, however, the local state’s role in housing production was diminished, such that between 2004 – 2006 Local Authorities in England completed no new homes, although this figure has since recovered slightly (for a discussion of the patchy post-2010 housebuilding in the 2012 Olympics Host Boroughs see Watt and Bernstock, forthcoming). The new model presented here suggests a clear break from this decline: Local Authorities are once again directly building housing in London. More significant than this however, is *how* they are building homes. Under the new

model, Lambeth Council are eschewing private-developer partnerships whilst drawing on the techniques and resources of financial capitalism, treating their land as a financial asset, and constituting public homes as a proto-financial asset class. More than just a novel model of housing production, HfL represents an incipient mode of urban entrepreneurialism – a form of financialized municipal entrepreneurialism, predicated on speculative residential real-estate development and enhanced engagement with capital markets.

To situate the case of HfL, substantiate its significance as a new variant of urban entrepreneurialism in the UK, and foreground its likely implications for tenants and local politics, this section brings together literatures on the financialization of urban (entrepreneurial) governance and housing. Financialization has become the centrepiece of a burgeoning number of attempts to explain contemporary political economic transitions, as geographers and others have embraced the term at pace in a proliferating literature “to understand contemporary capitalism and its specificities” (Christophers, 2015: 184). Beyond macro-economic definitions of financialization (Krippner, 2005; Lapavistas, 2013), myriad allied processes of apparent financialization have been identified operating across policy areas and up and down scales from the global to the embodied. Manuel Aalbers thus characterizes financialization as “the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households” (2015). The expansion of the term’s use across a mushrooming literature has not been without its critics. Christophers (2015) for one has called for greater precision and historical awareness in its usage, and Ward (2016) has called for a more careful historicisation of the term and the practices for which it is summoned to account.

Mindful of these critiques, this paper draws out the entanglements of financial markets, actors, logics and practices with the exercise of statecraft and the production and governance of housing at the urban scale by addressing the understudied question of the financialization of public rental housing. Financialization, in this study, will be precisely defined and operationalized by reference to financializing shifts in local government practice at its interface with entrepreneurial modes of governance, and in the evolving form of London’s public housing, as its reliance on capital markets intensifies and mutates.

### 3.3.1 Urban Entrepreneurialism and the Financialization of Urban Governance

The transition towards entrepreneurial forms of urban governance has been one of the central concerns of critical urban studies over the past 25 years, and has been well documented and verified in the ever expanding literature on the now-not-so-new New Urban Politics (MacLeod & Jones, 2011). David Harvey’s (1989) formative account of the shift from post-war ‘managerial’ logics and regimes of urban governance to their entrepreneurial equivalents in the neoliberal era has been found to hold, to varying extents,

across multiple scales and national boundaries, such that a consensus can be seen in urban politics in which the positive benefits of city governments pursuing growth through development is taken as axiomatic (Davidson & Iveson 2015).

In the US, much of the literature on this shift from urban managerialism to entrepreneurialism emerged amidst ascendant New Right ideologies and the retrenchment of Federal support to states and municipalities at a time of uneven growth, deindustrialisation, and increasingly globalizing and deterritorializing flows of capital investment (DeFilippis 2004). Perhaps predictably, this ushered in a sink-or-swim politics, “that only a fortunate few could realistically expect to win” (Peck & Whiteside, 2016: 241), wherein “urban administrations were increasingly compelled to compete with other city governments in an endeavour to attract hyper-mobile investment and wealth generating entrepreneurs...” (MacLeod & Jones, 2011: 2443). Concurrently, city governments turned away from engaging in distributional politics around issues of collective consumption, which were recast as fiscal millstones around municipal necks (Cochrane 2007). Indeed, the role of the local state, operating alongside local business interests in ‘growth coalitions’ (Logan & Molotch 1987), or through quasi-public vehicles and public-private partnerships, was reconfigured along more speculative and risk-taking lines towards the *facilitation*, often via generous bond-raised public subsidies and investment, of private-led land and real-estate development, the construction of megaprojects, and the hosting of one-off sporting and cultural events.

In the UK, the turn towards urban entrepreneurialism began in the late 1970s under a Labour Government that sought to promote economic regeneration through state initiative to reduce urban inequality (Cochrane 2007). But it was during the Thatcher years that the New Urban Politics of economic competitiveness (of firm and city), privatism, and privatisation was embraced (Barnekov et al. 1989). In step, and in contact, with policy makers across the Atlantic, increased faith was placed in private sector actors and market dynamics to address “a range of social and – above all – economic problems” (Cochrane 2007: 89) for which the state was held culpable. Whilst the logic of entrepreneurialism played out in distinct ways in the different institutional context of the UK, *supplementing* rather than *supplanting* managerial logics (Hall & Hubbard 1996), faith in the private sector and in competitiveness fast became a powerful urban policy doxa. As Hall and Hubbard noted (1996: 157) “the political rhetoric of the 1980s clearly positioned the private sector as the key actor in city rebuilding...”; the state’s role was to contribute strategic oversight and resources to this process. Nowhere has this been more apparent than in housing policy, where “from the late 1980s, the Conservative Government of the day started to promote the idea that local authorities should be ‘enablers’ rather than direct providers of housing” (Davis 2013: 62), relying on private and voluntary sector organisations for public housing construction and management – an attitude that has been consistent ever since, expressed in the ascendancy of the planning gain model of



affordable house building and the large-scale public housing stock transfers from local government to Housing Associations (Watt 2009).

It is very much out of this entrepreneurialized urban governance landscape – shaped in the US, and increasingly the UK, by tightly imposed fiscal constraints from above, shrinking tax revenues (either by falling tax bases and/or legal limits on tax increases) and an existential need to engage in city ‘boosterism’ – that the turn towards financialization has been noted, as city governments seek new ways to achieve public policy objectives (Leitner 1990; Weber 2010). In recent years an insightful series of studies, focussing on US cities, has emerged detailing how already entrepreneurialized city governments have enabled and employed means, vehicles, and tools of finance capital across various arenas of local government activity, including urban redevelopment (Rutland 2010), urban infrastructure (Ashton et al. 2016), Tax Incremental Financing (Pacewicz 2013), post-natural disaster redevelopment (Gotham 2016) and debt-led growth strategies (Kirkpatrick & Smith 2011). In constrained fiscal contexts, these cases show how municipal governments in the US are increasingly reliant on capital markets and converting income streams from local public assets into financial products, often in order to catalyse the same kinds of speculative, growth-oriented, and privately delivered development projects associated with previous rounds of urban entrepreneurialism. Whilst not entirely novel, these municipal entanglements with global financial actors and practices seem to be intensifying as “the dependency of political institutions on financial markets for securing investment capital” (Gotham 2016: 1363) has increased. Indeed, employing an explicitly conjunctural optic, Peck and Whiteside (2016) and Peck (2016) identify a general logic of financialized urban governance across cities, suggesting that the municipal state in the US has become a critical terrain, target, and agent of financialization, amounting to the constitutive financialization of late-entrepreneurial metropolitan governance, about which we currently know little (Peck & Whiteside, 2016: 237).

Hamstrung by budgetary cutbacks imposed from above, a key driver of municipal financialization that emerges from the literature is the search for enhanced fiscal and political capacity, however temporarily or contingently attained. Top-down austerity policies are one of the key drivers of financialization at lower and subordinated levels of government. In the case of US cities, recourse to capital markets through revenue bonds and TIFs became commonplace when fiscal federalism reduced transfers to state and city governments (Hackworth 2002) and as state governments moved to curtail the power of city governments to raise local taxes (Davidson & Ward 2014). Across Europe, during the 1990s and 2000s, municipalities engaged in the swaps market to manage debts, generate upfront cash, and speculate, all whilst circumventing budget constraints imposed by EU and national regulations (Hendrikse & Sidaway, 2014; Lagna, 2015, 2016). Similarly in the UK context, the Hammersmith & Fulham derivatives debacle in the early 1990s occurred in large part because of Thatcher’s rate-capping and Rate Support

Grant reductions, encouraging novel debt management and speculative/accumulative strategies through interest rate swaps (Tickell 1998). More contemporaneously, the politics of ‘austerity localism’ (Featherstone, et al., 2012), coupling unprecedented budget cuts and centrally imposed limits on local taxation, with local funding incentives/exigencies around economic growth and house building (Penny, 2016; Sandford, 2016), is now pushing London’s local authorities towards capital markets and commercial-cum-financial practices, something much less developed than in the US.

In a context where cities must become less reliant on funds redistributed from higher levels of government, local state actors are innovating “to devise revenue generating mechanisms themselves” (Davidson & Ward, 2014: 86) by opening up new opportunities for investors through, for example, “interest-rate swaps, derivatives, and securitized revenue streams” (Peck & Whiteside, 2016: 242). Meanwhile, it has been observed that states and state-like actors, under pressure from financial markets, are themselves embracing the methods and motives of the financial sector, such that “financial narratives, practices and measurements are dominating branches of government, public authorities and semi-public institutions” (Aalbers forthcoming). Yet, whilst the forces acting on local actors may be commonly experienced across space, producing discernible multi-sited patterns of practice, local responses can also be expected to be variegated and contingent. City governments, as Ward (2017: 3) reminds us, are “more than the puppets of financial capital” and are not simply, as Gerald Davis (2009) has it, “managed by the markets”. Instead, as we show, they are actively engaging in financialized entrepreneurial practices, despite an ambivalent response from elements of central government. At the interface of the local state and processes of financialization this study contributes to our understanding of why, how, to what extent and under what conditions the local state is engaging in practices of financialization, or is being financialized, and with what implications. As examples of the local state’s financialization grow under normalized conditions of ‘austrian’ rule, problematizing the local state’s role in financialization is fast becoming an urgent “research frontier” (Aalbers 2017: 10) and indeed political task for critical urban studies: the nascent literature on the subject suggests that although pursuing statecraft and public policy objectives through financial means may buy fiscal and political capacity for the local state, it does so at a cost (Pacewicz 2013; Ashton et al. 2016).

### 3.3.2 The financialization of public/non-market housing

Municipal financialization is analysed in this paper through the novel means by which London councils are regenerating their public housing estates. However, the role of housing here is more than an incidental policy-node through which this variant of entrepreneurial governance is expressed. As with earlier forms of entrepreneurial governance, housing, or rather real-estate, is crucial to the model. First, the speculative mode of governance outlined in this paper is predicated on the council’s treatment of its land assets and

public housing in a financialized manner. Secondly, alongside developing high-value private housing, the model produces a form of quasi-public and financialized affordable housing which is unlike previous forms of public housing produced in the UK. Housing financialization, often overlooked in studies of financialization (Aalbers, forthcoming), must therefore be a cornerstone of our analysis.

Much of the existing research into the financialization of housing emerged in the wake of the foreclosure crisis, focussing on a single tenure: mortgaged owner-occupation. Following the foreclosure crisis, a series of studies carefully detailed the recurrent intensifications of the housing-finance link, and the production of a global marketplace for synthetic financial products grounded in (subprime) household mortgages (Gotham 2009; Newman 2009; Aalbers 2012; 2016). These studies reveal how, over the course of about a quarter century, financializing innovations, alongside de- and re-regulations (Aalbers, 2016), created liquid, tradeable assets out of spatially-fixed homes (Gotham 2009), de-linking home and wealth from place. Mortgage credit was used as the basis for complex, collateralized investment products, and the homes and neighbourhoods of low-income households, previously scarcely touched by financial capital, became key sites of extraction. Credit was expanded in exchange for a decoupling of control and the effect was often to entrench, not disrupt, urban inequality.

Notwithstanding the importance of these studies, they can only offer a partial contribution to our understanding of the financialization of housing, which is neither a monolithic process (Aalbers, 2017; Fields 2017), nor one that is limited to owner occupation, or mortgage markets. While the variegated nature of financialization is generally acknowledged, understanding of the financializing dynamics in non-owner occupation tenures, or within non-commodified or public housing is scant. In recent years some of the first explorations of the ways in which non-market housing can be financialized, through its development funding or the trading of financial assets and liabilities by sectoral actors, have emerged (Aalbers et al, 2017; Wainwright & Manville, 2017). Centring on the novel use of bonds and derivatives by Dutch and UK Housing Associations (HAs), these studies have found financial institutions eager for investment portals into non-market housing, and HAs innovating financially in response to reduced central funding, with a growing commercialisation of the sector. Wainwright and Manville's (2017) analysis of HAs in the UK brings into sharp focus the contradictory public/private obligations produced in the financialization of a sector whose core values – affordable housing for those on low-incomes – are “diametrically opposed” (ibid: 820) to the methods and motives of the financial sector. Financialization has enabled HAs to access development capital in a time of limited resource, but has required a shift in operational approach away from social and public policy oriented frameworks, towards a commercial, financial agenda focussed on “‘asset management’, valuations and risk modelling” (ibid: 823).<sup>5</sup>

---

<sup>5</sup> It is important to note that the commercialisation of some UK Housing Associations is not a process which can be entirely attributed to their post-GFC financialization, but is rather a sectoral shift which has been underway for some time. Indeed, by 2016 the shift was such that one major London Housing Association announced it

In another context, Desiree Fields' (Fields 2013; Fields & Uffer 2016; Fields 2017) work on the financialization of private rent-regulated housing in New York and Berlin illustrates how residential financialization can occur through the transfer of housing to a financial sector actor. Her work, detailing the financialization of New York's private rent-stabilized housing stock, identifies rental housing as a "frontier for financialization", a dynamic that she notes is "increasingly relevant since the global financial crisis" (Fields, 2017: 1; see also Beswick et al 2016). Financialization is operationalized in Fields' work as the purchase of rent stabilized housing by private equity funds ('predatory equity'), and the funds' treatment of that housing as a pure financial asset. Later work with Uffer (2016) reveals a similar process in Berlin, where state-owned public housing was the target of 'predatory' *acquisition* by private equity firms. Their research found that housing financialization was an important driver of urban division, producing "heightened inequality and often worsened housing conditions" (Fields & Uffer 2016: 1497), driven by cost-cutting, short-term 'assetizing' strategies, and the effects of fluctuations in the global financial ecosystem with which the homes were increasingly co-dependent.

In diverse ways, these studies engage with the role of the state in the financialization of housing, and echo the findings of Christophers (2017) in his historical analysis of the UK state's treatment of its land. Engaging with Harvey's (1999) axiom which holds that under capitalist relations land will be increasingly treated "as a pure financial asset" (cf. Coakley 1994), Christophers focuses his attention specifically on the role of the state in financializing land – a role that "has to date been afforded very limited theoretical or empirical attention" (2017: 62). Ultimately, whilst recognising the "far from straightforward or unambiguous" (ibid: 63) nature of the UK case, Christophers concludes that the state plays a crucial *enabling* role in *indirectly* financializing land in the UK through aggressive privatisation. The UK's public estate has been financialized not by the state itself, but as the state has sold public land to private actors. Similarly, in New York, Fields found that the state, through its partial dismantling of rent regulation and privatising of public assets over several years, indirectly provided "crucial assistance" to the financializing agent, releasing stock for financial capital to acquire (Fields 2013: 192). Echoing our above discussion on urban entrepreneurialism and financialized governance, Fields found that these decisions were made in a context of unequal hierarchies of state power, with cuts to federal funding for cities driving municipal governments to take more 'economic' approaches to public assets. To use Christophers' framing, the state was not the executor of financialization *per se* but rather the facilitator or enabler of financialization, carried out by other actors. The state sells, transfers, or facilitates the transfer of land, previously privileged for its use value, to private actors who then treat it as a 'purely financial asset', interested only in the rent it can yield. This pattern is echoed in Berlin, where public

---

was to abandon its core business of providing affordable housing for low income groups completely, to focus on the private market house building only.

housing corporations were disposed of by the state and acquired by financializing agents who privilege only its exchange value (Fields and Uffer, 2016). This pattern also holds for Aalbers and colleagues (2017) and Wainwright and Manville's (2017) work on HAs. The prospects for financialization – engaging capital markets for development capital, and the expansion of financial products on balance sheets – grew as the ties between HAs and the state were loosened, and “reduced state funding... led social housing providers to become more reliant on capital market intermediaries” (Wainwright and Manville, 2017: 819). Aalbers (2017) therefore links the incipient financialization of public/social housing to the withdrawal of state funding, on the one hand, and the abdication of state responsibility on the other; this retraction and mutation of the role of the state *indirectly* produces financialization in non-state providers. While, generally speaking, this direct/indirect dichotomy oversimplifies the complex role the state plays in these examples of housing financialization, these studies point towards a minimal, hands-off role for the state in financialization, in contrast to the financialized municipal entrepreneurialism emergent in London, in which an interventionist local state is the active executor of financialization.

It is becoming increasingly clear that the historical status of non-market housing types – homes which are vital in giving those on low-incomes a claim on urban space – affords no necessary protection against their incorporation into the accumulation strategies of financial capital (Fields 2017). However, as yet there is little understanding of how such *financialized re-commodification* plays out when the housing in question is (and continues to be) non-market for users – that is to say, when public housing becomes a financial asset. So far, the implications of the imposition of this dual nature on public housing are unknown. On the one hand, at the point of consumption, the housing exists as an affordable, non-market tenure. On the other hand, the same public housing also functions as a globally traded financial product. In what follows we unpick this contradictory, Janus-faced character and the new mode of entrepreneurial governance it undergirds.

### 3.4 Financialized municipal entrepreneurialism in action: Council-led property speculation in London

The London Borough of Lambeth is an Inner London Local Authority, with a population of at least 318,000. It is a long, narrow borough, widening from Waterloo on the South Bank of the river Thames in central London, through dense inner-city neighbourhoods, to quieter suburbs 7 miles south of the river. Lambeth Council, the borough's locally-elected political administration, is overwhelmingly controlled by the local Labour Party, which holds 59 of the 63 seats, giving the party a very high degree of legislative and executive control. Much of Lambeth has experienced intense gentrification over the last 25 years. Despite heavy 'territorial stigmatisation' of neighbourhoods in the borough, decades of neglect and capital flight is being reversed. Investment is rapidly returning to the area, pushing up the price of housing and resulting

in strong displacement pressures. In the face of these pressures, much of Lambeth retains comparatively high levels of social housing, some of which is now being regenerated through Homes for Lambeth (HfL), Lambeth Council's SPV.

The empirical data presented here was collected from 2015 to 2016 and comprises a combination of 10 semi-structured interviews with key actors, alongside a close analysis of all relevant secondary sources produced by the Council, activist groups, central government, and other actors. Interviewees included a senior elected Councillor (Lambeth Councillor) and a Senior Council Officer (Lambeth Officer) with close knowledge of the project, community activists campaigning against estate regeneration, and Councillors and Officers in other London boroughs who have set up housing SPVs. Additionally, a catalogue of secondary data from all relevant and publicly available Lambeth Council documents was acquired, in combination with web searches to acquire relevant grey literature relating to the setting up of SPVs.

The decision to set up HfL can be traced back to October 2012 when Lambeth Council embarked on a significant regeneration plan to finance the refurbishment of their existing housing stock after decades of disinvestment. In response to central government budget cuts, and a decision made locally to upgrade existing homes to a 'Lambeth Housing Standard', set higher than the legislative minimum (the 'Decent Homes' standard), the council announced it had a £59m funding shortfall to refurbish homes. Their response was to pursue a programme of council estate regeneration predicated, in part, on the demolition of six council estates and their redevelopment under an SPV at higher densities and with the 'cross-subsidisation' of affordable homes by new private builds. By 2014 the rationale for regeneration came to focus increasingly on the need to address the housing crisis in Lambeth; the development of 1,000 council homes became a key manifesto pledge in that year's borough elections. Like every other London Borough, Lambeth faces what is almost universally recognized as a 'housing crisis' (Edwards, 2016). The precise nature and causes of this crisis are beyond the scope of this paper (see Watt & Minton, 2016), but it is predominantly a crisis manifested in a vast structural discrepancy between a high and growing need for decent, affordable housing in the city, and the diminishing availability of such stock, resulting from almost four decades of the neglect and neoliberalisation of housing policy.

In this context, Lambeth decided to "*intervene in the market*" in response to its "*failure*" to "*deliver affordable housing*" (Lambeth Officer), by creating HfL, a housing and regeneration SPV. An SPV, (or Special Purpose Entity) is an 'off balance sheet' limited company, created by a parent company to pursue a specific project or interest. According to PricewaterhouseCoopers, SPVs play a "vital role in the efficient operation of global financial markets" (2011: 2), enabling the parent company – "typically a major investment bank or insurance company" (ibid: 4) – to fulfil a temporary or narrowly specific objective. The SPV is usually set up as a so-called 'orphan company', which means that it is legally independent from the

parent company, often isolating them from any financial risk and enabling access to credit on preferential terms.

SPVs have emerged in recent years as a preferred option for local authority housing and regeneration in London and the UK, with a third of local authorities in England developing or having developed SPVs in recent years (Inside Housing 2016). SPVs open up flexible governance spaces within which Councils can operate with increased autonomy from centrally-imposed regulations and restrictions. SPVs are being created to enable a Council to: act commercially and speculatively to build private market housing for sale, which cannot be done within the council's housing budget; circumvent borrowing restrictions and access new sources of equity and debt funding, including from institutional investors; generate a new revenue source to fund general services; transfer existing council housing and tenants from their well-protected status under statute to a more precarious status constructed by the SPV; and avoid right to buy legislation, which enables council tenants to buy their homes from the local authority at a significant discount paid for by the state. Significantly, SPVs cannot build, provide, or manage *council* housing and as such any homes transferred to or built by an SPV will be of a more insecure tenure status; homes held by the SPV are not strictly speaking public or social housing in that sense. The rents can be set by the SPV at their discretion.

Lambeth's SPV – described as a wholly-owned council company (Lambeth Council, 2015b) – is in fact a complex, multi-company corporate entity, with intricate public-private form, designed “*to harness the full economic potential of the local property market for the benefit of Lambeth's residents*” (Lambeth Council 2015a: 13). HfL enables Lambeth Council to “*act as a commercial property developer*” (ibid.), developing private houses for rent and sale and, mirroring private sector developers, cross-subsidising the provision of affordable homes, to the extent it is deemed commercially viable. In the context of a local property market with values more than double the national average, the Council is using its land assets (its housing estates) as financial assets, pursuing a profit making, self-financing regeneration strategy. This quasi-financialized attitude (cf. Coakley 1994) to the estates is confirmed by the acknowledgement of the importance of “*high-value regeneration areas*” (estates in desirable parts of Lambeth) to the approach, as they present opportunities to “*generate long-term returns for the council*”, whose personnel are fortified by the attitude of “*where we own land, we should be looking to invest our capital*” (Lambeth Officer).

Structurally, HfL comprises a top-company, wholly-owned by the Council, with at least three subsidiary companies, of varying public-private form (See Figure 1). The redevelopment of the estates will be undertaken by the wholly-owned top company (HfL), and this will produce four different tenures of homes: homes for private sale; homes for private rent; intermediate ('shared ownership') homes; and 'affordable homes', set at 'council-rent levels' and above. The new private flats will then be sold to a

wholly-owned, for-profit subsidiary for higher than build costs, which will cross-subsidize the sale of *replacement* affordable housing to a wholly-owned subsidiary not-for-profit HA for less than build costs. There is also a subsidiary Joint Venture, with an institutional investor, in which HfL will be a minority shareholder. The Joint Venture will hold the *new* affordable homes, and enable the council to circumvent restrictions on their in-house use of receipts from the sale of council properties through the right to buy scheme. The desired partner is a Pension Fund.

The homes and land which comprise the estates will be transferred to the SPV on a 30-60-year lease, a quasi-privatisation which removes the existing and future homes from statutory public housing regulations and transfers landlord status from the Council to HfL and a pension fund, outside of the public sector. As such, the SPV removes all existing and future homes from the Council's ring-fenced, capped, and regulated housing fund, the Housing Revenue Account, which would otherwise limit how much, and from whom, the Council could borrow. Financing the project in this SPV-created liberated space enables HfL to use right to buy receipts, and "*to borrow from different sources that the council... couldn't have otherwise borrowed from*" (Lambeth Officer). Commercial housing developers and HAs (the traditional PPP partners) are being avoided (Lambeth Officer and Councillor), and instead partnership and funding is being sourced from financial sector actors, through novel forms of debt and equity (the Joint Venture), ranging across traditional loans, partial ownership, and the sale of rental streams over extended (30-60 year) contracts.



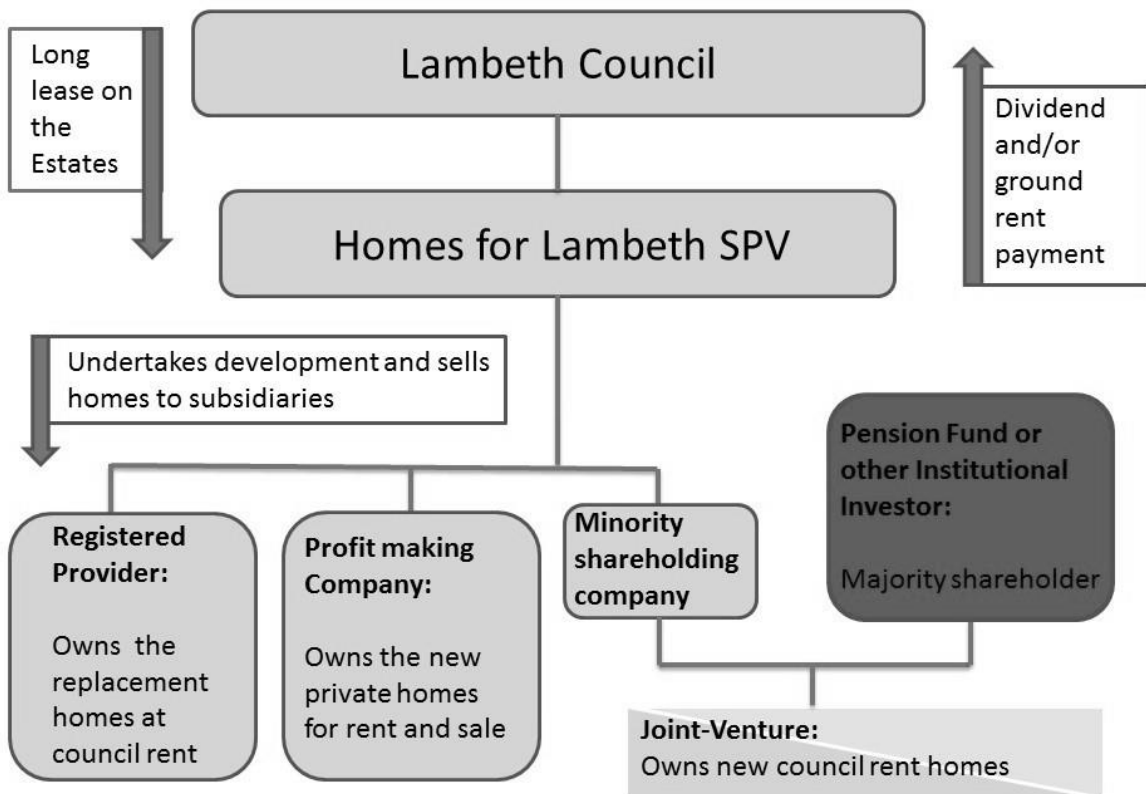


Figure 3.4 – The Structure of Homes for Lambeth and its Subsidiaries. Source: Authors.

Despite the Council’s repeated claim that it is the *only* plausible means by which it can actively intervene to address the borough’s housing crisis and generate needed revenues, the constitution of HfL has been highly contested from the outset. Most active and vocal amongst HfL’s opponents are the residents of the estates slated for demolition, especially those on Cressingham Gardens Estate (CGE). Unwilling to see their homes demolished, or be forcibly rendered the subjects of a state-led project of financialization, tenants and leaseholders on CGE have resisted the Council’s plans since 2012 through the ‘Save Cressingham Gardens’ (SCG) campaign ([savecressingham.wordpress.com](http://savecressingham.wordpress.com)). As well as disputing the Council’s socio-material rationale for demolishing their estate and the financial viability of HfL at heated public meetings in the Town Hall, the resident-campaigners have twice challenged the Council in court – once successfully on the grounds of an unlawful consultation process and once unsuccessfully on the grounds of denying tenant rights. Whilst they have not realized their ultimate aim of halting the development of HfL, a Senior Council Officer contends that the campaigners have been more successful in shaping the project than they realize, including by creating a political context in which the Council have decided not to pursue tax efficiency possibilities through the SPV. At the time of writing, SCG’s struggle continues, with residents now supported by, and supporting, a growing number of London based housing campaigns. Meanwhile,

dissenting voices within the Council have been conspicuous by their absence. Besides the sustained efforts of the single Green Party councillor, who has sought to slow the progress of HfL by calling Executive decisions in before the Council’s Overview and Scrutiny Committee, only one Labour Party councillor has taken a stand against HfL. In 2016, she was suspended from the local Labour Party for publicly criticising the Council’s political leadership, including for their role in pushing forward HfL.

### 3.5 Towards an interventionist and financialized urban entrepreneurialism

Lambeth Council position their use of financial practices and institutions, and their move to intervene more directly in the market as a private developer, as a unique innovation. Yet, whilst this is true with regards to the precise configuration of HfL, the turn towards SPVs is novel in the UK’s history of local government, but not unique to Lambeth. More than an isolated or experimental outlier, HfL reflects wider transformations in local governance across London; it points to an emergent mode of interventionist and financialized municipal entrepreneurialism adopted by a growing number of the city’s 32 Local Authorities, with implicit backing by the Greater London Authority (GLA) and (at times) central government. Notwithstanding differences in their composition, similar housing SPVs have been set up in over half of London’s boroughs (see Figure 2), as urban statecraft and housing delivery are reconfigured in tandem at the nexus of ‘austerity urbanism’, ‘late-entrepreneurialism’, and ‘financialization’ (Peck 2016).

LOCAL AUTHORITY/SPV	HOMES TO BE DELIVERED	DESCRIPTION
<b>Barking and Dagenham / Reside and Be First</b>	42,000	Reside is a wholly-owned council SPV which regenerates public housing estates on an ‘Income Strip’ model. Public estates are cleared of buildings and tenants if inhabited, and sold to a private investment fund, in this instance Long Harbour, on a long lease (40 years). The receipts for this sale provide the capital funding for the regeneration, and the council has control over managing the regeneration and the properties. The council pays an indexed rental stream to Long Harbour for the duration of the lease, after which the land reverts to the council. The homes produced are not secure ‘council homes’ as they are held by the SPV. Initial developments were entirely sub market rent, however market homes are now being produced. In 2016 the council decided to transfer its entire regeneration department to another profit-making SPV, BeFirst, which will pursue similar financialized regeneration projects. The council is now actively buying land in addition to using public land to pursue speculative real estate-based activity.

3000	<p>Red Door Ventures is a wholly-owned council SPV which develops primarily private rental housing, in order to generate “long run returns... in light of very significant reductions in Government grant funding” (Newham Council 2015: 6). Spurred by a desire to directly “exploit the borough’s own land assets commercially” (Hill, 2015: n.p.), the council sells land, often previously occupied by public housing estates to the SPV, which acts “in the same manner as any other private sector [property] company” (Newham Council 2015: 2). The SPV only builds affordable houses when needed to “comply with planning requirements” (ibid: 3) – in other words, it builds no more affordable housing than the legislative minimum provided by private developers, and they are let at the highest rents possible within the planning requirements. The homes produced “will not be Council housing” and “are not intended for households towards whom the Council owes a housing duty” (ibid: 4). The SPV has been funded through commercial rate loans of £162 million from the council, which will generate a profit. It is hoped that the council can sell equity in the SPV to a financial sector partner, once it holds a “desirable” number of homes (ibid: 5).</p>
<b>Newham / Red Door Ventures</b>	
<b>Other examples</b>	<p>Housing SPVs have also been established, or are being set up in: Barnet, Camden, Croydon, Ealing, Enfield, Greenwich, Hammersmith and Fulham, Haringey, Havering, Hounslow, Kensington and Chelsea, Lambeth, Merton, Redbridge, Southwark, Sutton, Waltham Forest.</p>

Figure 3.5 – The emergence of Local Authority SPVs in London. Source: the authors.

Speaking in interview, a Lambeth Officer captured something of the unfolding nature of this conjunctural transformation. When asked about the challenges local authorities face in providing affordable housing, he articulated the rationale for setting up HfL by echoing the decline and failure of two prominent modes of urban governance: the Keynesian model of urban managerialism; and the state-facilitated, market-led model of urban entrepreneurialism through which local government has sought to skim some benefit off speculative private sector developments:

*“... the fundamental problem is that social rent housing doesn’t work financially... you are either relying purely on government subsidy, which has pretty much gone, or subsidy from a developer, cross-subsidising it. But because of the legislative framework within which we are working, developers don’t do that anymore. So you very rarely see anyone deliver that very subsidized housing”* (Lambeth Officer).

Almost axiomatically, HfL was conceived of in a context of a decline in national investment in local public services, including social housing provision, funded by national taxation. This context of course is not new: the decline of this mode of governance has been remarked upon since the 1980s, although it has been driven to new extremes across local government functions in the contemporary era of ‘austerity urbanism’ (Peck, 2012). Since 2010, unprecedented budget cuts to local revenue and capital budgets, have

predicated the financial future of local government – as well as a whole host of public goods provided at this scale – on the ability of local authorities to generate their own sources of income.

At the same time, HfL also represents an attempt to move away from the facilitative and minimal modes of entrepreneurial statecraft that replaced Keynesian managerialism in housing. HfL is developing in parallel to, but also very much out of the perceived failures in, the minimal state/planning gain approach, whereby since 1990 the majority of non-market housing in England has been realized through a tax on private developments (Christophers, 2014). In part, these failures pertain to the inadequate amount of genuinely affordable housing delivered through such mechanisms, as developers have proven increasingly adept at using (and manipulating) viability tests to reduce the ratio of non-market to market units (Colenutt et al. 2015; Flynn 2016) and as central government has removed any requirements on developers to deliver social housing on their sites (HM Government, 2016). Similarly, HfL represents a move away from the allied models of regeneration associated with this ideologically minimal and facilitative form of municipal entrepreneurialism, as exemplified by housing ‘stock transfers’ to Housing Associations (Watt 2009) and Private Finance Initiatives (PFIs) (Hodkinson & Essen 2015). The PFI was a mechanism widely used to deliver housing regeneration, which relinquished control over project delivery, design and asset management to private sector partners, with the state paying a long term charge for the services. In this mode of governance, private sector provision was exalted as efficient in ways the public sector could never be (Froud 2003) and the state’s role was limited to strategic oversight.

HfL signals a departure from this minimal role for the local state. Councils are once again acting as house builders, something which has often been all but absent since the neoliberalisation of UK housing policy. Lambeth Council is taking on a directly interventionist role, avoiding partnering with commercial property developers or HAs, as in the earlier forms of entrepreneurial governance, in order to have more control over new developments and capture more of their value, which is typically lost to private actors:

*“The proposed special purpose vehicle (SPV) would enable the council to...reinvest surpluses for the benefit of local people. Under normal circumstances, the 15-20% development profit would go to private developers”* (Lambeth Council 2015b: n.p.)

Positioned unfavourably in unequal scalar-state relations, constraining where and how they can raise or generate funds, local authorities – as much by dull compulsion as ideological zeal – are increasingly looking to the land they own and are leaning towards ambitious and speculative regeneration-led initiatives on their estates as *“one of the few areas in the council that can actually generate income”* (Lambeth Officer). However, instead of facilitating the private sector to undertake these activities, they are doing it themselves. The creation of SPVs to construct mixed-tenure developments with privatized funding,

including through institutional investors, is one example of this. In HfL Lambeth Council believe they have a viable long-term solution to their housing and fiscal crises:

*“[HfL] has basically got two key objectives; one is to deliver as much affordable housing as possible, but the other is to generate long-term revenue streams... that would then travel back up to the council, to fund services.”* (Lambeth Officer).

The commonly-shared pressures behind Lambeth’s move towards more explicitly interventionist forms of municipal statecraft are leading to a more active role for the local state, albeit in narrowly entrepreneurial and increasingly speculative and financialized ways, across London. Indeed, although still in its formative stage, it is possible to discern from HfL the signs of an emerging urban governance logic, that is being replicated across the capital: *“All councils are wanting to do these SPVs now because they are profit generating...”* (Estate resident). Using the case of HfL as an indicative exemplar, whilst recognising that the specifics of each SPV varies, a broad-brush picture of this *interventionist and financialized variant of municipal entrepreneurialism* can be sketched provisionally across the following four points.

First, HfL represents a noticeable shift away from the entrepreneurial logics described above. Documentation outlining HfL makes frequent reference to ‘control’, ‘influence’, and council power. In a way reminiscent of favourable perceptions of urban managerialism, public sector decision making and intervention is exalted; many London Councils may once again begin building houses on a significant scale, turning away from a reliance on private sector delivery. The fact that HfL is a ‘wholly-owned company’ has always been the primary justification for its establishment over other tried-and-tested regeneration strategies (Lambeth Council 2015a; Lambeth Council 2015b). This however, does not signal a simple return to, or revalorisation of, the public sector ethos or modus operandi. Indeed, whilst HfL and other council-owned SPVs make much out of their publically owned status, their core operating logics and practices have been borrowed from the private and financial sector: they function as commercially-minded, speculative, and risk-taking real-estate ventures. Indeed, a very small minority of Local Authorities in London are actually establishing their SPVs as a Joint Ventures, not wholly owned companies, including Haringey in North London (Chakraborty, 2017), despite maintaining a notional commitment to retaining ‘control’. The decision to partner with a private sector developer, in a 50/50 split, has been explicitly taken such that the council can draw on the developer’s commercial experience of the speculative real estate sector, importantly allowing them to deliver their reimagined interventionism through SPVs at a very large scale. The current proposed development pipeline of Haringey’s SPV has a gross development value of £2 billion, a scale of ambition they say would not be possible in a wholly-owned company.

Secondly, HfL represents an aggressively commercial and speculative mode of governance new to local government in the UK context. Whilst set up as ‘wholly-owned council companies’, often with the express aim of building more housing at affordable rent levels, SPVs enable councils to act as commercial

property developers and speculators, effectively “*converting council housing into a profit making machine*” (Estate resident). Taken outside of Council restrictions, any profits accrued through these SPVs can be released to the local authorities as new flexible ‘fiscal rents’ (Haila, 2015) and used to finance a whole range of Council services. Further blurring public-private distinctions, SPVs such as HfL ape the viability-led business models of private-sector housing developers. Market housing cross-subsidizes the development of affordable units. This means that the development of affordable housing is predicated on the speculative development of private housing, and what once may have been seen as a primarily social and political issue has, to an even greater extent, become first and foremost an economic issue.

Thirdly, HfL is predicated on treating public land as a quasi-financial asset.<sup>6</sup> Housing and regeneration SPVs reflect and actively reproduce a model of market-led regeneration based on land-value uplift, or viewing public land as an asset valuable primarily for the revenue streams and capital gains which it can produce. The business-cases for a number of SPVs across London actively seek to make use of high value public land, including existing council estates in expensive locations. The model incorporates an attitude to land which sees it as a financial resource to be put to ‘highest and best (economic) use’, over and above any consideration of it as a site of broader public policy delivery. The Government’s *Estate Regeneration National Strategy* articulates this emerging tendency, effectively advocating the adoption of a new way of seeing in estate regeneration (DCLG 2016), outlining a pressing “*need*” for “*local authorities to view estates as long-term, income generating assets*” (DCLG, 2016: 11). There has thus been a shift in how estates are viewed, from an optic of moral, social, and public policy priorities, to a commercial, financial agenda focussed on “*asset management, valuations and risk modelling*” (Wainwright & Manville, 2017: 823).

Finally, HfL positions the local state as the executor of financialization. This way of operating sits in contrast to the findings of Christophers (2016), echoed by other housing financialization researchers, who depicts the role of the state vis-a-vis financialization as facilitative: “if the UK state has indeed increasingly come to financialize public land, it has for the most part done so only indirectly” and instead of treating the land “as a financial asset per se by developing, letting, trading, actively speculating with, or otherwise directly exploiting it”, the state has enabled such a treatment of its land by “strategically selling” it “to actors that do treat land in such a way” (Christophers 2016: 2). HfL is markedly different to this. Rather than indirectly financializing public land through aggressive privatisation and deregulation, the local state in this instance has partially retained its interest in its land assets, and is itself treating them akin to a financial asset. The state in this case is the ‘financializer’, privileging land for its exchange value.

---

<sup>6</sup> For a useful discussion of the reasons it may not be possible for land to be treated as a ‘pure’ financial asset in Harvey’s sense, see (Coakley 1994).

At one level HfL represents a new policy model and governance fix, enabling Lambeth Council to pursue its public objectives – addressing a housing and fiscal crisis – in a directly interventionist way, employing commercial and financial logics, techniques and resources to circumvent nationally imposed budgetary and regulatory constraints, and to become a major housing developer again. At another level, HfL also signals the active constitution by the local state of public housing estates as quasi-financial assets and former council homes, and the rents they yield, as new opportunities for financial sector income stream capture, public asset ownership and value extraction. This dynamic, as the next section explores, brings with it a set of risks and tensions, some of which contradict the Council’s stated aim to maintain control over new developments and which set the stage for a loss in public control through full-scale privatisation and financialization.

### 3.6 Social, Economic, and Political Consequences of the Financialization of Public Housing

The success of the HfL model of public housing regeneration is predicated on the constitution of novel linkages between state owned affordable housing and financial capital. HfL, and the SPV model more generally, enables public housing to be remade as an asset class, alike in many respects to public infrastructure and capable of absorbing substantial portions of the global pool of liquid assets – the ‘wall of money’ (Fernandez & Aalbers, 2016) – seeking stable, secure real estate investments in a post-crisis investment landscape. Unlike other types of rental housing financializations (Fields 2013, 2017; Fields and Uffer, 2016), public housing is emerging as an attractive investment characterized by its low risk profile and reliable underwriter (the state), and as such is akin to infrastructure.

The financialization of infrastructure is at a matured stage (O’Neill, 2015; cf. Torrance 2008; O’Brien & Pike, 2015; Ashton et al. 2016). While large capital projects, including council housing, have always relied on private finance, public infrastructure *itself* has now become a financial asset, with the attendant elevation of motives, imperatives and metrics – from the “world of private finance and financial markets” – above other “economic and social goals of the day” (O’Neill, 2015: 4). The relevance of this to the present case is that, in a manner perhaps not applicable to other tenures, public housing is being treated as akin to infrastructural investment by financial capital. Infrastructure leases are attractive to investors as they generate stable returns over long periods, occupy often monopolistic positions in the market, and deliver typically recession-proof and inelastic revenue streams (O’Neill 2009). These characteristics make their revenue streams highly amenable to financial engineering, and offer innovative means to extract and trade value through opaque financial instruments. Public housing, in a booming housing market like London, exhibits all of these characteristics: its rents and covenants are governed by state policy; the state is its ultimate owner and underwrites rent, providing durability and stability; and demand is far greater than supply. Indeed, public housing as an asset class may actually possess a less

substantial risk profile than many infrastructure projects, which often carry a substantial ‘completion risk’ in the UK (cf. O’Brien & Pike, 2015). As such, HfL represents a clear opportunity for certain sectors of financial capital:

*“pension funds... are sitting on billions and billions of pounds that they want to put into stable low risk investment – they can’t put into banks because interest rates are low, can’t put it on the stock market because that’s risky, can’t put it into government debt because they don’t look quite as stable as they used to. Social rent is low, affordable, people will always pay it, and it is underwritten by the state through housing benefit”* (Lambeth Councillor).

Financial sector involvement in HfL will come in the form of traditional loans, partial ownership, and the sale of rental streams over extended (30-60 year) contracts. Unlike traditional forms of debt funding, in which loans can be repaid through incomes (rents), this latter approach involves the effective sale of the income stream (the rental payments), backed up by the security of the leasehold or freehold on the property itself, in return for an up-front lump sum: *“Let’s say [HfL] will construct 100 properties, and that would generate an income stream of £X million, [institutional investors will then] purchase that income stream for the next 30 years, so that will then pay back the construction costs”* (Lambeth Officer). ‘Soft-market testing’ has been undertaken to gauge the interest of institutional investors in this novel source of securitisation-style funding for council-built housing.<sup>7</sup> On the one hand, it provides a means for councils to access large-scale upfront funding for new development, and on the other, it creates a financial asset out of public housing rents, which can be bought and sold on secondary markets by financial institutions with the manner and ease of other similar assets. The homes produced under this novel form of financialized public housing development *appear* to acquire a dual character not currently found in public housing in the UK. In one respect, they will have primacy of use value: non-market houses preserved for those deemed ‘most in need’, and with rents set not by the market, but by the SPV. In another respect, they will constitute a class of financial asset, with use value only in the rents they yield, to be bought and sold in the dislocated non-place of global investment markets, absorbed by a wall of money interested only in their exchange value.

This seemingly contradictory character – of interventionist state public policy and financialized extraction, of use value and exchange value – creates tensions and complexities as well as a constellation of risk and uncertainty not yet seen in the UK’s public housing sector. Born partially out of austerity-imposed restrictions on municipal autonomy, the council is engaging in intricate, far-reaching, and so-far unknown commercial and financial entrepreneurialism to deliver public policy objectives. However, the

---

<sup>7</sup> Our research has shown that this form of public housing funding is already in existence in a similar format in at least one other London borough, Barking and Dagenham.



scale of the tensions and contradictions which are revealed on analysis suggest that those policy objectives risk being subverted, forgotten, and/or severely diluted by the complexity and financialized motivations necessitated by the project. Some of the foreseeable risks, tensions, and contradictions – social, political and economic – include: a reworking of the obligations to tenants, citizenry, and investors; an imbalanced public/private risk profile; the future disposal of assets; and deferred democracy. These are explored below.

Under the terms of the new relationship, HfL will need to maintain the rental stream or risk losing the underlying asset, the homes. This constitutes a critical pressure, one which may require Lambeth to “re-orient a broad range of state activities” to maintain the value flow (Ashton et al. 2016: 1385), with this taking priority over other responsibilities the council bears. The exalted notion of *control* is contrasted here with an obscuring of accountability, wherein HfL acquires obligations not just to tenants, or the local citizenry, but to global financial interests. The new affordable homes created by the SPV will no longer be protected by state regulation and can be switched to private market rates as tenants change. Therefore, over the lifetime of the contract such countervailing pressures, and the calculative, value-generation driven logics which they necessitate (Wainwright & Manville 2017), may bring into question the affordability of rents, or undermine the public policy objective to adequately house those on low-incomes and the vulnerable. Under the terms of the new relationship, these consequences, and the full implications of the financialization of Lambeth’s public housing, will likely not be felt in the near future, but will stretch out across a longer temporality, produced and reproduced by the interplay between the ‘governance in motion’ that such intensified and extended integration between public goods and the financial sector requires (Ashton et al. 2016), and the evolving need to see public housing as a “long-term, income generating asset” (DCLG 2016: 11).

The obfuscation of democratic and financial accountability is further complicated by the political and economic risk which exists over the lifetime of the contract. The impossibility of foresight regarding economic and central government policy changes – on public housing and rents, on public assets – posed one of the primary obstacles to the establishment of the HfL project. As acknowledged by a Lambeth Councillor, such risks are a ‘serious’ threat to the local authority and HfL:

*“we can’t confidently say that the Government won’t continue to cut rent, won’t extend the Right to Buy, won’t outlaw SPVs. [It] makes it politically difficult because we can’t promise that this won’t happen. To which my response has been: we can’t promise, but we also can’t sit around and do nothing because we are scared”* (Lambeth Councillor).

Such risks represent a clear threat to the Council’s ability to maintain the income stream, as rental assets could be lost, or degraded. Investors have told the Council that they “*have to bear those risks*” (Lambeth Officer). These risks, weighted firmly to the disadvantage of the Council, and ultimately against present

and aspiring tenants of the affordable homes, exert new pressures on the ability of the Council to meet its original affordable housing policy objectives. The management of this risk profile is likely to become a crucial question of local democracy, as instances of governance-by-SPV multiply in the UK.<sup>8</sup>

If HfL does not grow at the speed and volume implied by the Council's aspirations, or should HfL encounter the risks highlighted, it could become a serious financial burden. The speculative model of public house production, based on land-value uplift, carries with it deep economic risks in an overheated property market like London. In such circumstances, the risk of a wholesale disposal of HfL and its tenants, already transferred outside the Council to a private company in the creation of the SPV, may loom large:

*"[They'll] sell the equity, because they will need the cash. So they will sell some of the company, and then the council will own 70% and the investors 30%, and then that could slide. Councillors don't have that long-term perspective; they have the four-year perspective – 'let's sell some equity-off so that we can fix all of the potholes now'" (Estate Resident).*

In any number of political or economic circumstances the Council could dispose of the homes held by HfL, or even HfL itself<sup>9</sup>, opening up a portal for further rounds of financialization and the entry of Global Corporate Landlords into the borough (Beswick et al, 2016). The uncertainty and risk here lies squarely with the tenants, and those in need of affordable housing.

The possibility of Lambeth disposing of the assets also illustrates how starkly the interests of HfL, and the interests of Lambeth Council, may diverge, and how the public policy objectives of the Council, and the private interests of HfL, may conflict. In transferring the land to the SPV, the Council is deferring control of the homes and land it controls to a non-public body. Local democratic structures, and through them local people, will no longer retain full control over public assets. The boards of HfL and its subsidiary companies will be primarily comprised of councillors and officers, however in these roles the councillors and officers will be required to adopt the legal duties of Directors of a private company, and not of public servants. Governance-by-SPV carries a scope for conflict of interest which, in the words of the officer responsible for the project, is "*massive*", and managing this will be one of the central features of the project. The complexity of negotiating the risk entailed by this deep entanglement of corporate and public interests is characteristic of the HfL project as a whole, one in which democracy is deferred to a speculative private entity, and public policy objectives are reduced to questions of commercial and financialized economic viability.

---

<sup>8</sup> In early 2017 central government announced that homes created through council-owned SPVs should be subject to the right to buy, although has not yet legislated to mandate this.

<sup>9</sup> The council have acknowledged the significance of this risk, and have introduced a 'triple lock', in which the sell-off of the properties would require the approval of the board of HfL the full cabinet and two thirds of the council. However, as the personnel of these bodies will be exceptionally similar, a Senior Lambeth Officer acknowledge that opponents of the project "*think that it is too loose, and you can kind of see why*".

### 3.7 Conclusion

This paper has outlined an emerging form of municipal entrepreneurialism, through the use of council owned SPVs in London. The empirical case study presented in this paper demonstrates the interventionist role taken by the local state in building housing, by commercializing and financializing its own statecraft and public housing stock. By assuming the role of speculative property developer, viewing its land as a quasi-financial asset, and creating innovative portals for financial capital to access public housing, Lambeth has constituted its public housing stock as a proto-asset class for global institutional investors. The paper has provided further evidence of the expansion and permeation of financial sector involvement in housing generally – confirming rental housing as a “an important new node for financializing projects globally” – and non-market housing specifically as a “frontier for financialization” (Fields, 2017).

The specific quality of the housing in question in this paper has revealed new dynamics that provide an important addition to the growing knowledge of the financialization rental housing in North America and Europe. Whereas the work of Aalbers (2016), Wainwright and Manville (2017), Fields (2015, 2017) and Fields and Uffer (2016) demonstrates the close interconnection of privatisation and financialization – ‘financialized privatisation’ – the case study presented here points to a more ambiguous form of partial-privatisation akin to state infrastructural financialization, giving the new affordable housing produced by HfL a Janus-faced quality, functioning both as globally tradeable asset and decommodified home.

More than an isolated innovation or experiment in financialization, HfL is representative of a broader shift in governing logics of the local scale across London, towards what has been termed in this paper Financialized Municipal Entrepreneurialism. This mode of governance, which is being adopted at pace by Local Authorities across the city, has been analysed conjuncturally, emerging out of the decline of urban managerialism, entrenched in the present austerian context, and the perceived failure of minimalist and facilitative modes of urban entrepreneurialism – such as the planning gain approach or PFI. We have shown that many local authorities in London are seeking to play a more interventionist role in public policy areas in which they recently provided only oversight, and are turning to financial practices and institutions as urban governance fixes, opening up smoother governance spaces (through SPVs) and new lines of equity and finance (through institutional investors). In this way, local authorities in London, like municipalities in the US and Europe, have sought to circumvent the political and fiscal constraints imposed on them from above, and believe they have found a path towards greater local capacity and control, as well as financial self-sufficiency.

In the final section of this paper, however, we suggested how this may represent a pyrrhic victory, especially for existing and future tenants of the quasi-public affordable homes created through HfL. The gains in capacity and control in the short-term, look likely to unravel in the long-term. As new forms of

governance-in-motion, the SPV-driven pursuit of public policy splits Local Authority accountability, imposes long-term and potentially unforeseen risks on councils, and renders formerly secure council estates and tenancies inherently insecure. As residents of the Estates have emphasized on countless occasions, there is nothing – beyond the word and goodwill of Lambeth Council – to stop the partial or complete sale of HfL to private actors, including Global Corporate Landlords, portending another escalation of the linkages between financial capital and (ex-)public housing, and a new round of financialized value extraction and appropriation.

## Bibliography

Aalbers, M. (2012) *Subprime cities: The political economy of mortgage markets*. Wiley-Blackwell, Oxford.

Aalbers, M. (2016) *The Financialization of Housing: A political economy approach*. Routledge Studies in the Modern World Economy, Routledge, London and New York.

Aalbers, M. (forthcoming) Introduction. The Variegated Financialization of Housing Symposium for the International Journal of Urban and Regional Research. International Journal of Urban and Regional Research.

Ashton, P., Doussard, M and Weber, R (2016) Reconstituting the state: City powers and exposures in Chicago's infrastructure leases. *Urban Studies* 53.7, 1384-1400.

Barnekov, T.K., Boyle, R and Rich, D (1989) *Privatism and Urban Policy in Britain and the United States*. Oxford University Press, Oxford.

Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D and Hodkinson, S (2016) Speculating on London's Housing Future: The rise of global corporate landlords in 'post-crisis' urban landscapes. *City* 20.2, 321-341.

Chakraborty, A. (2017) Lives torn apart and assets lost: This is what a Labour privatisation would mean. *The Guardian* <https://www.theguardian.com/commentisfree/2017/jan/19/lives-torn-apart-assets-labour-privatisation-north-london-haringey>.

Christophers, B. (2014) Wild Dragons in the City: Urban Political Economy, Affordable Housing Development and the Performative World-making of Economic Models. *International Journal of Urban and Regional Research* 38.1, 79-97.

Christophers, B. (2015) The limits to financialization. *Dialogues in Human Geography* 5.2, 183–200.

Christophers, B. (2017) The State and Financialization of Public Land in the United Kingdom. *Antipode* 49.1, 62-85.

Coakley, J. (1994) The Integration of Property and Financial Markets. *Environment and Planning A* 26.5,

697–713.

Cochrane, A. (2007) *Understanding Urban Policy: A Critical Approach*. Blackwell, Oxford.

Colenutt, B., Cochrane, A and Field, M (2015) The rise and rise of viability assessment. *Town and Country Planning* 84.10, 453–458.

Davidson, M and Iveson, K. (2015) Recovering the politics of the city: From the “post-political city” to a “method of equality” for critical urban geography. *Progress in Human Geography* 39.5, 543-559.

Davidson, M and Ward, K. (2014) 'Picking up the pieces': Austerity urbanism, california and fiscal crisis *Cambridge Journal of Regions, Economy and Society* 7.1, 81–97.

Davis, C. (2013) *Finance for housing: An introduction*. Policy Press, Bristol.

Davis, G. (2009) *Managed by the Markets: How finance re-shaped America*. Oxford University Press, Oxford.

Department for Communities and Local Government. (2016) *Estate Regeneration National Strategy*. <https://www.gov.uk/guidance/estate-regeneration-national-strategy>.

DeFilippis, J. (2004) *Unmaking Goliath: Community Control in the face of Global Capital*. Routledge, London and New York.

Edwards, M. (2016) The housing crisis and London. *City* 20.2, 222-237.

Farmer, S. (2011) Uneven public transportation development in neoliberalizing Chicago, USA. *Environment and Planning A* 43.5, 1154–1172.

Featherstone, D., Ince, A., McKinnon, D., Strauss, K and Cumbers, A (2012) Progressive localism and the construction of political alternatives. *Transactions of the Institute of British Geographers* 37.2, 177–182.

Fernandez, R and Aalbers, M. (2016) Financialization and housing: Between globalization and varieties of Capitalism. *Competition & Change* 20.2, 71-88.

Fields, D. (2013) *From property abandonment to predatory equity: Writings on financialization and urban space in New York City*. City University of New York, New York.

Fields, D. (forthcoming) Unwilling Subjects of Financialization. *International Journal of Urban and Regional Research*.

Fields, D and Uffer, S. (2016) The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies* 53.7, 1486–1502.

Flynn, J. (2016) Complete control. *City* 20.2, 278–286.

Froud, J. (2003) The Private Finance Initiative: Risk, uncertainty and the state. *Accounting, Organizations and Society* 28.6, 567–589.

Gotham, K. (2009) Creating Liquidity out of Spatial Fixity: The Secondary Circuit of Capital and the Subprime Mortgage Crisis. *International Journal of Urban and Regional Research* 33.2, 355–371.

Gotham, K. (2013) Dilemmas of Disaster Zones: Tax Incentives and Business Reinvestment in the Gulf Coast after Hurricanes Katrina and Rita. *City & Community* 12.4, 291–308.

Gotham, K. (2016) Re-anchoring capital in disaster-devastated spaces: Financialisation and the Gulf Opportunity (GO) Zone programme. *Urban Studies* 53.7, 1362–1383.

Hackworth, J. (2002) Local autonomy, bond-rating agencies and neoliberal urbanism in the United States. *International Journal of Urban and Regional Research* 26.4, 707–725.

Haila, A. (2015) *Urban Land Rent: Singapore as a Property State*. Studies in Urban and Social Change, Wiley-Blackwell, Oxford.

Hall, T and Hubbard, P. (1996) Entrepreneurial City: New Urban Politics, New Urban Geographies? *Progress in Human Geography* 20.2, 153–174.

Harvey, D. (1989) From managerialism to entrepreneurialism: the transformation in urban governance in late capitalism. *Geografiska Annaler. Series B, Human Geography* 71.1, 3–17.

Harvey, D. (1999) *The Limits to Capital*. Verso, London.

Hendrikse, R and Sidaway, J. (2014) Financial wizardry and the Golden City: tracking the financial crisis through Pforzheim, Germany. *Transactions of the Institute of British Geographers* 39, 195-208.

Hill, Dave. (2015) London's Olympic Legacy Three Years On: Is the city really getting what it needed? *The Guardian*. <https://www.theguardian.com/cities/davehillblog/2015/jul/23/london-olympic-legacy-three-years-on-2012-games>.

Hodkinson, S and Essen, C. (2015) Grounding accumulation by dispossession in everyday life. *International Journal of Law in the Built Environment* 7.1, 72–91.

HM Government. (2016) Housing and Planning Act 2016.  
<http://www.legislation.gov.uk/ukpga/2016/22/contents/enacted>

Inside Housing. (2016) More than a third of councils set up housing companies.  
<https://www.insidehousing.co.uk/news/news/more-than-a-third-of-councils-set-up-housing-companies-48870>.

Kirkpatrick, L and Smith, M. (2011) The Infrastructural Limits to Growth: Rethinking the Urban Growth Machine in Times of Fiscal Crisis. *International Journal of Urban and Regional Research* 35.3, 477–503.

Krippner, G. (2005) The financialization of the American economy. *Socio-Economic Review* 3, 173-208.

Lagna, A. (2015) Italian municipalities and the politics of financial derivatives: Rethinking the Foucauldian perspective. *Competition & Change* 19.4, 283-300.

Lagna, A. (2016) Derivatives and the financialisation of the Italian state. *New Political Economy* 21.2, 167-186.

Lambeth Council. (2015a) *Homes for Lambeth: A Special Purpose Vehicle for Lambeth*.  
<https://moderngov.lambeth.gov.uk/documents/s77350/Homes%20for%20Lambeth%20an%20SPV%20for%20Lambeth.pdf>.



Lambeth Council. (2015b) 'Homes for Lambeth': Lambeth's SPV to build more and better homes. [http://estatereregeneration.lambeth.gov.uk/\\_homes\\_for\\_lambeth\\_lambeth\\_s\\_spv\\_to\\_build\\_more\\_and\\_better\\_homes](http://estatereregeneration.lambeth.gov.uk/_homes_for_lambeth_lambeth_s_spv_to_build_more_and_better_homes).

Lapavitsas, C. (2013) *Profiting Without Producing: How finance exploits us all*. Verso, London.

Leitner, H. (1990) Cities in pursuit of economic growth. *Political Geography Quarterly* 9.2, 146–170.

Logan, J and Molotch, H. (1987) *Urban Fortunes: The political economy of space*, University of California Press, Berkeley.

MacLeod, G and Jones, M. (2011) Renewing Urban Politics. *Urban Studies* 48.12, 2443–2472.

Newham Council. (2015) Newham Private Rented Sector Vehicle – Red Door Ventures.

<http://councilmeetings.lewisham.gov.uk/documents/s40043/04LBNewhamRedDoorVentures011215.pdf>.

Newman, K. (2009) Post-Industrial Widgets: Capital Flows and the Production of the Urban. *International Journal of Urban and Regional Research* 33.2, 314–331.

O'Brian, P and Pike, A. (2015) The governance of local infrastructure funding and financing. *Infrastructure Complexity* 2.3, 1-9.

O'Neill, P. (2009) Infrastructure Investment and the Management of Risk. In Clark, G., Dixon, A and Monk, A. (eds.), *Managing Financial Risks: From Global to Local*. Oxford University Press, Oxford.

O'Neill, P. M. (2015). Infrastructure's Stubborn Spatiality and its Maturing Financialisation. SSRN Electronic Journal.

Pacewicz, J. (2013) Tax increment financing, economic development professionals and the financialization of urban politics. *Socio-Economic Review* 11.3, 413-440.

Peck, J. (2012) Austerity Urbanism: American cities under extreme economy. *City* 16.6, 626-655.

- Peck, J. (2016) Transatlantic city, part 1: Conjunctural urbanism. *Urban Studies* 54.1, 4–30.
- Peck, J and Whiteside, H. (2016) Financializing Detroit. *Economic Geography* 92.3, 235-268.
- Penny, J. (2016) Between coercion and consent: the politics of “Cooperative Governance” at a time of “Austerity Localism” in London. *Urban Geography* 0.0, 1–22.
- PriceWaterhouseCoopers. (2011) *The next chapter: Creating an understanding of Special Purpose Vehicles* <https://www.pwc.com/gx/en/banking-capital-markets/publications/assets/pdf/next-chapter-creating-understanding-of-spbs.pdf>.
- Rutland, T. (2010) The financialization of urban redevelopment. *Geography Compass* 4.8, 1167–1178.
- Sandford, M. (2016) Public services and local government: The end of the principle of 'funding following duties'. *Local Government Studies* 42.4, 637–656.
- Tickell, A. (1998) Creative finance and the local state. *Political Geography* 17.7, 865–881.
- Torrence, M. (2008) Forging Glocal Governance? Urban Infrastructures as Networked Financial Products. *International Journal of Urban and Regional Research* 32.1, 1–21.
- Wainwright, T and Manville, G. (2017) Financialization and the third sector: Innovation in social housing bond markets. *Environment and Planning A* 49.4, 819-838.
- Ward, K. (2017) Financialization and urban politics: Expanding the optic. *Urban Geography* 38.1, 1–4.
- Watt, P., 2009. Housing Stock Transfers, Regeneration and State-Led Gentrification in London. *Urban Policy and Research*, 27(3), pp.229–242.
- Watt P. and Bernstock P. (forthcoming) Legacy for Whom? Housing in Post-Olympic East London. In Cohen, P and Watt, P. (eds.) *London 2012 and the Post-Olympics City: A Hollow Legacy?* Palgrave Macmillan.

Watt, P and Minton, A. (2016) London's housing crisis and its activism. *City* 20.2, 204-221.

Weber, R., 2010. Selling City Futures: The Financialization of for their cooperation and. *Economic Geography*, 86(3), pp.251–274.

## 4: The rise of Local Housing Companies in London: deepening the financialisation of social housing?

Beswick, J. For submission to Environment and Planning C.

### 4.1 Abstract:

This paper provides an in depth analysis of the significance of LHCs at London-wide level, and evaluates what they suggest for London's model of urban governance, and its housing crisis. Through Freedom of Information requests drawing data from all 32 London boroughs, a case study of an outer East London borough, interviews with investors, councillors and public officials the paper provides the first comprehensive evaluation of the role of LHCs in London as a whole. The paper finds that companies are much more prevalent in London, than nationally, and analyses the reasons for this. The companies are situated in their policy context, and the argument that austerity-created limitations on council's ability to borrow – the 'debt cap' – led directly to LHCs is tested across London's local authorities, and found to hold. The paper also sheds light on the role – if any – that LHCs could play in solving London's housing crisis. It finds that the companies, despite claims to the contrary, are legislatively prevented from producing social rented housing at any significant scale, and so will not meet the needs of those experiencing the housing crisis most acutely. The paper also tests the thesis that the municipal entrepreneurialism that these companies represent is financialised, providing a crucial portal for financial market actors to access affordable housing in London through debt and equity. The analysis in paper 3 finds that the macroeconomic context created by the GFC has meant that, in fact, it is often more financially viable for local authorities to pursue LHCs along more traditional funding lines – through Public Works Loans Board borrowing - than by engaging financial capital directly, as some local authorities have done. While LHCs can be policy instruments through which financial capital can access affordable rental housing the paper concludes, this need not be the case.

### 4.2 Introduction

The UK is currently experiencing a severe housing crisis (Jefferys et al, 2015; Wheatley et al, 2019). A recent Government-sponsored report into housing describes a worsening situation characterised by “substantial and growing homelessness, mounting insecurity of possession for renters and some owners...

[displacement of] low- and middle-income people from prosperous areas... [and] weakened mechanisms to modify inequalities in housing consumption or to expand new production on a scale and in a form which would meet needs" (Edwards, 2015). The crisis is profoundly geographically uneven, and its manifestations in London are particularly severe (Edwards, 2016; Watt & Minton, 2016; Wheatley et al, 2019). While the headlines are dominated by London garages selling for £550,000, or multi-million pound mansions left empty by oligarchs, the everyday reality of the crisis is such that "London's low-income population is finding it increasingly difficult to access secure, decent and affordable rental property, let alone homeownership or even intermediate housing (e.g. shared ownership)" (Watt, 2009, p. 233-4). Simply put, there is a shortage of 'affordable' housing across all tenures. By mid-2014 the average house price in London was 100% higher than the average price for the rest of the UK. Housing has become an urgent political issue in the capital, at Local Authority and Greater London Authority level, with the newly elected Mayor Sadiq Khan describing the 2016 mayoral election as a "referendum on housing" (Hilditch, 2015).

Decades of neoliberal policies designed to privatise and demunicipalise public housing and prevent local authorities from directly building new housing combined with recent austerity measures mean that English local authorities are today largely unable to directly build new social rented housing while at the same time receiving diminishing planning gain contributions from private-sector developers towards the supply of affordable housing. This has contributed to the current housing crisis across the UK, and especially in London, with a vast supply deficit of affordable housing making housing increasingly inaccessible, unsuitable and precarious for London's low income population. In this context, local authorities are being forced to devise 'creative' solutions to meeting housing need. Trapped in a policy environment which creates an austerity straitjacket pace Hodkinson (2011), local authorities are left with limited options for housing delivery other than those which further commercialise and financialise their practice.

This paper engages with one such rapidly emerging 'solution': the creation of Local Housing Companies (LHCs). LHCs come in a variety of forms but are all in effect commercial companies, set up and owned by local authorities for the purpose of developing new housing or purchasing existing homes. Since the first LHCs were set up in the early 2010s, their number has increased rapidly, and especially in London, in which, as this paper reveals, 70% of councils have established LHCs in recent years. However, this new development in local authority housing policy is controversial because, even though they signify a return to local authority development, they do so in a way which mirrors the speculative development model of private housing developers, and can involve the direct engagement of financial capital with the production of municipal housing.

In this paper, I present one of the first academic evaluations of the rise of LHCs, focusing on their rapid emergence in London, which has undergone a transition to LHC-dominated housing policy in recent years, not matched by anywhere else in the UK. Drawing on a London-wide Freedom of Information request, and interviews with local councillors, officers and investors involved in the establishment of LHCs, the paper explores the main factors that have driven LHC growth and their implications both for addressing the housing crisis and the future direction of municipalism.

Section one traces the longer historical emergence of LHCs by discussing the neoliberal turn against post-war mass municipal production and housing landlordism, focusing specifically on one of the less well-researched arms of ‘the neoliberal urban straitjacket’ (Hodkinson, 2011) imposed on local housing authorities. The focus is the recent reforms to local authorities Housing Revenue Accounts (HRA), which imposed a ‘debt cap’ restricting municipal borrowing for traditional social housebuilding, and which has arguably pushed local authorities to develop homes outside of internal council structures. A second section presents new empirical evidence on the rise of LHCs in London based on the London-wide FOI undertaken for this study, assessing the drivers in their creation. A third section critically assesses the emergent nature of these LHCs, asking what role, if any, they could play in solving the housing crisis through producing social rented housing at scale. A fourth section illustrates the main arguments of the paper through a case study of an east London local authority with one of the most ambitious LHCs, Barking and Dagenham. The final section then asks to what extent they constitute the further financialisation of social and affordable housing and municipalism more broadly, drawing on extensive interviews with councillors, officers and investors involved in the growth of LHCs. The conclusion argues that, despite being unlikely to lead to much greater social housing production, and despite the recent termination of the HRA debt cap, LHCs are likely to be a fixture of housing policy in London for some time. These companies, this paper makes clear, provide a means for local authorities to generate new, commercial revenue streams – fiscal rents (Haila, 2015) – to replace the deep funding cuts they have received from central government in almost a decade of austerity policy. At the same time, they entrench the financialised entrepreneurialism which municipalities are being forced into through lack of central funding.

#### 4.3 Tracing the emergence of Local Housing Companies - the neoliberalisation of public housing in London

The UK housing crisis is often diagnosed as a simple supply/demand imbalance, in which the private sector is prevented from meeting ever-growing demand by unnecessary regulation. However, this simple

diagnostic often fails to ask what *type* of homes are most under-produced in this supply deficit, and in particular overlooks the impact of the termination of council public-rental house building in the neoliberal era. The supply deficit can to a great extent be attributed to the 'roll back' (Peck & Tickell, 2012) of public sector housing production, which has contributed to a dramatically reduced housing supply in general, and a greater reduction in supply of *affordable* homes in particular.

The public housing era in the UK, which was stable for much of the mid and late 20th century, created the vast bulk of the UK's stock of affordable, non-market social housing. As early as 1919, a model began to emerge in which the central state mandated and subsidised local municipalities to build, manage and maintain public rental housing. The model developed gradually, in response to political and economic crises, and the housing devastation and undersupply created by two world wars, but from 1945 until the neoliberal era, the state's responsibility to build and manage extensive public housing was accepted, or at least adhered to, by all Governments. Somewhere around half of the homes produced in the UK in that era were municipal social housing (Boughton, 2019).

Local authorities were given relative freedom for strategic planning: to determine housing need and to build to meet that need, albeit with a centralised funding model. Generally, the municipal state procured construction from the private sector (although council construction was also a feature), and this was financed by central state, local taxes and rents, with state subsidised borrowing for construction. By 1979, 6.6 million public homes for rent had been built, housing around a third of the UK's population. London consistently had an even higher proportion of social renting, and by 1981 over 35% of the city's households were public housing tenants (Watt in Imrie, Lees, & Raco, 2009).

The neoliberal model of housing which currently exists in the UK is radically distinct from the pre-neoliberal model, both qualitatively and quantitatively. By 2001 the proportion of social housing tenants had fallen from 35 percent to 27 percent of London households (ibid.). The last 35 years or so has also seen an absolute reduction, by more than a million, in the number of available social dwellings. The roll back of the previous model saw the state withdrawal primarily in the form of the massive asset transfer from the state to individuals, the private and third sectors, and a withdrawal of state from housebuilding. The right to buy, a cornerstone of Thatcher's housing policy, enabled council tenants to purchase their homes at great discounts. After twenty years the programme had seen 2.2 million council homes sold, with 287,303 sold in London in the period to 2019 (Copley, 2019). Privatisation trends continued with Labour's (1997–2010) transfer of public housing to not-for-profit housing associations (see: Watt, 2009), or to arms-length corporate-public bodies.

This outsourcing/asset transfer has been combined with a massive reduction in government spending on the traditional public housing model. Firstly, there has been a dramatic decline in the level of state

spending and support for new build public housing. At the peak of the postwar model of house building in the 1960s and 1970s, London local authorities built an average of around 20,000 homes a year, but by 2014/15 this annual average had fallen to just 280 (DCLG, 2015). To a large extent, local authorities are no longer agents of housing delivery, although as will be seen in this paper, this is beginning to change in direct response to austerity. Secondly, the resources allocated by the state to maintain the already existing dwellings were also reduced, which forced local authorities to privatize the ownership of public dwellings in an attempt to renew the housing stock or enable access to private financing methods to renew the existing dwellings. Heavy restrictions have been placed on local authorities ability to access finance for housebuilding and renovation, all of which force councils to further privatise the housing if they want to invest in it, a situation Hodkinson aptly described as placing local authorities in a 'neoliberal straitjacket' (2011).

While funding for the pre-neoliberal model has been radically reduced, funding for a new model of demand subsidies has seen a huge expansion in the neoliberal era. Firstly, there has been significant growth in subsidy for home ownership. Of the total spend in the five years to 2020/21 on housing, 81% was on private market housing support, and just 19% on social housing generally (demand and supply subsidy), with just 5% spent on social/affordable housing supply.<sup>10</sup> Secondly, working class populations are increasingly housed in private rental housing, not council housing, and can access government subsidy for private rent. The level of government spending on housing benefit is now more than 20 times as much as that spent on affordable/social housing construction (Jefferys et al., 2015).

Neoliberalisation has not necessarily seen an overall reduction in state spending on housing, but rather the roll back of the old supply-led system, and its replacement with a demand-led housing policy, which transfers money from the government to landlords and private housing developers.

In general, 35 years of neoliberalised housing policy in London has resulted in an acute housing crisis in London, characterised by unaffordability, record low levels of new supply, homelessness and displacement (Edwards, 2015). With the withdrawal of the state from public housebuilding, and the erosion of the existing stock, councils in London has been faced with deep housing crises affecting an increasing proportion of their residents, and hugely reduced resources and capacity to build homes to address the affordable housing deficit.

As we shall see below, councils, who for much of the twentieth century were the primary vehicle for producing homes affordable to low income Londoners, have been further restricted from doing so since 2012 by limits on their ability to borrow to build new social homes. The neoliberal, or austerity, straitjacket has been tightened, seemingly forcing councils to consider engaging directly with private finance and

---

<sup>10</sup> These figures are the authors calculations based on the figures contained in (Wilcox and Williams, 2018).



speculative development in order to deliver homes. In this context, they have begun to establish LHCs, which will increase their development capacity in the face of austerity budget cuts, and an imperative to develop new sources of funding for services. The remainder of this paper will explore the rapid growth of LHCs in London in the past decade, examine what role, if any, they can play in building more genuinely affordable housing, and the extent to which they are providing a gateway for financial capital to access social housing production in London.

#### 4.4 Housing Revenue Account Reform: the trigger for setting up LHCs?

The emergence of LHCs in London, and nationally, can, in part, be attributed to restrictions placed on Local Authority's capacity to develop homes in house, particularly through reform of the Housing Revenue Account (HRA) in 2012. However, as has been identified elsewhere (Beswick and Penny, 2018; Morphet and Clifford, 2017) there are additional financial motivations for councils to establish LHCs, in order to provide new revenue streams to replace central government funding lost to austerity. This paper will assess the balance in practice between the policy and financial motivations. In the following section, which draws on survey data of all London LHCs, I will analyse the motivations to establish LHCs at a London-wide level. Prior to this, however, it is necessary to introduce the HRA reforms, and the system that they replaced.

Reforms to how Local Authorities manage income and debt from retained council housing appear to have been a major driver of the establishment of LHCs, as identified by the two think tank studies on LHCs (Hackett, 2017; Morphet and Clifford, 2017), and by the councillor, officer and investor interviews in this study. The genesis of these changes arose under the Labour Government of Gordon Brown, who took a slightly less lukewarm attitude to social housing and council housing development than his predecessor as Labour Prime Minister, Tony Blair, but the reforms were enacted under the Coalition Government.

Stock-retaining councils (that is Local Authorities who still own council housing and have not transferred it all to a Housing Associations) are required to maintain a Housing Revenue Account (HRA). The HRA records all income (primarily rents) and expenditure (primarily housing management, maintenance and development) in relation to those retained dwellings, and is ring-fenced, in that councils are disallowed from transferring funds raised outside the HRA to be spent on housing. In 2011 it was forecast that some 175 councils across England would collect almost £7bn of rent from the 1.8m homes in local authority ownership (PWC/The Smith Institute, 2011). Until the 2012 reforms, HRAs were governed by a national subsidy system, in which incomes were pooled and redistributed, under the 1989 Local Government and Housing Act, as amended by the 2003 Local Government Act (Wilson, 2011:2).

Under the subsidy system, the Government nominally determined the amounts local authorities needed to spend on their retained council housing and whether subsidy was required to support this expenditure (Wilson, 2011:4). This calculation was notional and based on a government formula relating to: rents charged; the proportion of vacant properties; management and maintenance costs; the cost of servicing any housing-related debt; and the cost of repairs needed to maintain the condition of the housing stock. Where, based on the calculation, councils were deemed to be in 'surplus', they were required to transfer that surplus to the Department for Communities and Local Government<sup>11</sup>, which pooled these transfers and paid amounts to those Authorities judged to be in 'deficit', to meet their notional shortfall.

The subsidy/pooling system was "widely regarded as complex and unfair" (PWC/The Smith Institute, 2011), hampering forward planning and development expansion for councils, and in 2009 the Labour Housing Minister, John Healey, announced the Government's intention to "dismantle" the system (Wilson, 2011:2). Motivations for reform have been summarised as:

- End the lack of certainty for councils regarding funding levels from year to year
- End complex central control and allow council housing to be managed and financed locally and transparently and with increased accountability.
- Ensure councils have the incentives to actively manage their housing stock on a long-term basis rather than simply react to an uncertain annual funding formula annually (PWC/The Smith Institute, 2011).

Following a consultation, and a General Election, in which the Conservative-led Coalition Government took power, the new Housing Minister, Grant Shapps, confirmed in October 2010 that the subsidy system would be replaced. Measures to achieve this were included in the Localism Act 2011 (Wilson, 2011:2), and stock retaining councils became self-financing in April 2012.

Under the new system councils retained all their HRA income and could choose how to spend it. In return for this, councils were allocated a share of the total local government council housing debt which was previously serviced by central government from the pooled income, once transfers had been made. This totalled £28bn at the time of reform (PWC/The Smith Institute, 2011). In the run up to the changes, there was a significant deal of excitement about the reform, and the greater capacity for housing development it was likely to afford councils, due to the renewed levels of financial control at a local level (see *ibid.* and Curran, 2011). It was hoped that it would bring about an uptick in council housing development by councils, something which had been in decline since the beginning of the neoliberalisation of housing

---

<sup>11</sup> Now renamed the Ministry for Housing, Communities and Local Government.

policy. However, the Coalition government, in the context of a political discourse driven by narratives and targets of deficit reduction, added an additional crucial element to the reform: a debt cap.

The homes held within the HRA provide a large asset base for borrowing against to finance housing development and maintenance, and council borrowing against their asset base was to be crucial to any improved council housing development figures, and to meet the ongoing costs required to bring homes up to the Decent Homes Standard introduced by the Blair government. However, when introducing HRA self-financing, the Government took the unexpected step of applying a formula to cap the amount that councils could borrow within their HRA. This was in marked distinction to council borrowing for all other activities, which is not capped, but instead continues to be governed by prudential borrowing guidelines, as opposed to caps. Council borrowing for housing was no longer to be determined by whether the investment opportunity (in development or maintenance) financially stacked up itself or was financially viable within the council's broader housing income and investment strategy, but instead was limited by a cap on borrowing which could not be breached. The distribution of the cap was varied and left very many councils with limited 'borrowing headroom' within which they could act – many councils were nearly at the limit on the day of self-financing. Indeed, in London, the 29 boroughs which still own and manage council housing were made responsible for an estimated £7.2 billion share of this housing debt (Curran, 2011), and subjected to debt caps of varying levels.

The debt cap has been fiercely opposed since its introduction by housing campaigners, the Local Government Association and the Greater London Authority (GLA, 2013), among many other bodies, because of the somewhat artificial, narrowly political, limiting effect it has on council's ability to develop more social homes. In interviews with London councillors and officers for this research, the lack of capacity to scale up housing delivery within the HRA was provided frequently as the primary policy driver of the growth of LHCs.

However, it is also important to consider two further reforms, which had a similar effect of restricting local authorities' ability to develop new housing, and which were also referenced in interviews with councillors and officers as motivations for establishing LHCs. These two reforms combine with the HRA restrictions to tighten the austerity straitjacket which councils find themselves in, and push them towards exploring less traditional methods of municipal housebuilding.

The first is the restriction placed on their ability to spend the receipts they receive when they dispose of a property to a tenant through the right to buy scheme. Despite government commitment to replacing homes sold through right to buy one-for-one - a commitment it has failed to meet quite spectacularly with just one in five of the homes are replaced (Kentish, 2018), the government limits how local authorities can spend the capital receipt received in replacing the homes. Councils must spend right to buy receipts within

three years, and the receipts can only fund 30% of the cost of building a new unit. Where a local authority is unable to spend receipts within three years they have to be returned to the Ministry of Housing, Communities and Local Government, which spends them on general social housing policy. With the limited availability of other government funding for social housebuilding, and the restrictions on borrowing within the HRA, the 30% rule often means that the receipts are not spent by the council.

The second reform was the decision in 2016, to reduce social rents by 1% per year. Since 2013, social rents had been allowed to rise by 1% above inflation, which had seen significant rent rises. However, in the context of austerity politics, and inspired by the potential to reduce the housing benefit bill (which pays a significant portion of social rent), Chancellor George Osborne announced that rents would from 2016 be cut by 1% a year until 2020. Two aspects of this policy change limited local authorities and housing associations ability to build. Firstly, and most obviously, reduced rents meant reduced income for the social housing landlords, and so less money for them to use in their activities, and indeed after the rent cut many development plans were shelved. Secondly, and importantly, this changing rent environment (from rising rents, to rent cuts) provides an uncertain context in which to engage in the long term planning necessary for development. Uncertainty over rental income, and the frequent, and contradictory policy changes seen in the sector, make development decisions harder to take, as was referenced in interviews with councillors and officers undertaken for this study.

Reform to the HRA, combined with social rent cuts and the restrictions placed on right to buy receipts, provide an immediate policy environment in which local authorities are heavily restricted from traditional social house building by an austerity straitjacket of policies which appear to have pushed them to seek alternatives to traditional model of municipal development. The next section will look at the coverage and rapid growth of LHCs in London, which have emerged since 2012 partially in response to the debt ceiling imposed on the HRAs, and allow us to weigh up these social housing policy factors against other motivations for establishing LHCs.

#### 4.5 LHCs in London: the big picture

The direct policy genesis of LHCs themselves goes back further than the 2012 HRA reforms, to at least 2007, and a Housing Green Paper under the Gordon Brown government (DCLG, 2007). As interviewees in this study confirmed, English Partnerships (the national government body with responsibility for regeneration)<sup>12</sup> was to work with councils to establish LHCs to deliver shared ownership homes and homes

---

<sup>12</sup> English partnerships was subsumed by the Homes and Communities Agency in 2008. In 2018 the Homes and Communities Agency was renamed Homes England.

for first time buyers on council land, in fourteen pilot areas. The Labour Government estimated that the LHCs established in the pilot areas would have the potential to deliver 35,000 homes, half of which would be affordable. The global financial crisis (GFC) of 2008 onwards brought to a halt this initial foray into private housing development companies being established by Local Authorities, and the programme was discontinued by the Coalition Government (2010-15). Nonetheless, both in terms of ideas generation, and personnel involved, the interviews undertaken for this study confirmed that the 2007 programme was instrumental in the establishment of LHCs. Indeed, one of the forestalled pilot schemes was in Barking and Dagenham, one of the first movers in the post-2010 emergence of LHCs in the capital, and the site of this paper's case study.

In order to assess the growth of LHCs in London I sent freedom of information requests to all London councils across 2017-8, requesting information on: whether the authority has established a LHC since 2010; the homes being built by any LHC; and how the LHC is funded and financed. I received responses from all councils, and the results of the survey are presented in Table 4.4 below, which is also supplemented with additional information useful to the analysis. The headline information contained in table 4.4 will be analysed in the remainder of this section, but its results will be drawn on in all subsequent sections.

			Post HRA-settlement Borrowing Headroom (£'000) <sup>13</sup>	% of London's Borrowing Headroom to nearest percentage point <sup>14</sup>	Company Name(s), and ownership	Homes built/acquired	Funding and financing
<b>London councils with one or more LHC, or in the process of establishing an LHC</b>	Barking and Dagenham	Lab	£6,695	1%	Reside	Affordable – 50-80% mkt rent, and private market	Capital market financing through 'lease and lease back scheme' with Long Harbour Capital. Further financing from council via Public Works Loans Board (PWLB) and European Investment Bank, on lent at commercial rates
	Barnet	Con	£38,704	3%	Hillgreen Homes	N/A – company established, but not yet operational	N/A

<sup>13</sup> Source: calculations based on (DCLG, 2012)

<sup>14</sup> ibid

	Brent	Lab	£58,866	4%	Investing for Brent	Acquire properties to let in private rented sector (PRS) at Local Housing Allowance (LHA) rates to house families in temporary accommodation.	Debt (95%) and equity (5%) from the council. Source of council capital unclear.
	Camden	Lab	£86677	6%	Camden Living	Acquire homes for intermediate rent to households with incomes between £20-90k.	Debt (60%) and equity (40%) from the council – council on-lending, via PWLB at commercial rates.
	Croydon	Lab	£23187	2%	Brick by Brick	Large development pipeline (756 homes). Mix of homes at private market rent and sale (64%), intermediate/shared ownership (28%) and affordable rent (8%).	Currently debt and equity from council, via PWLB. Exploring capital market financing.
	Ealing (Substantial details withheld in FOI response due to 'commercial sensitivity')	Lab	£50311	4%	Broadway Living	Private rent and sale, intermediate and affordable rent	Financing from the council
	Enfield	Lab	£38441	3%	Housing Gateway Ltd (HGL)  Enfield Innovations Ltd (EIL)	HGL acquiring 500 homes for private rental at LHA rates, to households in temporary accommodation  EIL Developed 94 homes. 57 for market rent and sale, 2 homes for shared ownership, 15 shared equity, and 20	Both financed from the PWLB via the council. HGL at below market rates, and EIL at commercial rates due to nature off businesses

						social rented homes. Non-market products held by HRA.	
	Greenwich	Lab	£1	0%	Meridian Home Start	To build 99 affordable homes at blended rents of up to 65% market rent	Land transferred to company for a combination of nil value and less than market price.  Loan of £27m provided to company from council borrowing. £8m right to buy (RtB) receipts provided to fund 30% of scheme
	Hammersmith	Lab	£ 37142	3%	H & F Housing Ltd  H&F Housing Developments Ltd  HFS Developments 2 Limited, 50/50 share with Stanhope plc	None – left dormant after a change of strategy	
	Haringey	Lab	£54684	4%	Haringey Development Vehicle	Aborted	
	Harrow	Lab	£0	0%	Concilium Business Services Ltd  Concilium Group Ltd  Concilium Assets Ltd (95%/5%; Council/Concillium Group Ltd	Partnership was to acquire properties to let as temporary accommodation at LHA rates. Plan discontinued.  Others are lettings agency	



	Havering	Con	£28591	2%	Mercury Land Holdings Limited  and a subsidiary, Mercury Design and Build	109 private rented sector homes	Commercial borrowing from council general fund via state aid compliant loans.  Share capital – council investment of £8.7mf. Loans – in return for its long term lending the Council will receive interest, arrangement fees and agency fees that is forecast, based on the three schemes, to peak at £2.7m in year 6 and generate a gross return of £58m over 54 years.
	Hounslow	Lab	£29619	2%	Lampton 360 Ltd  Lampton Investment 360 Ltd  Lampton Development 360 LLP	5 years business plan has an aspiration of 1500 new homes on existing local authority sites, which will deliver 40% affordable housing (24% social rent, 16% Intermediate housing), 40% private sale, and 20% private rent	Loans from the council for both the development and investment function of Lampton have been agreed at commercial rates and with commercial terms. A revolving facility for property development of £52m has been approved, and a long term facility for Lampton Investment of £54m has been approved.  The council will use the market to obtain finance to underpin the loans to the companies.

	Kensington and Chelsea	Con	£ 11423	1%	Kensington and Chelsea Estates Limited	97 – tenure undecided	From reserves. Appears to be dormant.
	Lambeth	Lab	£ 147933	11%	Homes for Lambeth (HfL) is a group with three subsidiaries: HfL Build, a development arm; HfL Living, a private rented sector company; and HfL Homes, which is in the process of becoming a housing association	Market rent and sale, affordable and social rent	£300m On lending from general fund borrowing (PWLb); financial markets; RtB receipts
	Merton	Lab	No HRA		Merantun Development Ltd.	PRS and market sale – 77 initial tranche.  Affordable housing only as required by s106. Will be sold to HA.  Company is being set up purely for commercial purposes.	£13m initial on lend from council plus c. £4m equity
	Newham	Lab	£ 81868	6%	Red Door Ventures.	Private rental	
	Redbridge	Lab	£ 33931	2%	Redbridge Living	Of the 350 homes to be built on these sites, half will be retained and rented out by Redbridge Living.	Redbridge Council has provided £60 million
	Southwark	Lab	£ 125937	9%	Southwark Housing Company Limited	0	N/a – seems to be dormant

	Sutton	Lib Dem	£ 14829	1%	Sutton Living Ltd	Shared equity, intermediate rent, market rent, market sale	Loan and equity finance from the Council, and the source of the finance will be the Public Works Loan Board.
	Tower Hamlets	Lab	£ 114706	8%	Seahorse Homes Limited  Community Benefit Society (CBS): Mulberry housing society,	Seahorse – market rent and sale  CBS – social and intermediate	Seahorse – equity and debt from council, borrowed through general fund (PWLb)  CBS – RtB receipts, commuted s106 payments, non-commercial loan from the council
	Waltham Forest	Lab	£ 29964	2%	Waltham Forest Developments Limited	150 mixed tenure homes on Council owned land  75 mkt rent/sale 45 social rent 30 intermediate/shared ownership	Provision of finance by the Council up to £100m over the period 2016/17 to 2020/21. Finance to be provided from PWLB
	Westminster	Con	£ 36289	3%	Westminster Community Homes Limited (WCH). Partially owned by the Council  Housing Association/CBS  Council one third shareholder – two trustees have other 1/3s	47 social rent 26 intermediate rent 4 shared ownership	All developments are funded from a mixture of grant for the Greater London Authority (GLA), the Affordable Housing Fund (AHF) and WCH's own resources and loans. The loans are from the council and are lent to WCH on commercial rates.

<b>London councils with no LHC, and no current intention to establish one</b>	Bromley	Con	NO HRA				
	Bexley	Con	NO HRA				
	City of London	Ind	NO HRA				
	Hackney	Lab	£ 101415	7%			
	Hillingdon	Con	£ 43925	3%			
	Islington	Lab	£67309	5%			
	Kingston upon Thames	Lib Dem	£19410	1%			
	Lewisham	Lab	£ 43730	3%			
	Richmond upon Thames	Lib Dem	NO HRA				
	Wandsworth	Con	£ 70431	5%			

Table 4.4: The growth of LHCs in London. Source: original research

As can be seen from table 4.4, since 2010 70% of councils in London have set up, or are in the process of setting up, an LHC. This is a somewhat extraordinary figure: LHC development has received no direction, and a resolutely mixed reaction, from central government. Under the UK's highly centralised model of local government, where powers and activities of local government are broadly dictated by the centre, this significant development in housing policy, and marked shift towards a more interventionist, while entrepreneurial, (Beswick and Penny, 2018) mode of urban housing governance has emerged *sui (central government) generis*.

The existing think tank and trade studies found (at the time at which they were conducted) variously that 33% of councils (Barnes, 2016), 42% of councils (Hackett, 2017) and 44% of councils (Morphett and Clifford, 2017) have set up or are considering setting up LHCs. The Smith Institute, in their report, estimate that "on the current trend, up to half of all councils in England may have an LHC by 2020" (Hackett, 2017: 4). In London, the figure is almost three quarters by 2018.

LHCs are therefore an overrepresented phenomenon in London. There are at least three potential reasons for this:

1. When LHCs are viewed through the lens of housing development and housing need, it is clear that London councils may perhaps have a stronger motivation for establishing an LHC than many other places. London has an extreme, and worsening housing crisis, and the need for local authority supply-side intervention in the housing market is greater in London than many other places. If HRA borrowing caps are restricting London local authorities from building, then setting up LHCs makes sense in terms of scaling up development capacity.
2. When LHCs are viewed through a lens of their potential for revenue generation, with the reduction of central government funding to local authorities, the buoyancy of London's property market and the potential for significant profits/surpluses makes real estate investment a potentially more attractive avenue for revenue generation to London councils than many other places.
3. The political complexion of London's boroughs has potentially played a role in fast-tracking London's move towards LHCs. As the time of writing in July 2019, nationally, 56% of councils are Conservative-led, and 31% Labour-led, whereas in London 66% of councils are Labour-led, and just 25% Conservative-led. The only survey which has analysed the political complexion of LHC-establishing councils found that nationally "Labour authorities are more likely than would be expected from the overall breakdown of control of all authorities to have a housing

company and Conservative authorities less likely” (Morphett and Clifford, 2017: 44). In London this differential is crystal clear: 86% of labour-led councils have set up an LHC, while 50% of Conservative-led councils have done so.

There are at least two potential reasons for this difference between Labour and Conservative authorities. Firstly, in general, Labour is the party perhaps most associated with the values and policies which are (in some ways) exhibited by LHCs: social housing and state interventionism. Labour have historically been the party most responsible for the advent of council housing in the twentieth century, and as such Labour-led councils may be more politically inclined to return to an interventionist mode in relation to housing development, making LHCs a more natural step for Labour-led administrations. Secondly, the austerity cuts to local government budgets have been largest in urban areas (Centre for Cities, 2019), and relatively more deprived areas (*ibid.*), meaning that resources have been greater squeezed in those areas since 2010. Councils controlled by the Labour party are, generally speaking, urban and relatively deprived when compared to Conservative-led areas, and so austerity cuts are likely to have had a deeper financial effect in Labour controlled areas. The financial motive for establishing an LHC, to generate fiscal rent for the council to replace spending power lost through austerity, may therefore be more prominent in Labour-run councils, and provide a further explanation for their rapid growth in London, which is dominated by Labour councils.

We can also use the data gathered on London generally to analyse the role that restrictions on HRA borrowing played in catalysing the growth of LHCs. On a straightforward analysis, if HRA-restrictions were the prime motivating factor, then we would perhaps expect those authorities which have established LHCs to have less borrowing headroom than those which have not. A lack of borrowing capacity in house development might provoke a council to establish an LHC. In fact, as can be seen in table 4.4, the figures are almost identical, with those boroughs that have not established LHCs having a marginally smaller average percentage of London’s total borrowing headroom (3.42%), compared to those that have (3.5%), the reverse of what we might perhaps expect.

However, this finding does not necessarily imply that the HRA restrictions in fact played little role in motivating local authorities to establish LHCs. Instead it just suggests that a lower HRA borrowing capacity has not inevitably led to councils establishing LHCs (although those two councils with the smallest proportion of London’s borrowing capacity – Greenwich and Harrow – have both established LHCs, perhaps not coincidentally). The two existing think tank studies on LHCs (Hackett, 2017 and Morphett and Clifford 2017) both identify HRA-borrowing restrictions, alongside the social housing rent cut, and restrictions on right to buy receipts spending, as key factors in motivating the establishment of LHCs, and the London-focussed interviews conducted for this research confirmed

that councillors and officers in London councils which have established LHCs cite these policy motivations. Each council in London exists within broadly the same policy context, but each will be driven by its own socio-economic, financial and housing context, as well as with their own priorities, ideologies, skills and personnel, and all this will shape the decision to establish, or not to establish, an LHC. The fact that borrowing headroom hasn't emerged as a decisive factor gives further weight to the view (Beswick and Penny, 2018) that financial motivations, and the need to generate revenue streams to fund broader council services, has also played an extremely important motivating role in the establishment of LHCs, alongside the austerity straitjacket created by social housing policy. In the following section we will shed some further light on this question, by examining the question of what role, if any, LHCs can play in solving London's housing crisis. In so doing, we will also be able to see the tension between revenue generation and affordable house building, and whether identify LHCs will be able to deliver significant increases in social housing in London.

#### 4.6 LHCs in London: a solution to London's housing crisis?

There is now growing consensus that the first step to solving the housing crisis must be a massive expansion of genuinely affordable social homebuilding. One recent report, with support from some senior Labour and Conservative figures, identified a need for 3.1 million new social homes by 2040 (Shelter, 2019). LHCs therefore emerge in a context of an almost unprecedented imperative for increased social housebuilding, and have attracted significant attention for the role they could play in scaling up the production of social homes. One report into LHCs describes them as representing a "renaissance" in council house building (Hackett, 2017: 1), and the progressive press has been highly complementary, with one article in the Guardian titled "How one council is beating Britain's housing crisis" (Kollewe, 2017), and another describing LHCs as "innovative" ways of "delivering social housing" (Wainwright, 2017). Within the context of restricted HRA borrowing, and a growing acceptance that councils building social homes must be central to any solution to the housing crisis, it is essential to ask: are LHC playing this role? Can LHCs deliver an increase in social house building, and can they therefore be significant in lessening the effects of the housing crisis for those most impacted by it?

In the London-wide survey carried out for this research, these questions were addressed by asking for details of the tenure of homes the LHCs were building. Nineteen councils, of the 23 who reported setting up, or planning to set up LHCs, provided sufficiently detailed and comparable information to enable analysis. The information provided by these councils stands in sharp contrast to the optimistic tone of much press coverage. Only 32% of London councils with LHCs are intending to use their LHC to build social rented housing in any quantity, with over two thirds of councils not intending to build

social housing through their LHC at all. What's more, of those relatively small proportion of councils who do intend to use their LHC to build social housing, just one intends to use it to build predominantly social housing, with the others expecting to build between 10-30% social rented homes within their vehicles.

Despite the positive coverage vaunting LHCs as an innovative means of building social housing, the real role that LHCs are likely to play in London's housing development mix becomes clearer when we note that almost two thirds (63%) of councils intend to build private homes for market rent and sale through their LHCs, with 47% of councils intending to predominantly build private homes, and 16% *exclusively*. Beyond social rented and private homes, 68% of councils are also intending to use their vehicles to build affordable rent homes (PRS homes let at 50-80% of market rent). These homes are often, but not always, unaffordable and unavailable to those on waiting list for social housing who need rent assistance, as they often exceed Local Housing Allowance levels. And 28% are intending to build a proportion of shared ownership homes through their LHCs.

Based on the results of the survey then, LHCs seem unlikely to play a significant role in increasing London's supply of social rented homes, and seem instead to focus on building a mix of market homes and affordable homes which are more suited to middle income earners. This is a key finding, and one which must surely be prominent in any analysis of LHCs, although it has been relatively absent, or deprioritised, in the existing reports and coverage of the growth of LHCs (Hackett, 2017 and Morphett and Clifford 2017), busy as they are in positioning LHCs as a return to the good old days of council house building. The finding also provides further information with which to assess the notion that LHCs are viewed as a replacement for artificially restricted building in the HRA. Market homes for rent and sale cannot be built within the HRA, which is restricted to social and affordable housing, and so given that a majority of councils are using their vehicles to build market homes, there is not an immediate and obvious comparison with the HRA, and LHC building is not, tenure-wise, making up for the lack of building capacity within the HRA.

Indeed, based on the research conducted, it appears that this hoped-for HRA replacement role may not be legally possible. Despite widespread optimistic evaluation of LHCs as representing something of a renaissance for council social house building, the legislation which governs LHCs may actually prevent this from being the case. Legally, it appears not to be possible for LHCs, at least in their most common forms, to build traditional, genuinely affordable social (council) housing on a large scale.

The legal context which governs the establishment of LHCs is still emerging, and of course the vehicles have no primary, or secondary, legislation created to directly govern what they can and cannot be. Over the course of this research, it became clear that certain law firms have become the guiding



experts in the intricacies of establishing LHCs within existing legislation. Based on interviews and research, the advice of these firms is that if LHCs build homes which meet the criteria for council housing then there is a strong likelihood that it would be considered actually part of the HRA, and so subject to the right to buy, and the borrowing for the home considered HRA borrowing, and so on. Council-owned social rented housing (council housing) has some central characteristics, which include: being occupied under a secure tenancy – a lifetime tenancy which can only be ended in certain circumstances – as legislated for by the Housing Act (1985); having its rents set by a government formula for social rent; and, the council having ‘nomination rights’ for the homes, i.e. the homes are for people on the council housing waiting list. The prevailing advice is that if the homes built through an LHC meet (some of) these criteria they will be considered within the HRA, and not outside of the council. As has been demonstrated elsewhere (Beswick and Penny, 2018), in some places replacement social homes - homes built by LHCs to one-for-one replace social housing demolished for LHC development - are not being provided with secure tenancies, presumably for these exact reasons. Indeed, the established legal advice concerning the companies suggests that even this similar-home replacement strategy is perhaps a risk, as one of the UK’s most prominent social housing consultants put it:

*You have to construct the provision of housing within these companies such that it won’t be scored as HRA and subject to the right to buy. The thing that you have to pay closest attention to is that if you are going put affordable housing at social rent into a local housing company and it looks a little bit like council housing, and you are going to let people off the waiting list either into an HRA house or into an LHC house, then you run the risk of somebody – the auditors or the government – saying: actually you are providing social housing through this company. And so there is a risk then that the LHC homes could be accounted for through the HRA... The general advice is that you don’t put straight forward social housing into an LHC. (Interview, Senior Social Housing Consultant)*

The legal context therefore prevents LHCs from playing a significant role in solving London’s housing affordability crisis, in terms of increasing the output of social housing substantially. As was clear from the London-wide analysis, where LHCs do provide non-market housing, they generally provide ‘affordable’, sub-market rent homes, in the 50-80% region, not social rented housing. This again is in line with the legal advice which has guided the emergence of these companies. As the Senior consultant makes clear:

*It is essential that... you are not relying on the Housing Act powers to provide social housing, but rather you are providing it for a different purpose. It might be about different client group*

*– shared ownership, or affordable rent, or intermediate rent, or sub market rent, any of these different intermediate products. What is key is that you are not relying on the Housing Act powers to provide the service. The HRA is linked inextricably to the Housing Act powers to provide housing ‘for people in necessitous circumstances’, so you need to decouple your company from the Housing Act powers. So... you generally provide housing to different sectors of the community, and providing that it is doesn’t look too much like social housing at social rents let to people off the waiting list, then there should be no powers for the government to decide that the homes are within the HRA.*

LHCs then are well placed to deliver sub-market homes for some people affected by the housing crisis, namely the middle and lower middle class. London’s housing affordability crisis is so severe that for all but the most well-off Londoners, the cost of housing eats up a very significant proportion of income. For many middle class Londoners the traditional route of home ownership has been closed off by the enormous dislocation between house prices and incomes which has emerged in recent decades, and they are now dwelling in the private rented sector. For these people, affordable rent homes, which provide private rented sector housing at between 20 and 50% below market rent, often with improved security of tenure compared with the true private sector, will provide a form of housing which lessens the impact of the housing crisis on them, in terms of security and affordability. But for the tens of thousands of families on the waiting list for social housing, and those people and families trapped at the bottom of the insecure, unsafe and overcrowded private rented sector, as opposed to its middle and upper middle end, LHCs will never deliver genuinely affordable social homes at anything like the scale needed.

#### 4.7 A LHC Case Study: Barking and Dagenham

This paper is an evaluation of the emergence of LHCs in London, and the city-wide survey has so far revealed some key aspects of this new policy direction which are not widely covered in existing evaluations and coverage. Before turning to the final element of the analysis, the extent to which LHCs represent an opportunity for the financialisation of social and publicly owned homes, it will be useful to provide a short case study of a borough LHC to exemplify in practice some of the general findings explored so far and examine a scheme in which financial capital has played a large role.

Barking and Dagenham is a borough in outer east London and is among the poorest of the city’s boroughs, having experienced deep deindustrialisation with the shrinkage of the Ford car production industry, the area’s predominant employer, in the later decades of the twentieth century. As a Senior

Officer describes, after the HRA self-financing settlement, the borough was allotted just “£11 million in terms of borrowing headroom. This was very limited, especially when you look at Hackney, £168m, Lambeth £149m” (Interview, Senior Officer 1). This left the council with “an inability to build new council housing through the HRA” (ibid.), with the effect of policies restricting the council’s options in the austerity straitjacket that I identified.

With the lack of capacity within the HRA to build, the council considered other, more common, options for increasing local authority-directed housebuilding, including “selling the council’s sites off to developers or Housing Associations” (Interview, Senior Officer 2). However, there was a mood amongst the councillors that this meant losing out on the land value uplift which came with development, and a desire at the council to avoid continuing to “throw away the family silver” (ibid.). Instead the council wanted to “develop their own stock” (ibid.), despite having effectively no borrowing headroom. Having previously been a participant in the discontinued pilot LHC programme in the late 2000s, the council looked into establishing an LHC. While the pilot had not come to fruition in terms of development, those involved, some of whom were still with the council, had “learnt a huge amount” about development outside the HRA, and “using affordable housing as an asset class acceptable to the capital markets” (ibid.).

The council established Reside, a private company owned by the council, to undertake developments on former estate land and other council-owned land. This was done in partnership with Long Harbour, a private investment firm, who at the time had a dedicated team looking into investing in UK affordable housing. The estates were cleared of buildings and tenants and sold to the private investment fund, on a long lease (60 years). The receipts for this sale provide the capital funding for the regeneration, and the council has control over managing the regeneration and the properties. The council pays an indexed rental stream to Long Harbour for the duration of the six decade lease, after which the land reverts to the council.

The homes produced are not secure ‘council homes’. Instead Reside produced three different types of affordable PRS homes “for people in work” (Interview, Senior Officer 3), with “21% of the rents going at 50%, 10% at 60% and then the residual at 80%” according to an investor in the scheme (Interview, Investor 1). A further Senior Officer acknowledges that the homes are not ‘council housing’:

*The homes are not technically council housing. They are for people that are in work and can pay the rent; people earning a bit of money, who’ll never get a council property, and can’t afford ridiculous private rents - this was a solution for them. (Interview, Senior Officer 4)*

As one of the councillors involved in the establishment of Reside recognises, the Reside homes are not a solution for people at the sharp end of the housing crisis: “for a lot of people 50% is unaffordable, let alone 80%”, and while the homes built are in the ‘affordable’ category, this can be “meaningless” he says (Interview, Councillor 1). The Reside vehicle has now started to develop shared ownership homes in addition to affordable rent homes, and has plans for market rent and sale on future schemes.

The officers and councillors involved acknowledge their dual motivation in establishing the LHC, which they see as having benefits in terms of revenue generation and housing provision. As a further senior officer involved in the establishment of the vehicle, and at the centre of the LHC movement in London, acknowledges: “it’s about survival” (Interview, Senior Officer 5). LHCs represent an opportunity to develop much-needed income streams, by generating fiscal rent, for the council, and so “some councils are doing it wholly to generate income, whereas a lot of councils are doing a bit of both” and using their LHC to fulfil housing objectives and generate revenue for spending on council services. But as we have already seen the legal context for LHCs means that, as with Reside, the housing policy objectives the vehicle can achieve are not predominantly through the production of large amounts of social rented housing, and they represent a solution to the housing crisis for middle and lower-middle income households, not more economically deprived groups.

#### 4.8 A new asset class? The role of capital markets in the emergence of LHCs

One of the more controversial elements of the growth of LHCs has been the role it has provided, in some places, for financial capital in the provision of council-developed affordable housing in the UK. As first identified in 2016 (Beswick et al.), LHCs constitute a viable portal for financial institutions to directly access the revenue streams from publicly-owned affordable housing in the UK, financialising public housing in ways not before seen in the UK. This has been identified as a core element of the shift which LHCs represent, towards not just a more interventionist, activist, entrepreneurial local state, but to a “financialised municipal entrepreneurialism” (Beswick and Penny, 2018). To begin to explore this potentially important shift, interviews with key investors and council financial officers in the sector were undertaken, and this section will explore investor motivations for engaging with social housing as a financial asset, before asking whether the greater involvement of capital market investors in these schemes has, in fact, stalled. However, before this it will be instructive to look at the results of the London-wide survey, to gain a snapshot of just how significant a role capital market investors are playing.

Of the seventeen councils who provided comparable financing information on their LHCs, just 4 are engaging, or are planning to engage, capital market investors in their LHCs. This is a relatively small proportion. Nevertheless, there remain certainly a great number of investors and a large amount of money available for this sort of deployment of capital, as we shall see below, so there is capacity for the level of engagement to dramatically increase. However, it is important to note that, as opposed to capital markets, the most common current form of financing for LHCS is more orthodox: council General Fund borrowing from the Public Works Loans Board (PWLB). The PWLB is central government's lender which provides finance to local authorities, and is financed by central government borrowing from capital markets – the gilt market. As council borrowing for things other than housing (that is, council borrowing through the council's General Fund, as opposed to through the HRA) is not capped, but just subjected to prudential borrowing rules, councils are borrowing from the PWLB through their General Fund, and then lending that finance on to the LHC. Generally speaking, this on-lending must have a commercial rate of interest attached to it, higher than the rate at which the money was borrowed from the PWLB, to satisfy EU state aid rules regarding supporting private companies. The council therefore generates a profit from this lending – effectively by lending out the money to the LHC at a higher interest rate than that at which it was borrowed, and so earning the interest differential. This forms a key aspect of the revenue generation which LHCs are delivering for councils; councils make a profit from lending to their LHCs. Beyond PWLB borrowing, some councils are also using council reserves to fund LHCs, but these funds are limited and often have been reduced by austerity. However, almost every council, even those engaging capital markets, are using the PWLB lending route to finance their LHCs at least in part.

The arrival of capital market investors in the UK local authority housing sector is a largely a post-GFC phenomenon. The reasons for this are found both in policy shifts and the austerity straitjacket in which they leave councils, alongside the current macroeconomic environment. With the steady reduction of the established central Government grant for affordable house building, and the borrowing restrictions placed on local authority's HRAs (borrowing which would come from central government, who in turn would borrow if from capital markets), new financing necessities and motivations emerged, as old ones eroded. As a high profile investor in the sector notes: "seven or eight years ago the only money that would have left this building to go to affordable housing would have been money lent to the government as debt, who would on lend it either from Homes and Communities Agency to Housing Associations or to Local Authorities through the PWLB" (Interview, Investor 2). The reduction in grant, and the restrictions placed on HRA borrowing, has meant that capital for housing development must be sought by council's outside of these traditional routes.

Beyond this, record low interest rates have meant that investors – private firms, pension funds, endowments – have been searching for novel investment assets to generate income streams needed to meet their liabilities. As an asset, social housing has a number of elements which are attractive to investors, particularly those seeking longer term returns. In the words of an active investor in the social housing sector, “there is no lack of interest [in social housing], and from the type of capital that government would like to draw into these type of assets” (Interview, Investor 1), and as a Senior Financial Officer in LHC-owning council acknowledges: “lack of money isn’t the problem; there is a wall of cash seeking investment: our future pensions” (Interview, Officer 6). Pension funds and other similar investors have long term liabilities (in the case of pension funds, to pay out pensions), and so are seeking stable and reliable long terms investments which pay an ongoing income to help them meet their liabilities. There is a key difference here from earlier private equity-led financialisation of rental housing (Fields, 2013; Beswick et al, 2016), which has been termed ‘the financialisation of rental housing 1.0’ (Wijburg et al, 2020), in which investment strategies of private equity firms are generally more short-termist, seeking higher returns in a reduced time frame. Much of the financial capital entering UK council-developed affordable housing has longer time horizons than the private equity firms which have been so dominant in the earlier stages of this process.

The attraction of social housing to capital market funders of this sort is clear: social housing has highly credit-worthy revenue streams. As the Financial Officer notes perceptively:

*From the funder’s perspective they are acquiring a property backed project, but they’ve also really bought a council guaranteed, indexed income stream for 60 years, which is a sovereign debt, because even though technically councils can go bust, none ever have. They have the security of the property itself, then the council, and then the government. (Interview Officer 6)*

It is for this reason that the Officer describes such investments in LHCs as close to “bullet proof” (ibid.). Social housing has been identified as a safer investment than traditional private market housing for two reasons. Firstly, the enormous supply deficit in affordable housing - if they are building affordable homes then the level of unmet demand in the UK is vast. With 1.2 million households on the waiting list for social housing, growing numbers residing in the unregulated private rental sector, the demand for rental homes which are both more secure, and more affordable, is huge. As one investor in the sector noted: “from a purely capitalist perspective the risk is minimal for affordable housing; you have such an overwhelming need unmet by supply, and so void [unlet homes] rates are a bit of red herring, something which is usually a material risk in residential and commercial property investment, but not so with social housing” (Interview, Investor 3). Secondly, LHC housing is government-backed, in at least two ways. The rental income itself will be supported by housing benefit, reducing the risk of

extensive rent arrears harming the council's ability to meet its liabilities. In addition, the investment is ultimately an investment into state institutions, and investment in government borrowing is priced by the market as among the safest investments. Governments and councils generally do not go bust, and while the LHC itself may go bust, in the contracts signed with investors for LHCs the obligation actually sits with the council to meet their payment liabilities, and the status or success of the LHC is not material.

There is a large appetite then among capital market investors for investment in social housing, for the qualities of its revenue stream, and its state-backed nature. Investors acknowledge that while social housing also fits within the realm of socially responsible investment, social purpose is not driving their investment decisions, although for some investors it can be attractive for reputational reasons:

*It would be wrong to say it was purely for social motivation, because that's nonsense: you know that as well as I do. They've got to match their liabilities and pay their pensioners at the end of the day. That is their primary obligation. If you can tick a box saying that it is socially conscious investment, it's a massive bonus for them; it just increases the attraction of this asset class. It's not the founding reason they are pursuing it, because their primary obligation is not to be moral compasses for the country. But I think it's important. (Interview, Investor 1)*

*I've had institutions who've said 'I don't care about any of this stuff, please just ignore it and just tell me about the economics'. Now that is hardnosed, and out of sync with the way the world is travelling. Even that institution cares about its reputation, so they are looking at it reputationally, they are just not as plugged in to the reputational element. Most people like to do good, if they can do an investment, and look it and think it's quite a nice for our profile isn't it. (Interview, Investor 4)*

Given the 'wall of money' (Aalbers, 2017) seeking a way into affordable housing, and the widespread appetite among a growing number of investors for access to the credit-worthy revenue streams produced by the emerging asset class, we might ask: why has the role of capital markets to date not been larger in LHCs than the London-wide survey suggests? To understand why, and explain why there is evidence that direct engagement with capital markets may not become a dominant feature of LHCs in the short term, we must look at the types of financing which are available to LHCs and affordable housing more generally.

Affordable housing has generally been funded by debt (loans). In the era of mass council house building this debt came in the form of loans from central government, which itself accessed debt through the gilt market. This model of debt-based financing is replicated in the PWLB on-lending

process which was described above. The government accesses (extremely cheap) debt, lends it on to councils (at a profit), who themselves lend it on to their LHC (at a profit). The cost of capital becomes progressively more expensive at every stage, with councils having to pay back more than central government, and LHCs having to pay back a greater sum than councils. Council housing and most LHCs are funded by debt.

New capital market entrants into the affordable housing sector are generally pursuing a different form of financing: equity. They are seeking ownership of the assets in return for capital for investment in the scheme. As was exemplified in the case study, investors want ownership of the asset (often in the form of a long lease) in return for their money; they are not seeking to issue debt, but acquire equity in the schemes. However, although, as one Investor points out, “equity has exploded in the sector”, the equity investors “cannot make the numbers work quite so effectively with debt as cheap as it is – equity is not necessarily the best alternative” (Interview, Investor 3). As interest rates are so historically low, and because government borrowing rates are in general lower than commercial borrowing rates, the cost of acquiring capital is cheaper through traditional PWLB borrowing than it is through engagement with capital market investors. As one investor notes: “[the borrowing rates] are unbelievably low. We can’t compete. There is no way we can because it is ultimately subsidised by Govt” (Interview, Investor 1). It is telling that Barking and Dagenham, who were perhaps the first authority to directly engage capital markets for their LHC schemes, have turned to borrowing from the PWLB and the European Investment Bank (an EU state lender) for subsequent schemes, as it “just makes sense” because the “cost of funds is lower than going through [capital market] investors” (Senior Officer 5). Financialised approaches to financing LHCs are currently more costly to the councils themselves, and so councils have generally followed the more traditional route of central government-supplied debt.

The macroeconomic picture, one in which the cost of credit is low by historic terms, means that the financial capital seeking a foothold in affordable housing through equity has so far failed to do so in any serious way. In the words of one investor “there is such a huge wall of capital that would like to find an access point, but it is struggling” (Interview, Investor 3). Should interest rates rise this may change, but it appears that currently low borrowing costs through traditional means are likely to be the primary method by which LHCs are financed, despite the efforts of a number of key actors in the capital markets. The financialisation of affordable rental housing through this portal has stalled for now, it seems. Some investment firms are withdrawing their interest in affordable housing on these grounds altogether, as capital is too time consuming to deploy. As one investor, who is senior in the sector and has had one very widely reported LHC scheme, but has now closed down his affordable housing investment team, noted:



*We met 31 local authorities in over 400 meetings and proved viability on more than 24,000 units, and we couldn't find another council that would do it... We closed the team. I had four people working for two years on it, trying to get the next deals closed. We just couldn't get them over the line. (Interview, Investor 1)*

## 4.9 Conclusions

This paper has explored the rapid growth of LHCs in London. As I have shown, since 2010 70% of councils in London have set up, or are in the process of setting up, an LHC. This remarkable growth, with little direction or involvement from central government, is perhaps one of the more significant shifts in local authority housing activity in recent decades, and puts councils back in a firmly interventionist mode in relation to housing, exhibiting a new municipal logic - 'financialised municipal entrepreneurialism' (Beswick and Penny, 2018). This could be extremely important; Londoners are suffering the consequences of multiple lost decades of affordable housing production, and with house prices, and private rents at unaffordable levels, and social housing stocks going down most years, the need for large-scale return of local authorities into housebuilding is clear.

However, drawing on data gathered from every London borough which has established an LHC, this paper has shown that while LHCs are a novel phenomenon, and do signal a return to municipal housebuilding in ways that have not been seen for some time, they are importantly very different in motivation and nature to the previous era of council housebuilding. We have seen that LHCs are not going to provide the large uptick in social housebuilding that London needs. Indeed, legally LHCs are adequately positioned to deliver private market homes, and higher rent affordable homes, but cannot produce social homes at scale. The research has also shown how, while many council promote their LHC as an alternative to building in the HRA, which has been artificially restricted since 2012, the role of financial motivations is perhaps more crucial to understanding the rise of these vehicles. LHCs cannot produce the missing social homes which have not been built through the HRA, and instead are producing more lucrative tenures of homes, which meet council's growing need for fiscal rents to make up for the massive loss of central government grant that has been the result of austerity. The austerity straitjacket of policy restrictions has led councils to consider less traditional housing development policies in recent years, but these new directions are not simply motivated by a desire to return to municipal housebuilding within the austerity straitjacket, but instead to generate funds to maintain services decimated by austerity.

We have also seen how some LHCs are providing a new portal for financial capital to access the revenue streams of London's public affordable housing. New models of equity, in which the investors are taking ownership of affordable housing stock as opposed to financing council housing through government debt, represent a new frontier of financialisation for affordable housing in London, and one that needs scrutiny (see Beswick and Penny, 2018). However, despite the vast amount of money which is available for investment in LHCs, and the appetite amongst investors for the security of the investment in the rental streams of government-backed affordable housing, the emerging involvement of financial capital in LHCs appears to have stalled. Low borrowing costs have rendered investors' offer uncompetitive, and most councils are relying on traditional debt financing from central government, through the PWLB, which is having a significant dampening effect on the financialization of these vehicles and their homes.

LHCs appear to be a product of the political reality faced by London's local authorities - the straitjacket imposed by almost a decade of austerity - and look likely to be a feature of local authority housing policy for some time. They provide answers to increasingly pressing questions about income, and the growing need to find new ways of funding council services. At the same time they are also enabling local authorities to play a more active role in relation to housing policy, and provide homes to people who are experiencing the damaging effects of the housing crisis, if not those who endure its worst consequences. However, under increasing pressure from campaigners, politicians within her party, and other mainstream parties, the former Prime Minister Theresa May announced in 2019 that the HRA debt cap was to be abolished. Councils will once again be allowed to make their own prudential borrowing decisions in relation to building social housing, and will not be artificially hamstrung by a narrowly political restriction on their borrowing, irrespective of the viability of their proposed scheme. As LHCs have widely been positioned as a direct response to the limitations posed by the debt cap, attention will surely be given to whether the vehicles survive this positive step forwards in housing policy, and whether their number continues to grow, and their output increase. Given the findings I have analysed here, the answer appears likely to be in the affirmative. Austerity, and the enormous pressure that it has put local authority budgets under, is a central driving force in the growth of LHCs, and the homes they are producing are generally of distinct, and more lucrative, tenures to those produced under the HRA. To a large extent, LHCs represent a means for local authorities to capitalise on London's buoyant property market and generate fiscal rents to fund council services, and so this loosening of the straitjacket seems unlikely to make them unnecessary. It is surely to be hoped that the lifting of the HRA borrowing cap results in councils delivering more social rented homes, but the evidence presented here suggests that LHCs will persist and grow irrespective of whether more HRA homes are delivered.

## Bibliography

- Aalbers, M.B. (2016). *The financialisation of housing: a political economy approach*. Routledge.
- Aalbers, M.B. (2017). The variegated financialization of housing. *International Journal of Urban and Regional Research*, 41(4), pp.542-554.
- Barker, N. (2017). '44% of councils have housing council, report finds'. *Inside Housing*, June, viewed 2 July 2019, <https://www.insidehousing.co.uk/news/news/44-of-councils-have-housing-company-report-finds-53493>
- Barnes, S. (2016). 'More than a third of councils set up housing companies'. *Inside Housing*, December, viewed 8 November 2019, <https://www.insidehousing.co.uk/news/news/more-than-a-third-of-councils-set-up-housing-companies-48870>
- Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D and Hodkinson, S (2016). Speculating on London's Housing Future: The rise of global corporate landlords in 'post-crisis' urban landscapes. *City* 20.2, 321-341.
- Beswick, J. and Penny, J. (2018). Demolishing the Present to Sell off the Future? The Emergence of 'Financialized Municipal Entrepreneurialism' in London. *International Journal of Urban and Regional Research*, 42: 612-632.
- Boughton, J. (2018). *Municipal dreams: The rise and fall of council housing*. Verso books.
- Centre for Cities. (2019). Austerity hit cities twice as hard as the rest of Britain. Available at: <https://www.centreforcities.org/press/austerity-hit-cities-twice-as-hard-as-the-rest-of-britain/> (Accessed, 29 December, 2019)
- Curran, D. (2011). *Housing Revenue Account Reform. London Councils*. Available at: <https://www.londoncouncils.gov.uk/node/1174> (Accessed: 13 August 2019)
- Dorling, D. (2014). *All that is solid: How the great housing disaster defines our times, and what we can do about it*. Penguin UK.
- Department for Communities and Local Government. (2007). *Homes for the future: more affordable, more sustainable*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/243191/7191.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/243191/7191.pdf) (Accessed: 12 May 2019)
- Department for Communities and Local Government. (2012). *The Housing Revenue Account Self Financing Determinations*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6252/2077606.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/6252/2077606.pdf) (Accessed: 29 June 2020)
- Edwards, M. (2016). The housing crisis and London. *City* 20.2, 222-237.
- Fields, D. (2013). *From property abandonment to predatory equity: Writings on financialization and urban space in New York City*. City University of New York, New York.
- Fields, D and Uffer, S. (2016). The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies* 53.7, 1486–1502.

- Hackett, P. (2017). Delivering the renaissance in council-built homes: The rise of local housing companies. *The Smith Institute*.
- Haila, A. (2015). Urban Land Rent: Singapore as a Property State. *Studies in Urban and Social Change*, Wiley-Blackwell, Oxford.
- Hodkinson, S. (2011). Housing regeneration and the private finance initiative in England: Unstitching the neoliberal urban straitjacket. *Antipode*, 43(2), pp.358-383.
- Housing Committee. (2020) Right to build: what's stopping councils from building more housing?. *London Assembly*. Available at: <https://www.london.gov.uk/sites/default/files/Council%20Housing%20Report.pdf> (Accessed: 07 September 2019)
- Hilditch, M. (2015). 'The referendum man: interview with Sadiq Khan.' *Inside Housing*. Available at: <https://www.insidehousing.co.uk/insight/insight/the-referendum-man-45634> (Accessed: 30 August 2020)
- Imrie, R., Lees, L. and Raco, M. eds. (2009). *Regenerating London: Governance, sustainability and community in a global city*. Routledge.
- Jefferys, P., Lloyd, T., Argyle, A., Sarling, J., Crosby, J. and Bibby, J (2015). Building the homes we need: a programme for the 2015 government. Shelter and KPMG.
- Kentish, B. (2018). Number of council homes sold off under Right to Buy increases five-fold in six years after Tories lift cap. *The Independent*, February, viewed 29<sup>th</sup> July 2019, <https://www.independent.co.uk/news/uk/politics/right-buy-council-homes-sold-private-landlords-rent-tory-cap-a8189881.html>
- Kollewe, J. (2017). 'How one council is beating Britain's housing crisis'. *The Guardian*, March, viewed 29<sup>th</sup> July 2020, <https://www.theguardian.com/money/2017/mar/25/how-one-council-is-beating-britain-housing-crisis-sheffield>
- Ministry of Housing, Communities and Local Government. (2018). *Consultation: Use of Receipts from Right to Buy*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/733469/Right\\_to\\_Buy\\_consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733469/Right_to_Buy_consultation.pdf) (Accessed: 12 May 2019)
- Ministry of Housing, Communities and Local Government. (2016). *Welfare Reform and Work Act 2016 – social rent reduction*. Available at: <https://www.gov.uk/guidance/welfare-reform-and-work-act-2016-social-rent-reduction> (Accessed: 14 May 2019)
- Morphet, J. and Clifford, B. (2017). Local authority direct provision of housing, RTP1 and the National Planning Forum
- Peck, J. and Tickell, A. (2002). Neoliberalizing space. *Antipode* 34, 387–411
- PWC and The Smith Institute. (2011). Making the most of HRA reform. Available at: <http://www.smith-institute.org.uk/wp-content/uploads/2011/06/HRA-reform.pdf> (Accessed: 23<sup>rd</sup> August 2019)

- Shelter. (2019). Building for our future: A vision for social housing. Available at: [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0005/1642613/Shelter\\_UK -  
\\_A\\_vision\\_for\\_social\\_housing\\_full\\_interactive\\_report.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0005/1642613/Shelter_UK_-_A_vision_for_social_housing_full_interactive_report.pdf) (Accessed: 20 September 2019)
- Wainwright, O. (2017). 'Out of the box: councils try innovative projects to provide social housing'. *The Guardian*, Feb, viewed 3<sup>rd</sup> August 2019, <https://www.theguardian.com/society/2017/feb/10/councils-innovative-projects-social-housing>
- Watt, P. (2009). Housing stock transfers, regeneration and state-led gentrification in London. *Urban Policy and Research*, 27(3), pp.229-242.
- Watt, P. and Minton, A. (2016). London's housing crisis and its activism: Introduction. *City*, 20(2), pp.204-221.
- Watt, P. (2009). "Social housing and regeneration in London". In Regenerating London, Edited by: Imrie, R., Lees, L. and Raco, M. London: *Routledge*.
- Wheatley, H., Arnold, S. and Beswick, J. (2019). Getting Rents Under Control. *New Economics Foundation*.
- Wijburg, G., Aalbers, M.B. and Heeg, S. (2018). The financialisation of rental housing 2.0: Releasing housing into the privatised mainstream of capital accumulation. *Antipode*, 50(4), pp.1098-1119.
- Wilson, W. (2011). *The reform of Housing Revenue Account Subsidy*. House of Commons Library. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn04341/> (Accessed: 7<sup>th</sup> September 2019)

## 5: Discussion and concluding remarks

Through a post-GFC relational case study of London, this thesis has examined emergent trends in the financialisation of affordable rental housing and urban governance. This chapter re-situates the work in relation to the primary bodies of literature with which it engages and sets out its original contributions to knowledge in these areas. In my introductory chapter I articulated four research questions, and over the course of the following sections I consider how the research presented has provided answers to them. Alongside this, I offer an informed prognosis for how the developments investigated herein might progress in an evolving political economic climate, as well as some reflections on the limitations of the study. The chapter closes with consideration of further avenues of inquiry suggested by the research.

### 5.1 Situation, Originality, Prognosis and Limitations

This thesis has contributed to theoretical understanding and empirical knowledge within the domain of two primary literatures: the financialisation of housing and entrepreneurial urban governance. Through its engagement and contribution to these primary areas of inquiry, the thesis also adds to knowledge in a further area, UK social housing studies. In this section, the central original contributions of the thesis are consolidated, and reflections on how the thesis has answered the research questions posed are offered. I also offer some broader reflections on the use and appropriateness of the concept of financialisation in this study, considering critiques that have been offered of its content and application in the literature.

I have found that one advantage of the 'alternative format' thesis approach undertaken in this work has been that the publication of papers across the course of the PhD has allowed the research to be in real-time conversation with academic literature to a greater extent than with a traditional PhD, in which the research is generally not published until after completion. In this section I will therefore also outline how the two published papers (chapters two and three) have been engaged with in further published work and discuss the role and contribution they are making to the literature. Alongside this, this section offers some reflections on the limitations of the present work, its generalisability, as well as considerations of the extent to which the trends identified in this study may go on to significantly shape, or even play a dominant role, in the housing and urban government systems of the UK.

## 5.2 The financialisation of housing

The thesis has contributed to the growing evidence that, in the post GFC-era, the financialisation of housing is no longer primarily the domain of just one tenure – owner occupation – but has expanded into rental housing, with (affordable) rental markets in London increasingly integrated into global financial markets. The research questions which addressed this element of the study are below:

1. To what extent and in what ways has affordable/social rental housing in London become a key site of financialisation?

3. What can we learn about the post-GFC financialisation shifting trajectories of financialisation in rental housing from other national settings, and how does this inform our understanding of processes in London?

The financialisation of housing has been defined as the “long process of deconstruction of housing as a social good, and its transformation into a commodity and a financial asset” (Rolnik, 2019:16). Arising out of the role that housing financialisation played in triggering the GFC, studies of this process had tended to focus on the deepening of the links between owner occupied housing and global finance in the decade before the crisis (see: Gotham 2009; Newman 2009; Aalbers 2016). However, more recent studies (see: Fields 2017; Fields and Uffer, 2016; Nethercote, 2020), which include paper one (chapter two) in this thesis (published in 2016), have now substantially developed our understanding of how the housing-finance circuit has been re-established since the GFC. Paper one has revealed how financial actors – led initially primarily by private equity firms – have found portals to expand the housing finance nexus through rental housing, in national and urban locations whose property markets were significantly affected by the GFC. In particular, the paper offered the first academic analysis of the financialisation of rental housing in London, drawing out emerging similarities with the other national locations in paper one.

The primary contribution of paper one, which at the time of writing in July 2020 had been cited 108 times, has been to show how *multinational* financial capital actors – termed ‘Global Corporate Landlords’ (GCLs) – have taken advantage of accommodating macroeconomic and local market conditions, alongside the assistance of national and local governments, to buy up or develop large swathes of (affordable) rental housing. The argument, and a central contribution of this thesis, is that these actors, and particularly the international reach of their activities, are becoming a major new force in the development of housing systems across multiple national locations. Paper one’s identification of these specifically *Global* Corporate Landlords has developed a new understanding of these actors and their activities within the field. Their strategy of targeting “devalued assets with the

view to extracting ever greater returns for investors” (Waldron, 2019: 688) through the “recycling of financially “distressed” assets” (Sanfelici and Halbert, 2018: 85) has been found to hold across multiple national locations (see Nethercote, 2018 for a recent review of this literature). By building an understanding using multiple national locations, in paper one I was therefore able to analyse the extent of these trends in London. By using the lens provided by the international comparisons, I identified that while the processes in London were not as advanced as in the other settings, there were clear signs of rental housing financialisation, although ones which were far from dominant. These included distressed asset acquisition by private equity, the emerging role of the UK’s ‘bad bank’, UKAR, as well as early signs of affordable rental housing financialisation, a topic which was explored in detail across chapters two and three.

As Aalbers et al (2020) note, rental financialisation has begun to mature, displaying characteristics which those authors term *the financialisation of rental housing 2.0*. The private equity led financialisation of rental housing (rental financialisation 1.0, in Aalbers and colleagues typology), which this study characterised through its focus on Blackstone’s activities across multiple post-GFC urban settings, now shares ground with a newer model, led by distinct forms of company and financial vehicle, primarily Real Estate Investment Trusts (REITs) and other rental housing companies, like build-to-rent vehicles (see Nethercote, 2018). These vehicles were identified in paper one in London, and their prevalence in London has grown since it was published. Most notably, affordable housing REITs, invested in by national and international capital market actors, have shown how the maturing form of the financialisation of rental housing has intersected with a central focus of this study, affordable housing production. The trends identified in paper one of GCL-led affordable rental housing financialisation in London, which at the time of writing were embryonic in comparison to the other national settings examined (Spain, Ireland, Greece and the USA), have continued to develop. This is perhaps most clearly evidenced by Blackstone’s establishment of a for-profit housing association in the UK, Sage, the first private equity fund to do so, and evidencing the argument which flows across the three papers which make up the thesis that GCLs are beginning to capture the physical and financial assets which make up London’s affordable housing sector.

As such, while contributing to our understanding of the financialisation of rental housing in general, the thesis’s main contribution to housing studies has been to advance our understanding of the financialisation of *affordable* rental housing, and the role of GCLs in this process. At the point of publication of papers one and two, research into the financialising dynamics within non-commodified or affordable housing was limited (Aalbers, 2017). In recent years some of the first explorations of the ways in which non-market housing has been financialised, through development funding, capture by private equity, or the trading of financial assets and liabilities by sectoral actors,



have emerged (Aalbers et al, 2017; Fields & Uffer 2016; Fields, 2017; Wainwright & Manville, 2017). Alongside these studies, the three papers contained in this thesis play an important role in deepening our understanding of this novel interrelationship between international financial capital and non-market subsidised housing.

As discussed in the introduction, all of the existing literature, either directly or indirectly, engages with the role of the (local) state in the financialisation of affordable housing, as does this study. The extant research reinforces the findings of Christophers (2017) in his historical analysis of the UK state's treatment of its land. Adopting Harvey's (1982) axiom which holds that under capitalist relations land will be increasingly treated "as a pure financial asset" (cf. Coakley 1994), Christophers focuses on the state's role in land financialisation, which "has to date been afforded very limited theoretical or empirical attention" (2017: 62), and concludes that the UK public estate has been financialised not by the state itself, but as the state has sold public land to private actors, who themselves have gone on to financialise it. Following Christophers' framing, and as discussed in the introduction and chapter three, in the existing studies (Aalbers et al, 2017; Fields & Uffer 2016; Fields, 2017; Wainwright & Manville, 2017) the state was not the executor of financialisation *per se* but rather the facilitator or enabler, with financialising practices undertaken by other actors. The state sells, transfers, or facilitates the transfer of land, previously privileged for its use value, to private actors who then treat it as a 'purely financial asset', interested only in the rent it can yield. Along these lines, Aalbers (2017) has linked the incipient financialisation of public/social housing to the withdrawal of state funding, on the one hand, and the abdication of state responsibility on the other; this retraction and mutation of the role of the state *indirectly* produces financialisation through non-state providers.

While an indirect/direct dichotomy arguably oversimplifies the complex role the state plays in the examples of housing financialisation offered by these existing studies, they do nevertheless point towards a minimal, facilitative, hands-off role for the state in housing financialisation. In contrast, paper two of this thesis has offered an alternative example of the role of the state in affordable housing financialisation, which I have termed 'financialized municipal entrepreneurialism' (Beswick and Penny, 2018). Here, an interventionist local state is the active *executor* of financialisation, retaining the land, but beginning itself to treat it as a financial asset, often in relationship with financial capital, an analysis concurred with by authors who have engaged with paper two's findings (see Byrne and Norris, (2019), and Dannreuther (2019)). A central contribution of this thesis has therefore been to evidence that the financialisation of affordable housing need not only be a by-product of local state withdrawal and roll back, but can also occur when the local state continues to play its historical role as provider of housing.

The final contribution of this work to our understanding of housing financialisation has been to attempt to draw out what the social, political and economic consequences of this nexus are likely to be for tenants, workers and citizens. I have argued that, at an intersection which potentially collides “diametrically opposed” values (Wainwright & Manville, 2017: 820) – those of the non-market housing sector and the motives and practices of the financial sector – the shifts in the character, security and accessibility of affordable housing could be significant. Responding to austerity, local authorities are engaging in complex, far-reaching and little understood commercial and financial entrepreneurialism to deliver public policy objectives and generate income. Affordable rental housing, held as a financial asset in special purpose vehicles, and targeted by GCLs, will be, I have argued, exposed to an intricate profile of risks, tensions and contradictions, quite distinct from traditional affordable housing. As paper two set out, these risks include: a reworking of the obligations of local authorities to tenants, investors and citizens, with investors interests likely to prevail; the tying of the financial capacity of local authorities to its commercial success, and the buoyancy of local property markets; the dilution of democratic accountability, with an opaque path of accountability from the local authority to the private LHC, and ultimately the homes it holds, with real ownership sometimes lying in the equity stakes of multinational investors/GCLs; and, as a result of the smooth governance space which these homes occupy, which are free from the regulations governing affordable housing provision, the homes risk morphing into a *grace and favour* tenure, which subsists only as long as the local authority has the desire or the capacity to offer the homes at below market rent. As I argued in paper two, the exact implications of the financialisation of public rental housing will only be known over a longer time horizon, as the multi-decade deals with investors evolve. Nevertheless, as I discuss below in 5.2, the recession resulting from the Covid19 pandemic is already forecast to damage the accounts of local authorities who are pursuing financialising practices by more than half a billion pounds (see: Barr and Butler, 2020). The risks contained in this new interface between financial capital and affordable housing are significant, as are those which manifest in the emergent modes of governance that this thesis has identified. The next section reviews the contributions made in this thesis to the allied modes of governance emerging with deeper housing and urban financialisation.

### 5.3 Financialisation of public policy/urban development

The thesis has contributed to our understanding of the financialisation of urban public policy, by identifying an emerging hybridised mode of urban governance, forged in the austerity conditions

faced by urban governments since the GFC, in which local authorities engage in profit-making activities as a form of revenue replacement, often in concert with financial capital actors. The research questions which pertained to this element of the study were:

2. How has the process of affordable/social rental housing financialisation been enabled by new modes of urban statecraft being deployed by London local authorities?
  - How can the emerging model of urban governance be understood in relation to earlier modes of entrepreneurial governance and public housing production?
  - What role has austerity played in the emergence of these new modes of statecraft?

From the late 1980s onwards, urban scholars identified a transition towards more 'entrepreneurial' modes of urban governance, whereby post-war 'managerial' logics and regimes of urban governance were replaced by their neoliberal, entrepreneurial counterparts (Harvey, 1989). Under these entrepreneurial modes of governance, the private sector, public-private partnerships and growth-oriented urban strategies were privileged over redistributive politics of collective consumption. While in the UK the entrepreneurial shift never fully supplanted managerial logics (Hall and Hubbard, 1996), entrepreneurial techniques, practices and approaches are still central to understanding urban policy and city building in the UK in the neoliberal era. From the Conservative governments of the 1980s onwards, and across a range of urban policy areas, private sector delivery of public policy has become normalised, with local governments placing increased faith in private actors to solve "a range of social and – above all – economic problems" (Cochrane 2007: 89; Barnekov et al, 1989). Generally, this has amounted to local government being encouraged to play an enabling or facilitative role in markets and increasingly privatised welfare systems, and to rely heavily on private sector actors to deliver public services, in clear contrast to the managerial logics which dominated earlier decades. This shift was stark in housing policy, where from the 1980s onwards, governments "started to promote the idea that local authorities should be 'enablers' rather than direct providers of housing" (Davis, 2013: 62), leaving housing provision to non-state – private and charitable – actors.

It has been a central argument of this thesis that, echoing developments in other urban locations, we can now observe in London the emergence of a distinct mode of hybridised entrepreneurial governance. Across papers two and three, I have shown how this emergent mode of governance displays marked differences from the earlier, facilitative mode of entrepreneurial urban policy making. Focussing on the realm of public housing policy, the analysis has revealed a shift towards a more interventionist mode, in which local authorities are themselves once again engaging in markets and welfare systems on the supply side, in a manner perhaps more closely associated with the

managerial era. Evidenced through a focus on the Local Housing Companies (LHCs) set up at pace by London local authorities in the post-GFC era, I have analysed the return of urban government to housebuilding. However, I have found that this return is motivated by the need to derive income/profit to fund social services – the seeking of “fiscal rents” (Haila, 2015) – rather than to directly meet social need. Across chapters three and four, I have made two core claims about this embryonic mode of governance: firstly, that it should be considered, in some respects, a financialised mode of entrepreneurial governance; and, secondly that the shift to these new modes of governance can only be understood in the context of austerity-driven fiscal retrenchment.

Scholars began identifying financialised practices within urban governments from the 1990s onwards (Leitner, 1990; Weber, 2010). Since then, researchers, primarily focussing on US cities, and the post-GFC era in particular, have recounted repeated intensifications of the link between financial markets and already entrepreneurial local government. These studies, suggestive of a growing orthodoxy that “policy-makers and planning systems have become more dependent on inward investment and the availability of global finance to fund welfare services and projects” (Raco et al, 2019: 1064), have revealed urban governments engaging with financial market actors, techniques and tools across multiple urban policy areas (see: Rutland 2010; Ashton et al. 2016; Peck & Whiteside, 2016). Paper two, which was published in 2018 and which in July 2020 had a citation count of 53, has made a significant contribution to understanding these emerging modes of governance. Its central argument, in the words of Aalbers (2020: 600), is that local government is seeking greater fiscal rents in order to maximize their “private returns and reduce social obligations” (Weber, 2020: 13). It is now clear that financialised modes of governance are becoming increasingly important in city making in multiple urban settings, and the arguments and evidence that I have presented in this thesis have played an original role in developing this understanding. Towards the end of this section, I will outline the key aspects of this novel mode of governance, in the context of urban housing policy studies, but in what follows I outline my central arguments about the origins of urban financialisation.

A key finding of the thesis is that ‘financialised municipal entrepreneurialism’ cannot be understood outside of the context of the austerity conditions which have been its genesis. I have argued that the financialising trends observable in urban governments in multiple national locations are, to a large extent, responses to fiscal retrenchment enacted by central government. As traditional funding streams have dried up, and central-local resource transfers been rolled back, city governments have sought increased fiscal and political capacity through unorthodox means; in the absence of tax revenue or grant funding, urban governments are identifying profit lines backed by major debt and equity partnerships with financial sector actors, as a potential replacement source of revenue and

ultimately capacity. In London, as I demonstrated in paper three, the ‘austerity straitjacket’ (pace Hodkinson, 2011), and in particular the financial and political restrictions placed on local authorities capacity to build, have pushed local authorities towards establishing private companies to build homes and bring in profit.

Financialisation, I have argued, can in some senses be seen as an urban government ‘fix’ (Weber 2010a; Leitner 1990). Local government is responding to the serious fiscal and political crises brought on by ‘austerity localism’ (Featherstone, et al., 2012; Penny, 2016), by employing commercial and financial logics, techniques and resources to circumvent nationally imposed budgetary and regulatory constraints. As Christophers (2019: 573) has noted, financialisation in the literature is often simplified as the outcome of a roving ‘wall of money’ – an “over-accumulated global surplus of private capital” – seeking new portals in which to sink their funds, with housing and urban government being one of those sinks. But the argument I have made emphasises that local authorities are not mere “puppets of financial capital” (Ward, 2017: 3), and instead are actively seeking engagement with willing financial actors, in response to the reduced circumstances imposed by austerity. Nevertheless, my argument is not that the actions and trends observable in urban government are automatically shaped by unequal hierarchies of governance, and the decisions of higher tiers of government (Weber, 2010) – in other words that urban financialisation is not an automatic consequence of austerity – but instead that the financialisation of urban public policy is a direction of travel forged in the economic and political circumstances which urban governments face, but not made inevitable by it. Indeed, as I demonstrated in chapter four, financialisation at the urban level is both variegated (Aalbers, 2017; Fine and Saad-Filho, 2017) and contingent; in response to forces which are generally commonly experienced local authorities are engaging in financialising practices, or not doing so, with a significant degree of variation, and with a varying degree of resistance or contestation. Austerity, and the fiscal and political environment that it has created, is producing significant changes in urban government - traditional funding is being (partially) replaced by financialised revenue streams - but the extent of these developments is varied, and shaped by local factors, not least the politics, ideologies and financial context of the municipal governments in question.

\*\*\*

In the arguments that I have made, financialisation has been a valuable lens through which to view shifts in governance at the level of London local authorities. However, it is important, in outlining the answers to the research questions that focussed on urban financialisation that we draw out the relationship between this process and two related processes or phenomena: entrepreneurial urban

government and neoliberalism. Both are widely acknowledged to be central to our understanding of recent developments in urban government, and are present in my analysis. As such, it is important to make explicit the relationship between them. In the following subsection I offer a characterisation of the emerging mode of urban governance which I have identified in municipal housing policy, situating it in contrast to the two earlier modes identified in the introduction. However, the argument I am making is not that we are seeing a departure from entrepreneurial modes of governance. Indeed, the market driven nature of entrepreneurialism, and its preferred institutional form – the public private partnership – subsist across the shifting logics of governance. Instead, financialised municipal entrepreneurialism is posited as an evolution of the entrepreneurial mode, forged in the increasingly pervasive conditions of austerity. The evidence I have brought together points to a departure from an earlier mode of enabling, facilitative entrepreneurialism, to a supply-side interventionist mode of entrepreneurialism, in which local authorities are seeking fiscal rent to gain capacity.

Similarly, neither the financialising trends nor the new mode of public housing production I have identified should be interpreted as a shift away from neoliberalisation. The exact relationship between these two drivers of economic and urban change – financialisation and neoliberalism – is not stable in scholarly debate (see, for example: Fine 2012; Sawyer, 2014), and studies can be found which treat financialisation and neoliberalism at the level of urban government as distinct and sequential (Peck, 2016). However, in this thesis I follow Ward and Swyngedouw (2018) in holding that the two processes are allied and can co-exist. Financialisation signifies a growing role for financial sector actors, markets and logics in urban governance and housing, while neoliberalisation represents the broader ideational and policy framework which enables financialising practices to take hold (Waldron, 2019). As such, the financialising turn that I have identified within London urban government represents an evolution in and not a departure from neoliberal practices of governance. In the next section I outline this emergent mode of governance in relation to its antecedents, and in so doing I identify in greater detail the distinctions and continuities between entrepreneurial, neoliberal and financialised modes of governance.

### 5.3.1 Financialised municipal entrepreneurialism: the evolution of urban housing policy

In the introductory section, I presented an original characterisation of the two models of affordable housing production which have spanned much of the previous century in London: the public housing model, and its neoliberalisation. Table four, below, places the earlier models of municipal housing

production in contrast with the new mode of hybridised neoliberal urban governance that I have identified.

To revisit the original model, in the public housing era – characteristic of the managerial mode of urban governance – social rented housing was delivered by local authorities, who played the role of planner, developer and landlord. Where the private sector was involved the relationship was generally contractual, for purposes of construction (Malpass, 2003), although some direct public delivery was involved. The model was funded by central government as part of ordinary spending (taxation and borrowing) through subsidy and loans to local authorities, and rents were pooled nationally and funding disbursed based on need. In contrast, neoliberalisation saw public housing replaced by a broader and malleable spectrum of social and affordable housing products delivered directly by housing associations or as by-products of private development through section 106 agreements (planning gain). In this neoliberal model, the role of local authorities became that of an enabler of the market, playing a more ‘minimal state’, entrepreneurial role in facilitating production – primarily as a planner and land assembly agent – with the private sector vaunted as preferable in terms of quality and efficiency, both for delivery and management. Funding for social housing delivery was reduced, with housing associations required to borrow commercially to build, while most affordable housing for sale or shared ownership was funded through a developer contribution model – facilitated by local authorities through the planning system – and not taxation and borrowing.

This thesis has identified a new emerging model of affordable housing production, which sees a marked change from this earlier mode of entrepreneurial governance in the neoliberal era. Under the new model local authorities are once again playing an interventionist role in housing supply, although in ways radically distinct from the public housing era. Stepping away from the facilitative, planning-led mode of affordable housing delivery, local authorities are navigating neoliberal funding roll back, deepened under the ‘straitjacket’ imposed by post-GFC austerity, by establishing themselves as *private* developers, with a primary motive of generating fiscal rents to replace lost income streams. In the absence of government funding for social housing, financing for the development is acquired either through direct partnership with a financial market actor, or through profitable on-lending from the council to the council-owned development company. The homes produced are primarily market homes, for sale or rent, with social rented housing being provided generally only to the extent that it is required by planning regulations, mirroring the activities of private developers. The situating of these companies in a smooth governance space outside of both the local authority and the regulatory architecture which governs social housing, means that the companies themselves can never play a major role in social housing delivery, for reasons that I

outlined in the chapter four. Instead, the companies are designed to generate a return to the local authority to support general spending.

Table 5.3.1: the three models of production. Source: the author.

	<b>Public housing model</b> c. 1919 – 1970s	<b>Neoliberal era</b> c. late 1970s/1980s – ongoing	<b>Financialised Municipal Entrepreneurialism</b> c. early 2010s - ongoing
<b>Role of local state</b>	Interventionist <i>Developer-planner</i>	Minimal/enabling <i>Planner</i>	Interventionist <i>Developer-planner</i>
<b>Primary private sector actors engaged/ their Role</b>	Construction sector  <i>Contracted</i>	Developers and Housing Associations  <i>Maximal</i>	Financial Sector  <i>Maximal</i>
<b>Transfer of land</b>	Private > public	Public > private	Public > publicly-owned private enterprise or financial capital
<b>Funding and financing</b>	Central state funded and subsidised through borrowing: tax-based/deficit – resources and rents pooled nationally	Private/commercial borrowing (Housing Associations), some state subsidy, speculative development (s106)	Public: speculative development, financialised, commercial borrowing, with no state subsidy  Equity as well as traditional debt
<b>Homes Produced</b>	Social rented housing (council housing)	Affordable housing and social rented housing	Market sale/rent and affordable housing, minority social rented
<b>Landlord</b>	Local Authorities	Non-state Housing Association	Private company either owned by local authority or financial investor
<b>Prevailing logic</b>	Managerial (Harvey, 1989); welfarist: meeting social need	Entrepreneurial: enabling private sector; minimal state  Meet social need through marketisation	Financialised - entrepreneurial: speculative supply side interventionism; seeking fiscal rents



While local authorities and elements of the media portray this new model as representing a ‘renaissance’ in council house building (for example, Wainwright, 2019), the research I have presented makes it clear that this is not the case. Indeed, the similarities between the public housing model and the emerging financialised-entrepreneurial model are minimal. Public housing development was a central government mandated and funded project undertaken by local authorities to meet housing need, whereas this emerging model of municipal housing development is a relatively autonomous response by local authorities to central government’s withdrawal from its traditional role as funder, designed to bring in essential revenue for the council, and not primarily meet housing need.

Although very much within the neoliberal framework of public housing production, financialised municipal entrepreneurialism represents a key evolution in neoliberal and entrepreneurial practice and is radically distinct from earlier modes of the neoliberalisation of urban governance. However, as I have argued, the evolution identified is in an embryonic stage, and is far from dominant, with the earlier mode of neoliberalised housing production still the primary model currently. In light of this, the next section offers some reflections, supported by new evidence collected since the original research for the thesis was undertaken, on the likelihood that this emerging mode of governance will continue to develop, or be forestalled.

#### 5.4 Here to stay? Prognosis and generalisability

This thesis has taken seriously the importance of situating the identified trends in urban governance within their historical context. As Jacobs notes in relation to the field of housing studies, an “historical approach provides us with the possibility of establishing trajectories”, while at the same time encouraging an “informed and critical approach making it possible to distinguish between policies that turn out to have had far-reaching impact from those that were merely newsworthy at the time” (Jacobs, 2001: 128). Given the problems of prediction in social science in general, and housing studies in particular (see: Cole, 2004), it is important to be circumspect about any claims to new eras, directions or modes of public housing and urban governance in the UK. At this stage the trends identified are emergent, partial and far from dominant; as I made clear in paper three, the output of LHCs in London is relatively minor when considered in the context of housing production generally, and indeed many local authorities are yet to build any houses through their companies. However, by situating these developments both in their financial and historical contexts, we can see that “what might superficially appear as a disparate set of events” (Jacobs, 2001: 128) are in fact a consequence of trends which have been underway in public housing policy in the UK since the

neoliberal era, and especially since the GFC and its policy aftermath, and thus express path dependent qualities. As I concluded in chapter four, the profit-led activity by local authorities, in partnership with financial sector actors, is a product of challenging funding realities and macroeconomic conditions, and unless those conditions significantly alter, it seems unlikely that the trends identified in this thesis will abate. The following paragraphs discuss the extent to which these trends can be seen to have developed since the papers were written, and the extent to which we should consider the emergent mode of governance observed to be specific to housing policy, or whether profit-driven local authority interventionism is becoming generalised.

Based on the evidence I have gathered, I argue that this new mode of governance could be of increasing prominence in London local authorities, and urban governments elsewhere. Funding urban public services through profit-making activities, not taxation and borrowing, could become political orthodoxy, as opposed to a minor aspect of local government funding, as it has been for some time. It could also act as a potential means to solve a key urban policy contradiction faced by many municipalities in the neoliberal era: how to continue to provide a level of welfare and other services, with significantly diminished funding. In the prescient words of one of the senior council officers I interviewed as part of this study:

*“I think post 2020 councils could look very different - for councils to survive in that environment where there is no grant, and they are just reliant on council tax and business rates [see 1.4.3], well councils are going to have to look very, very different. I can see councils being strategic bodies, with the delivery of services in a range of vehicles, arranged under a holding company. You could have a holding company – Borough Council Ltd. – sitting above a whole range of services provided by companies, some of them being Limited Legal Partnerships or Joint Ventures, and some being wholly owned companies, with the income going back into their activities, and up into the council.*

Interview, Senior Officer 5

Although I have focussed on municipal housing production, there is evidence of similar profit-led funding approaches emerging at the English urban scale, not least within the realm of commercial property acquisition. Multiple local authorities in England have across the decade since 2010 borrowed to purchase commercial property assets (retail parks, supermarkets, office complexes and airports, for example), with the intention of deriving fiscal rents. Spelthorne council in Surrey are perhaps the most prolific, and by March 2019, the council had borrowed £1.1 billion to finance its commercial property portfolio, which includes a £385 million BP research centre, and a large office complex in London (Barr and Butler, 2020). Total local authority spending on commercial properties

is estimated to have been £7.6 billion over the past four years, with thirty councils receiving at least a quarter of their income from commercial investments (Barr and Butler, 2020). Pre-empting the below discussion about the extent to which these processes should be considered new, it is important to note that local authorities owning commercial assets is not historically without precedent; Manchester City Council have for some time held a stake in a number of airports, for example, and councils derive income from, for example, traditional markets. Nevertheless, commercial property purchases have significantly increased in the austerity era (Barr and Butler, 2020; see also: Christophers, 2019), with councils identifying commercial rents as a replacement funding stream to central-local transfers lost to, or diminished by, austerity cuts.

The risks I identified in chapter three of this mode of governance and public service delivery – tying local service delivery inextricably to the buoyancy of the economy and local property markets – are beginning to rear their heads. The Covid19 pandemic, and its economic effects on the economy and property market, have seen municipal incomes from commercial property portfolios evaporating, with English councils estimating in mid-2020 that they would lose £624 million from commercial property investments that year as a result of the crisis (Barr and Butler, 2020). Redundancies and cuts to services are forecasted as the inevitable consequence of this loss of rent (*ibid.*), and, echoing the argument of chapter three, municipalities' obligations to financiers are trumping those of tenants and residents, with the loan payments to investors and lenders still due. While clearly nascent, the direction of travel in modes of municipal governance identified in this thesis is already having significant impacts, and the risks involved – outlined in paper two – are being laid bare, posing an urban policy challenge which might become crucial in forthcoming decades; if delivering local services requires local authorities to focus on for-profit activities, what happens to those services, and the people who rely on them, when that profit dries up? It is clear that financialising practices may go on to have significant impacts on the capacity, spirit and logics of local government in the coming decades, but in the next subsection I return to the core concept itself – financialisation – and offer some reflections on its use and value in explaining these trends and shifts, which are becoming more and more visible.

## 5.5 Considerations on the value of financialisation as an explanatory framework

In recent years the concept of financialisation has spread rapidly across disciplines, playing a role in attempts “to understand contemporary capitalism and its specificities” (Christophers, 2015: 184). The growing interest and application of the term across urban settings and processes is suggestive of

a “growing orthodoxy in writings on urban planning that since the global financial crisis, city governments and planning agendas across Europe have become more dependent on inward investment and the availability of global finance to boost local growth and sustain welfare services” (Raco et al, 2019: 1064). However, as I identified in the introduction, the ballooning interest in financialisation has not been without its critics, with French et al pointing out that it has become “a highly malleable concept” (2011: 800) which runs the risk of becoming “stretched too far to cover a range of related, but fundamentally different” processes (Ibid: 801). Across my analysis of the literature and the emerging processes in London, I have made extensive use of the concept, and so it is appropriate to reflect on these findings in light of the critiques which have been made of the concept, and its use. Two primary criticisms have been offered: first, that the term is used with insufficient precision (French et al, 2011; Christophers, 2015); and second that it is often applied in an ahistorical manner, underplaying the continuity or persistence of many of the dynamics it is summoned to explain, instead presenting them as novel, and somewhat unprecedented (Ward, 2016; Christophers, 2015). The research question which pertained to this element of the study was:

4. What use is the concept of financialisation in explaining these new entanglements between financial capital, the municipal state, and social housing? Does post-GFC financialisation exhibit any novel characteristics or relevant path dependencies?

In my research, financialisation has been precisely defined as the growing role of financial market actors (institutional investors and private funds) in the provision and delivery of (public) rental housing, alongside the entanglements of financial market actors, logics and practices within municipal statecraft. In my analysis of the engagement of GCLs in post-crisis urban rental markets, I argued that while their prevalence in London was so far low, evidence that this was beginning to change could be found, and indeed this has been borne out further in the growing role that private equity is playing in the UK housing association sector. With regards to the focus of papers two and three - the creation of LHCs, and the engagement of these companies with financial market actors - I have found clear evidence of financialisation at the municipal scale in London. Institutional investors are becoming entwined with public rental housing at the municipal level, through debt and equity, in ways not seen before. However, while I have noted that the general trend towards treating land as a quasi-financial asset (Coakley, 1994), through the establishment of a LHC, is common across most local authorities, the direct engagement with the financial sector to do so is not. The two local authority case studies in Barking and Lambeth found councils engaging with financial actors in novel ways to deliver homes through their LHCs, but the London-wide FoI survey revealed that these practices are not ubiquitous. Instead, I found that prevailing macro-economic conditions, and the low cost of public borrowing, have meant that it has been more cost effective to borrow from the

Public Works Loans Board, i.e. utilise traditional public borrowing methods. For this reason, alongside a reluctance by local authorities to engage in these unorthodox and untested practices on a large scale, this aspect of financialisation through engagement with financial market actors appears to have stalled. Nevertheless, while the extent of financialisation across the study has been varied, clear evidence of the process has been found.

A key question for this study, as identified in the introduction and discussed in paper three, is the extent to which these financialising practices should be seen as novel, both in terms of the engagement with financial capital at the level of municipal housing production, but also the broader evidence that I have identified of a mode of municipal governance in which land and affordable housing are approached as primarily financial assets. Large-scale development, and public housing delivery, has always involved private finance, and financial sector actors; debt and borrowing have been a central aspect of funding local authorities for centuries (Dannreuther, 2019). The public housing model of delivery relied on financial capital to deliver the homes; under this traditional Public Work Loans Board (PWL) financed model, central government borrowed from the gilt market, and lent the finance on to local authorities. The built environment of the Keynesian welfare state era was largely constructed from capital borrowed from financial markets, and so to imply, as some studies may, that financial capital has barely touched the municipal state, affordable housing and urban policy before the current round of urban financialisation would be inaccurate. Instead, I have argued that the present round of financialisation derives its originality from the fact of the direct engagement with financial sector actors by municipal government, alongside the equity-based role (as opposed to traditional debt) that those actors are playing, as I demonstrated in chapter three and four. The interface between financial capital and local government is no longer necessarily mediated through the central state's borrowing, and it is this distinction which is novel, although the existence of an intersection between the municipal government and finance in development is longstanding.

Alongside engagement with private finance, I have also identified practices in local government whereby, at the nexus of an austerity-driven fiscal crisis and a housing crisis, local authorities are viewing their public housing land assets through a primarily financial lens, as sources of income to replace lost revenue. Again however, such an approach should not be seen as entirely new, as Christophers (2019) has recently stressed. Doreen Massey, writing in 1978, identified concerns that local authorities were "little better than property companies" (1978: 269) in their approach to land assets, and noted the accusation that the primary concern of local authorities "sometimes seems to have been more one of maximising financial return than of maximising social benefit" (1978: 270). While Massey did not find these arguments a convincing explanation of local authority activity

across the board, she did find them adequate for explaining certain practices. Moreover, despite Massey's reflections being written in a context in which the local state was encouraged by law to acquire and municipalise private sector land (arguably the opposite of the present context), there are echoes of this study in her explanation of these quasi-financialised practices. In her view, it was "not enough to just allow local authorities to own land; they also have to be enabled to behave as socially conscious landowners" (1978: 270), by policies and funding. Like the present study, Massey found that "financial stringency", alongside other factors, pushed local authorities towards treating their land as a primarily financial resource (ibid.).

The present round of financialisation at the municipal level is not a completely novel phenomenon. Financialised approaches to the urban public estate, and the reliance on financial market actors to deliver public housing, is longstanding municipal practice. Nonetheless, I have argued that the practices emerging in London constitute a marked shift from earlier modes of governance. Financialisation (as I argue elsewhere in this conclusion) should be seen as a central aspect of evolving neoliberalisation, and so my claim has not been that we are seeing a step away from neoliberalism, but rather a distinct mode of governance emerging within neoliberalism. As identified in chapter four, initiatives such as the PFI – characteristic of the previous, neoliberal, enabling-state model of public housing production (see table 5.3.1 above) – involved direct engagement with financial actors by local authorities, and so it is important to identify how the trends identified are distinct from those exhibited by PFI. PFI was a mechanism used to deliver housing regeneration (Hodkinson & Essen, 2015), in which the state relinquished control over project delivery, design and asset management to private-sector partners, paying a long-term charge for the development and services provided. In this neoliberal model of housing production, private-sector provision was exalted as efficient in ways the public sector could never be (Froud, 2003) and the state's role was limited to strategic oversight. Private sector partners provided upfront capital, and were responsible for building/regenerating the asset – the estate, hospital, or school, for example – and then providing day-to-day management of it (Bayliss 2014). PFIs can clearly be viewed through a lens of financialisation; they involved the direct interface between financial capital and municipal government in public housing production and regeneration. The distinction from the mode of social housing production identified in this thesis, however, is that under PFIs the state's role was ideologically *minimal*, in the sense that it did not engage in supply and instead facilitated/paid the private sector to do so, characteristic of the enabling state logic which encapsulated the neoliberalisation of public housing production. Under the emerging mode of neoliberal governance, we are seeing evidence of a step away from the commitment to minimal state towards direct municipal intervention on the supply side, with local authorities innovating to develop capacity in

local housing policy and to generate fiscal rents. Entrepreneurial governance is evolving in London, with financialised practices and financial capital providing the blueprint and means for this development, and income generation, not directing revenue to financial actors as under PFI, the intended outcome. While far from dominant, these tendencies could become a crucial element of the urban system in London, and the next section outlines some directions in further research which would develop a deeper understanding of these directions of travel.

## 5.6 Directions for Future Research

This thesis has identified processes in their relatively early stages. Financialisation – of both municipal government and affordable rental housing – is a nascent process in London, and this study has attempted to situate this process in relation to its antecedents, but also to reflect on how these processes may develop. No piece of academic writing can offer the ‘final word’ on a process or phenomenon, but this is especially true of the present work; multiple questions are provoked by it, many more than it has been able to answer. This is, in part, due to the timing of the research. Since the publication of the papers in chapters two and three, further developments in the UK’s affordable housing model and mode of urban governance have emerged, which have driven the process of financialisation forward. The rapid expansion of local authorities’ exposure to commercial property assets, and the risks that this entails, alongside the arrival in the affordable housing sector of for-profit housing associations owned by international private equity funds, make clear that the situation is rapidly evolving. Further study of these trends is clearly an imperative for critical urban and housing studies, and in what follows I offer two avenues of research towards this goal.

The practicalities of a PhD has meant that, in order to be able to examine an area in sufficient detail to generate a nuanced understanding, the research I have presented has been limited to one aspect of municipal policy: public housing. However, the mode of governance identified here appears to be evident across multiple areas of local authorities’ activities. As the Senior Officer quoted earlier in this chapter remarked, local authorities could become very different entities in the coming years, constituted as “strategic bodies, with the delivery of services in a range of vehicles, arranged under a holding company” (Interview, Senior Officer 5). Research is therefore needed into the extent of these shifts across the whole arena of local authorities’ activities. This would include commercial property investment, but also the extent to which the model of provision manifested in LHCs and the financialised municipal entrepreneurialism it represents obtains in different areas of municipal policy. A crucial question is posed by the present study: if local authorities need to make a profit,

then what happens to those areas which cannot be profitable? Housing policy, and for example planning, may lend themselves more readily to deriving an income (indeed social housing has often been a source of income for local authorities), but what about those areas of the local welfare state for which profitability is not a realistic aim, for example children's and adult social care. Beyond journalistic studies (for example Barr and Butler, 2020), and academic research drawing on it (Christophers, 2019), there is a notable absence of academic work in these areas. Local government may radically change in the next decade, if the trends identified in this work develop, and it will be vital for urban studies to chart and analyse these changes.

In paper two, I offered some reflections on the possible consequences for those people who rely, directly or indirectly, on the services provided by the financialised LHCs, primarily the tenants and the workers, but also the citizens who rely for the provision of local services on a healthy profit line from the council's entrepreneurial endeavours. Identifying clear risks both in terms of democratic accountability and economic stability, the argument I made suggested that this new mode of governance introduced novel categories of risk into urban politics, which we do not yet fully understand. As mentioned above, the Covid 19 pandemic and its aftermath is already set to wipe more than half a £billion from council balance sheets this year, through losses in their commercial property portfolios (Barr and Butler, 2020), and this is already forecast to lead to service cuts and job losses. This unexpected development and its almost immediate consequences for the model of governance analysed in this thesis, reveals that a crucial task for urban studies is to deepen our understanding of the ramifications of financialised municipal entrepreneurialism for the people who will be subjected to its consequences. Although relatively unknown, the shifts underway in local government in London could go on to have a significant, and potentially highly detrimental cost for city dwellers. The research I have presented has only been able to begin to lay out these potential costs, and so identifying, analysing and raising awareness of the risks inherent in such trends is of critical importance.

## 5.7 So what now? Closing remarks and reflections on scholar activism

As I write these final remarks in August 2020, the UK is entering what is now forecast to be the deepest recession since records began. The focus of this thesis has been the consequences of the last recession, the GFC of 2008 onwards, whose effects, in terms of public policy, are still emerging and beginning to be understood. The aftermath of the GFC, and the austerity politics which it led to have had enormous ramifications for the political economy of the UK, and this has been particularly



true of affordable housing and local government. I opened the first chapter with three vignettes describing the little known, but increasingly widespread, ways that affordable housing is becoming an asset for transnational financial capital, and over the course of the thesis have shown why and how this shift is occurring.

However, in important ways, the bigger question, for tenants and city dwellers across the UK is what the effects of this will be. How will financialisation impact upon the ability access affordable and secure homes and lives in cities? Will seeking fiscal rent provide the fix which local authorities need to continue to provide vital services, or will it push them further away from a logic of meeting need and collective consumption? I had thought, when researching and writing this PhD, that we will only begin to know the full answers to these questions over a longer duration than my period of study, although I attempted to provide the beginnings of an insight into this through the reflections on London from elsewhere. But the pandemic, and the economic shock which accompanied it, has changed this. The coming recession, and the detrimental impact that it is having on financialised councils balance sheets already has expedited the impacts, and thrown them into sharp relief, faster than I could have imagined. Local authorities' investments are already going bad as the commercial real estate market sours, and although the exact nature of the consequences for LHCs and other residential property investments are yet to be known, they are unlikely to stray far from this downward trajectory. As I intimated in chapter three, and can now say clearly, seeking financialised solutions to the problems of urban governance underfunding and central government disinterest in affordable housing is an approach which carries a significant profile of risk, and any gains are likely to be temporary, or at least contingent.

When I began this research in 2014, although already firmly established in the social sciences, the concept of financialisation had little purchase outside of academia. It wasn't a term used by activists or progressive politicians, at least in London. Over the course of my research this has begun to change, with financialisation starting to become a lens through which housing groups and activists view change in London, and an object to struggle against. As I discussed in chapter one, this research project was undertaken with progressive aspirations, in the activist research tradition, and the findings I have produced have in small ways contributed to the growing understanding of financialising processes outside of the academy. By presenting my research to groups, sharing published papers, and using it to inform the activism in which I have been involved, this project has hopefully had an impact on activism and progressive urban and housing struggle in London.

Beyond activism though, and as discussed in the introduction, for the latter part of the PhD I have also been employed as a policy professional in a left wing think tank, working on housing issues. A

central element of my analysis has been to situate the emerging trends in relation to their antecedents and attempt a path dependent understanding of the changes we are seeing. However, at the same time, and in part drawing on my research, I was professionally and personally involved in a mainstream party political project designed to shift that trajectory and path dependency. The Opposition party, and their left wing leadership, adopted urban and housing policies which would have begun to deviate from the neoliberal model, and broadly return us to the era of public housing that I described, with largescale supply side intervention in social and council housing. Through my professional access to policy officers working for the opposition, I was able to draw their attention to housing financialisation and LHCs, and share what I was finding, including sending them draft papers. In discussions with them about funding local government, reducing intra-urban inequality, and delivering social housing, my findings were useful in demonstrating that fiscal rent-led real estate investment was not a solution to the funding crisis at the urban scale or to the decades-long backlog of social housing, arguments which were accepted.

In the late summer of 2020 that all seems quite far away, however. The opposition party lost (substantially) the General Election in the winter of last year, and we are now facing five years of a government committed to the neoliberal model of affordable housing and deepening intra-urban competition and inequality through business rates reform. At the same time the country is entering a recession which, it is hard not to imagine, will increase, not decrease the funding pressures on councils. The path dependent trajectory looks set to hold, and an informed speculation would surely take the view that the coming years will push local authorities further towards fiscal rent, and equity and finance drawn down from capital markets, as a solution to the problems that they face. The findings I have offered suggest that this is mistaken, if our objective is sustainably funded local government and an adequate supply of affordable housing. However, if that is the course that they take, and if cities and affordable homes in the UK are set for another recession-driven intensification of their interface with financial capital, then the reflections and analysis offered in this PhD should at least provide the beginnings of an understanding about why that is, and what it means.

## Bibliography

- Aalbers, M. (2016). *The financialisation of housing: a political economy approach*. Routledge.
- Aalbers, M. (2017). The variegated financialization of housing. *International Journal of Urban and Regional Research* 41(4): 542–554.
- Aalbers, M. (2020). Financial geography III: The financialization of the city. *Progress in Human Geography*, 44(3), 595–607.
- Aalbers, M., Fernandez, R. & Wijburg, G. (2020). The Financialisation of Real Estate. In: Mader, P., Mertens, D., & Van der Zwan, N. *The Routledge International Handbook of Financialisation*. Routledge
- Ashton, P., Doussard, M and Weber, R. (2016). Reconstituting the state: City powers and exposures in Chicago's infrastructure leases. *Urban Studies* 53.7, 1384-1400.
- Barnekov, T.K., Boyle, R and Rich, D. (1989). *Privatism and Urban Policy in Britain and the United States*. Oxford University Press, Oxford.
- Bayliss, K. (2014) The Financialisation of Health in England: Lessons from the Water Sector. FESSUD working paper. Available at: <https://core.ac.uk/download/pdf/42550691.pdf>. (Accessed: 19 November, 2019).
- Beswick, J., Alexandri, G., Byrne, M., Vives-Miró, S., Fields, D and Hodkinson, S. (2016). Speculating on London's Housing Future: The rise of global corporate landlords in 'post-crisis' urban landscapes. *City* 20.2, 321-341.
- Beswick, J. and Penny, J. (2018). Demolishing the Present to Sell off the Future? The Emergence of 'Financialized Municipal Entrepreneurialism' in London. *International Journal of Urban and Regional Research*, 42: 612-632.
- Butler, P. & Barr, C. (2020). English councils poised to make cuts amid loss of commercial income? *The Guardian*, viewed 28 July 2020. <https://www.theguardian.com/society/2020/jul/13/english-councils-poised-cuts-services-job-losses-loss-commercial-income>
- Barr, C. & Butler, P. (2020) Which English councils rely heavily on commercial investments? *The Guardian*, viewed 28 July 2020. <https://www.theguardian.com/society/2020/jul/13/english-councils-rely-heavily-commercial-investments>

- Byrne, M. and Norris, M. (2019). Housing market financialization, neoliberalism and everyday retrenchment of social housing. *Environment and Planning A: Economy and Space*
- Christophers, B. (2015). The limits to financialization. *Dialogues in Human Geography* 5.2, 183–200.
- Christophers, B. (2017) The State and Financialization of Public Land in the United Kingdom. *Antipode*, 49: 62– 85
- Christophers, B. (2019). Putting financialisation in its financial context: Transformations in local government-led urban development in post-financial crisis England. *Transactions of the Institute of British Geographers*, 44(3), pp.571-586.
- Coakley, J. (1994) The Integration of Property and Financial Markets. *Environment and Planning A* 26.5, 697–713.
- Cochrane, A. (2007) *Understanding Urban Policy: A Critical Approach*. Blackwell, Oxford.
- Cole, I. (2006) Hidden from History? Housing Studies, the Perpetual Present and the Case of Social Housing in Britain, *Housing Studies*, 21:2, 283-295
- Coakley, J. (1994) The Integration of Property and Financial Markets. *Environment and Planning A* 26.5, 697–713.
- Dannreuther, C. (2019). Silencing the social: Debt and depletion in UK social policy. *Capital & Class*, 43(4), 599–615.
- Davis, C. (2013) *Finance for housing: An introduction*. Policy Press, Bristol.
- Featherstone, D., Ince, A., Mackinnon, D., Strauss, K., & Cumbers, A. (2012). Progressive localism and the construction of political alternatives. *Transactions of the Institute of British Geographers*, 37(2), 177-182.
- Fields, D. (2017). Unwilling subjects of financialization. *International Journal of Urban and Regional Research*, 41(4), pp.588-603.
- Fields, D and Uffer, S. (2016) The financialisation of rental housing: A comparative analysis of New York City and Berlin. *Urban Studies* 53.7, 1486–1502.

- Fine B. (2012). Neoliberalism in Retrospect? It's Financialisation, Stupid. In: Kyung-Sup C., Fine B., Weiss L. (eds) *Developmental Politics in Transition*. International Political Economy Series. Palgrave Macmillan, London
- Fine, B, Saad-Filho, A. (2017). Thirteen things you need to know about neoliberalism. *Critical Sociology* 43(4–5): 685–706
- French, S., Leyshon, A., & Wainwright, T. (2011). Financializing space, spacing financialisation. *Progress in Human Geography*, 35, 788–819
- Froud, J. (2003). The Private Finance Initiative: risk, uncertainty and the state. *Accounting, Organizations and Society*, 28(6), pp.567-589.
- Gotham, K. (2009). Creating Liquidity out of Spatial Fixity: The Secondary Circuit of Capital and the Subprime Mortgage Crisis. *International Journal of Urban and Regional Research* 33.2, 355–371.
- Haila, A. (2015). *Urban Land Rent: Singapore as a Property State*. Studies in Urban and Social Change, Wiley-Blackwell, Oxford.
- Hall, T and Hubbard, P. (1996). Entrepreneurial City: New Urban Politics, New Urban Geographies? *Progress in Human Geography* 20.2, 153–174.
- Harvey, D. (1989). From managerialism to entrepreneurialism: the transformation in urban governance in late capitalism. *Geografiska Annaler: Series B, Human Geography*, 71(1), pp.3-17.
- Harvey, D. (1982). *The Limits to Capital*. Verso, London.
- Hodkinson, S. (2011). Housing regeneration and the private finance initiative in England: Unstitching the neoliberal urban straitjacket. *Antipode*, 43(2), pp.358-383.
- Jacobs, K. (2001). Historical perspectives and methodologies: their relevance for housing studies?. *Housing, Theory and Society*, 18(3-4), pp.127-135.
- Leitner, H. (1990). Cities in pursuit of economic growth. *Political Geography Quarterly* 9.2, 146–170.
- Malpass, P. (1990). *Reshaping Housing Policy: Subsidies, Rents and Residualisation*, London: Routledge.
- Massey, D. (1978). The patterns of land ownership and its implications for policy. *Built Environment*, 6:4, 263-72

- Nethercote, M. (2020). Build-to-Rent and the financialization of rental housing: future research directions, *Housing Studies*, 35:5, 839-874
- Newman, K. (2009). Post-Industrial Widgets: Capital Flows and the Production of the Urban. *International Journal of Urban and Regional Research* 33.2, 314–331.
- Peck, J. (2016). Transatlantic city, part 1: Conjunctural urbanism. *Urban Studies* 54.1, 4–30.
- Peck, J and Whiteside, H. (2016). Financializing Detroit. *Economic Geography* 92.3, 235-268.
- Penny, J. (2016). Between coercion and consent: the politics of “Cooperative Governance” at a time of “Austerity Localism” in London. *Urban Geography* 0.0, 1–22.
- Raco, M., Livingstone, N. & Durrant, D. (2019). Seeing like an investor: urban development planning, financialisation, and investors’ perceptions of London as an investment space, *European Planning Studies*, 27:6, 1064-1082
- Raco, M. and Savini, F. eds. (2019). *Planning and knowledge: How new forms of technocracy are shaping contemporary cities*. Policy Press.
- Rolnik, R. (2019). *Urban Warfare*. Verso Trade.
- Sawyer, M.C. (2014). What is financialization? *International Journal of Political Economy: a journal of translations*, 42 (4). 1. 5 - 18 (14).
- Sanfelici, D. & Halbert, L. (2019). Financial market actors as urban policy-makers: the case of real estate investment trusts in Brazil, *Urban Geography*, 40:1, 83-103,
- Ward, C. and Swyngedouw, E. (2018). Neoliberalisation from the ground up: Insurgent capital, regional struggle, and the assetisation of land. *Antipode*, 50(4), pp.1077-1097.
- Rutland, T. (2010) The financialization of urban redevelopment. *Geography Compass* 4.8, 1167–1178.
- Weber, R. (2010). Selling City Futures: The Financialization of for their cooperation and. *Economic Geography*, 86(3), pp.251–274.
- Weber, R. (2020). Embedding futurity in urban governance: Redevelopment schemes and the time value of money. *Environment and Planning A: Economy and Space*.
- Ward, K. (2017). Financialization and urban politics: Expanding the optic. *Urban Geography* 38.1, 1–4.

Wainwright, O. (2019). Council housing: it's back, it's booming – and this time it's beautiful. *The Guardian*, viewed 20 June 2019. <https://www.theguardian.com/artanddesign/2019/jun/20/council-housing-its-back-its-booming-and-this-time-its-beautiful>

Wainwright, T and Manville, G. (2017) Financialization and the third sector: Innovation in social housing bond markets. *Environment and Planning A* 49.4, 819-838.

Waldron, R. (2019). Financialization, Urban Governance and the Planning System: Utilizing 'Development Viability' as a Policy Narrative for the Liberalization of Ireland's Post-Crash Planning System. *Int. J. Urban Reg. Res.*, 43: 685-704

## Annexes

### Annex 1: Interviewees

Interviewee	Date of Interview	Identified in thesis as (names only given when directly quoted in papers)
Senior Councillor, Lambeth	10/2016	Lambeth Councillor
Senior Officer, Lambeth	07/2016	Lambeth Officer
Housing activist, Lambeth	07/2016	n/a
Senior Councillor, Barking and Dagenham	12/2016	Senior Councillor 1
Senior Officer, Barking and Dagenham	12/2016	Senior Officer 1
Senior Councilor, Barking and Dagenham	12/2016	Senior Councillor 2
Senior Officer, Barking and Dagenham	03/2017	Senior Officer 3
Senior Officer, Barking and Dagenham	05/2017	Senior Officer 4
Senior Officer, Barking and Dagenham	07/2017	Senior Officer 2
Senior Officer, Waltham Forest Council (and previous Senior posts at additional London boroughs)	02/2018	Senior Officer 5
Senior Financial Officer, Barking and Dagenham	08/2017	Senior Officer 6
Head of Investment Firm	02/2017	Investor 1
Head of public sector investments, major firm	05/2017	Investor 2
Senior Investment consultant	05/2017	Investor 3
Senior Investor, Real Estate Investment Trust	03/2017	Investor 4
Senior Consultant on social housing, leading real estate consultancy (previously: senior officer at local authorities)	03/2018	Senior Social Housing Consultant
Senior Greater London Authority Officer, housing	04/2018	n/a
Senior Politician Greater London Authority Officer	06/2018	n/a



## **Annex 2: FOI request**

This is the FOI request sent to Hackney council, but the questions are identical to those sent to all authorities, although the means of submission are often distinct, with many authorities having online portals, and not requiring letter

Dear FOI Officer,

I am writing to request the following information under either the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. It may be that because many of my questions relate to land use and ownership that you consider this request under EIR.

I am interested in **Council-owned Housing Companies** by which I mean private companies which are partly or wholly owned by the council, external to the HRA and the council generally, and set up to develop housing. Many local authorities have established these companies in recent years (see Inside Housing article <https://www.insidehousing.co.uk/news/news/more-than-a-third-of-councils-set-up-housing-companies-48870>).

I am interested in whether Hackney has set up one of these companies in recent years, it's legal details and development pipeline, and housing output, so it's impact can be assessed.

### **THE REQUEST**

#### **SECTION A COUNCIL OWNED HOUSING COMPANIES**

*A1) Please confirm whether Hackney has set up a partially or wholly council-owned housing company in the period since 2008? If the council has set up more than one, please indicate how many.*

*A2) If yes please confirm the name of the company/ies, company registration number(s), and whether it/they are wholly or partially owned by the council?*

*A3) If it is partially owned please confirm who the partners are and how the equity (ownership of the company) is divided proportionally?*

*A4) Please send or link to any and all business plans approved by the council for the council owned company*

*A5) If the answer to A1 is no, please send or link to any council documents, reports, proposals, memos and minutes where the setting up of a partially or wholly owned housing company is discussed.*

#### **SECTION B LAND USE**

*B1) Please identify/list any and every separate land holding which forms part of the proposed and completed development plans/pipeline of the company?*

*B2) For each completed or proposed development undertaken by the Housing Company please indicate for each of the below categories:*

- *ii. Total number of the below built/(to be built) as part of the development*
- *ii. Total number of homes demolished/(to be demolished) as part of the development*
- *iii. Total number of homes retained/(to be retained), i.e. not demolished as part of the development*
  
- *Categories:*
  - *private market rent and sale*
  - *social rent*
  - *affordable rent*
  - *intermediate*

## **SECTION C FINANCING**

**Please answer the following for each separate development:**

*C1) Please describe how the completed and proposed developments undertaken by the council owned company are to be financed, including sources of finance. If the council is providing finance to the vehicle at commercial rates please indicate from where that money was raised.*

### **Handling this request**

When responding to this request, please could you consider the following points.

### **Applying Exemptions**

Please note that exemptions should be applied to information rather than documents as a whole. This means that the most appropriate response to applying an exemption is redaction of sensitive information rather than refusing the request as a whole.

Please consider each element of this request individually, and apply exemptions in a granular manner.

### **Section 10 - Timelines for compliance**

Section 10 of the Act requires that a public authority respond 'promptly' to a request for information and otherwise no later than within 20 working days. This point is expanded upon in the [ICO Guidance Paragraph 21-25](#), which explains that it should only be in exceptional circumstances that a request takes the full 20 working days to process.

### **Section 12 - Cost of compliance**

Please note that according to the The Freedom of Information and Data Protection (Appropriate Limit and Fees) Regulations 2004 only the costs of determining whether the information is held, locating it, retrieving it and extracting it should be included within the calculation of costs. The time taken on applying exemptions and redaction should not be included.

If you consider that responding to this request in its entirety will exceed the time/cost limit it would be helpful if you could indicate an estimate of responding to each of the above sections so that I can make an informed decision about limiting the scope of my request by excluding certain areas of questions from it.

### **Section 16 - Advice and Guidance**

If there is any part of this request that is unclear, please can you contact me to offer advice and guidance as to the form and format of the kinds of information held by the authority, so I am given an opportunity to explain what information I am seeking with reference to what is held. I would also note that the Section 45 Code of Practice says that in providing advice and assistance, I should be allowed to speak to your FOI officer rather than conducting all correspondence over email.

I would suggest that providing a register of items of information within the scope of this request would satisfy the requirement for Section 16.

Many thanks for the time handling this request. If there is anything I can clarify or help with please feel free to contact me at [gyjb@leeds.ac.uk](mailto:gyjb@leeds.ac.uk) or on **07873557040**. I would like to receive the information in electronic format.

Sincerely,

Mr J. Beswick

University of Leeds