SciencesPo
CHAIRE VILLES, LOGEMENT, IMMOBILIER

RESEARCH REPORT

Housing policy under the conditions of financialisation

The impact of institutional investors on affordable housing in European Cities. (HoPoFin)

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JUNE 2023

Sciences Po Urban School

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ABI – Italian associations of banks and banking foundations

AdP – Accordo di Programma

AHP – Affordable Homes Programme

BCR – Brussels Capital Region

BID – Business Improvement District

Bp – basis point

BPF – British Property Federation

BTR – Build-to-rent

CDP – Cassa Depositi Prestiti

CLTB – Community Land Trust Brussels

DEPOS – Public Agency for Planning and Housing (Athens)

EBRD – European Bank for Reconstruction and Development

ECB – European Central Bank

ERS – Edilizia Residenziale Sociale

EU – European Union

FGB – Fair Ground Brussels

FIA – Fondo Investimenti Abitare

FIL – Fondo Immoboliare Lombardia

FPPRPs – for-profit PRPs

FS – Ferrovie dello Stato

GJ – Gigajoule

GLA – Greater London Authority

IMF – International Monetary Fund

IMU – local real estate tax

kWh – kilowatt-hour

LAHC – London Assembly Housing Committee

LAR – London Affordable Rent

LARPs – Local Authority Registered Providers

LLR – London Living Rent

MHC – municipal housing company

MP – Member of Parliament

MP – Million Homes Program

NATO – North Atlantic Treaty Organisation

NPL – Non-Performing Loans

OEK – Worker's Housing Agency (Athens)

PAD – Plan D'Aménagement Directeur

PBSA – Purpose-Built Student Accommodation

PGT – Piano di Governo del Territorio

PHS – Public Housing Sweden

PII – Programmi Integrati di Intervento

PLN – Polish Zlotych

POMIDA – the Hellenic Property Federation

PRP – Private Registered Provider

PRS – private rental sector

PZFD – Polish Association of Developers

REIMF – Real Estate Investment Mutual Funds

REIT – Real-Estate-Investment-Trust

REPE – Real Estate Private Equity

RFI – Rete Ferroviaria Italiana

RTB – Right to Buy Policy

SNPC – Syndicat National des Propriétaires et Copropiétaires

Sqm – square meters

SRAs – social rental agencies

SRH – Social Residential Housing

SUT – Swedish Union of Tenants

T&T – Tour & Taxi

TBS – Social Building Associations

UNHCR – United Nations High Commissioner for Refugees

UPSI-BSV – Union Professionelle du Secteur Immobilier/Beroepsvereniging van de vastgoedsector

WBS – Wohnberechtigungsschein

1. Introduction

Since the financial crisis of 2008/09, the “financialisation of housing” has become a buzzword widely used within and outside academia to describe economic and structural changes in the housing market. One of the most visible dimensions of this “financialization” is the growing presence of institutional investors as property owners in manifold cities across Europe. This trend has come along with a burgeoning housing affordability crisis that affects at new households in major cities. While housing is placed again under pressure, new questions arise in relation to the role of institutional investors as active agents of housing supply. There is no clear evidence of how institutional investors affect local housing markets and how they relate to housing affordability pressures in each city. Additionally, little is known about how housing policies and politics engage with institutional investors as novel housing actors and which are the challenges faced in housing policy development. To shed light on these questions that still remain underresearched, we have selected seven cities that vary significantly in terms of rental systems and market dynamics, housing policies and provision to examine the different, thus the city-specific effects of this general trend across Europe.

The financialization of housing has already become a major issue in urban and housing studies and research has disclosed the growing relevance of institutional investors, financial motives, financialised management and calculation techniques in the transformation of housing into an asset class (Gabor & Kohl 2022; Wu et al., 2020; Fernandez & Aalbers, 2020; Aalbers et al., 2020). However, after more than 15 years of interdisciplinary research it has become clear that the term "financialisation" is developing as a relatively imprecise umbrella for a broad variety of topics. We tender that the actual “doing” of financialization is highly context-bound, defined by spatial and temporal local particularities and, as such, subject to an immense array of variations. For example, while in Germany and Sweden institutional investors have been buying up entire housing estates and formerly public housing companies, in other cities of central and eastern Europe real estate investment trusts or real estate funds are gaining a foothold in niche markets such as care facilities, student dormitories or micro-apartments. In Spain and Ireland, and more recently, in Greece financialization is often discussed in relation to debt management and the securitization of Non-Performing Loans (NPLs). In our study, we explore these differences and describe the variety of ways in which institutional investors have established themselves in European cities.

The chief aim of our study is to shed light on the role and strategies of institutional investors in local housing markets. *First,* we trace how institutional investors approach local housing markets in seven different countries. *Second*, we explore how institutional investors' activities enmesh with the provision of affordable housing. *Third*, we reflect on the local specificities and the way institutional investors become embedded in local real-estate markets to consider why investment strategies differ significantly amongst cities and, therefore, we disclose the different gateways in the cities under study. In doing so, we highlight the role of local context in the path-dependency of the financialisation of housing. A *fourth* focus is on the interplay between institutional investors, policy actors and governments. We assume that in a highly regulated field such as urban and housing policy, different forms of exchange and cooperation between institutional investors and local policy actors emerge in each case, reflecting local specificites and dynamics.

To address the above, we have chosen a comparative case study design. Moving away from a conventional comparative approach of identifying similarities and differences, we aim at teasing out how the general restructuring of financialised housing is continuously restructured and reshaped by local dynamics. This helps disclose the path-dependency of housing finanicialisation across seven cities. In other words, it is not only the generic trend of housing financialisation that shapes local housing markets, but local circumstances that define the process of housing financialisation in each case. As such, in this comparative approach we bring together cases that represent different rental systems, different ideologies of housing provision, policies and planning and different market dynamics to explore how the contigent trajectories of housing financialisation are defined by local dynamics and how institutional investors reshape their strategies to adjust and/or accommodate to local circumstances.

To shed light on the role of institutional investors as key actors in the finanicalisation of housing against the background of different local contexts, seven case studies were selected to offer key information on the structure of the housing markets and the current challenges for affordable housing supply. For this, London, Brussels and Milan are selected as cities with a traditionally ownership-centered housing market and in the case of Brussels and Milan with a weak social housing sector and weak rent regulations. This is to some degree also the case of Warsaw where the housing market transitioned from a planned economy to a "super homeownership society" with a peculiar mix of housing rights and a lack of regulation. This contrasts Malmö and Berlin, two cities that were at least in the past characterised by very strong regulation of the private market and a strong non-profit sector. Athens stands as a case of extreme austerity, indebtedness and impoverishment of the local population, forming a very specific environment for the financialisation of housing.

The case study chapters that follow analyse the activities of institutional investors and describe their role in the supply of affordable housing. Additionally, the political and planning instruments which cities employ *vis á vis* institutional investors are presented. Of particular interest, are the forms of public-private collaboration through which city planners and policy-makers interact with institutional investors. The presentation of the seven case studies is followed by a cross-case summary in which the comparison of the strategies and tragectory of institutional investors is used to identify the path-dependecies of housing financialisation, and the way local contingencies work out the interaction between investors and the political-administrative system. The impact of institutional investors on housing affordability is a recurring theme underlying the queries under scrutiny.

The work presented here is the outcome of a six-month project which was financed by Science Po Paris and included scholars from Athens, Berlin, Brussels London, Malmö, Milan and Warsaw. It has built on the long-term engagement of the participating scientists with their respective cities and a highly developed expertise in the housing conditions, market dynamics, planning regulations and policy issues in different contexts. Nevertheless, the study has an explorative character. It provides first hand ideas about the different financial logics across Europe which need further examination.

Berlin, 30th June 2023

Andrej Holm, Georgia Alexandri and Matthias Bernt

2. Financialisation, Institutional Investors and affordable Housing

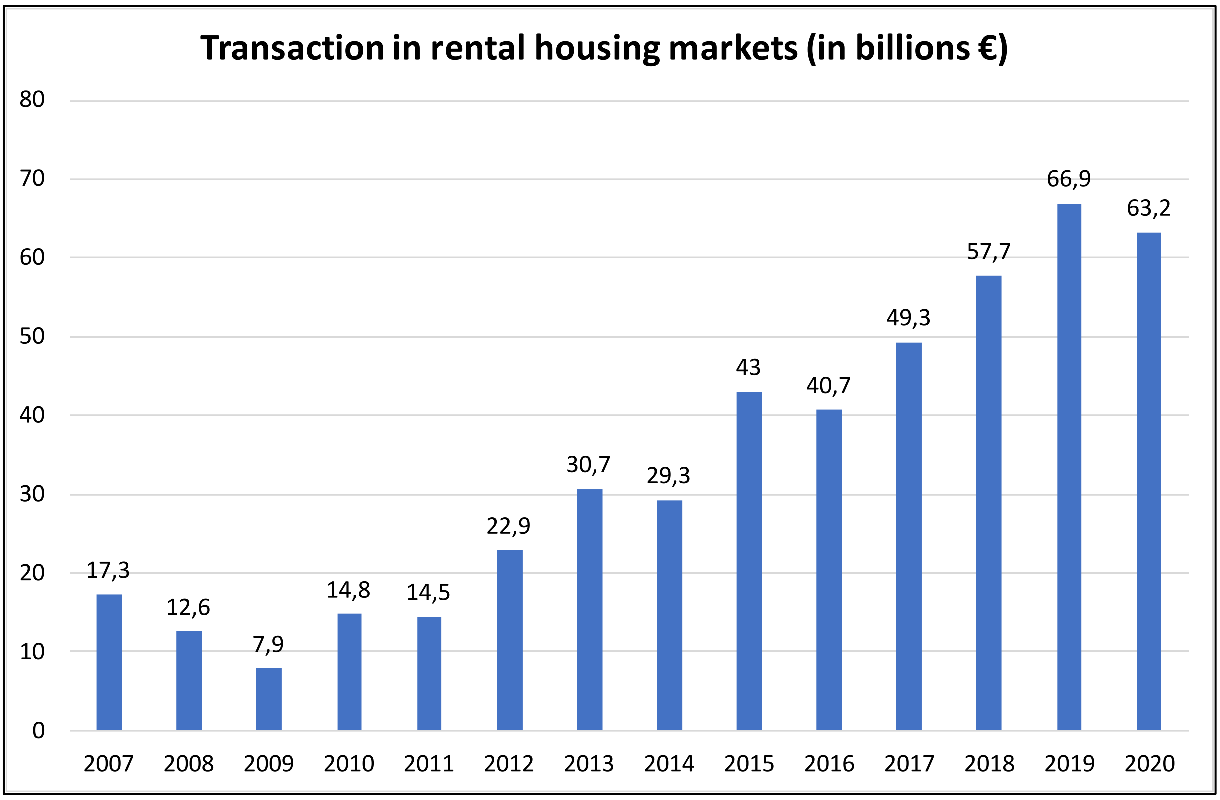
In the last decade, there is a growing discussion about the rise of institutional investors as chief realestate actors in many European cities (Aalbers et al., 2021; Aalbers & Christophers, 2014; Beswick et al., 2016; Fields & Uffer, 2016; Aalbers 2016, 2018, 2019). The term "financialisation of housing" is used to describe this trend, although, as discussed earlier, it involves a series of interpretations of the structural changes observed in local real estate markets in the aftermath of the global financial crisis. In a nutshell, the term was intially used to outline institutional investors' debt-driven strategies of asset accumulation, as achieved via securitisation and debt management arrangements (Wyly et al., 2009; Fields & Uffer, 2016; Janoschka et al., 2020). More recent discourses interpret housing financialisation as the accumulation of assets, including the acquisition of different kinds of properties and land by institutional investors and other real estate actors, including private landlords (Aalbers et al., 2021). Additionally, analysis expands to incorporate the concept of "assetisation" to describe the "creation of new asset classes" in the process of financialisation of the housing sector (Birch & Ward, 2022, p. 3; Fields, 2018, 2022). Other studies point to the growing contribution of institutional investors in the development of new build-to-rent housing constructions (Nethercote, 2020) or to real estate activities in niche markets of student housing, tourism apartments, or micro-apartments (Revington & August, 2020; Clancy, 2022). Research has shed light on the the manifold ways institutional investors manifest themselves as novel housing actors. We distinguish between institutional investors, who are directly active in housing markets as owners or responsible for the management of assets, and institutional investments in the form of financial titles, bonds, financing instruments and shareholdings that illustrate an indirect involvement in the housing sector. The focus of this study is on institutional investors, rather than on the financial means used for the purchase of properties and assets. This allows us to analyse institutional investors as active players in housing supply and provision in local real estate markets.

2.1. Emergence of institutional Investors in European Housing Markets

Despite the extensive research on housing financialisation, there is no presice data on the actual housing market share that institutional investors control in the different cities across Europe. Some studies scrutinise real estate transactions and point to the high share of institutional investors in purchase activities in real estate markets. In one research project, real estate deals totaling 470 billion euros in the rental housing sector were identified in the period between 2007 and 2020 alone (Arena for Journalism in Europe, 2021).

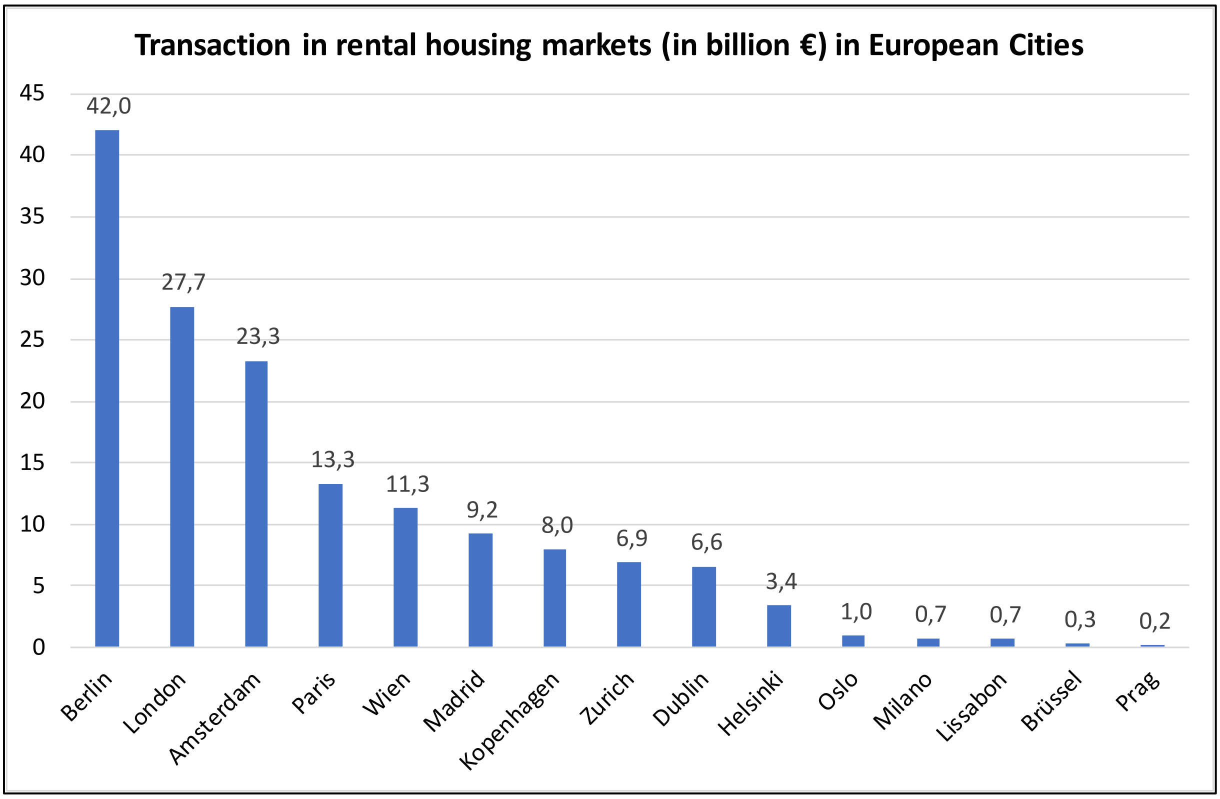
In the analysis of data from real-estate transactions, 15 cities were identified as the ones that gathered around one third of the total turnover of transactions on rental apartments in Europe. This figure offers a clear indication of the extremely uneven spatial distribution of institutional investors' activities. While cities such as Berlin (€42B), London (€28B) and Amsterdam (€23B) apprear with higher turnover figures, transactions in cities such as Oslo, Milan, Lisbon, Brussels and Prague add up to less than €1B over the same period. Nonetheless, this cannot lead to an interpretation that the latter cities are not subject to institutional investors' activities, but rather that in-depth qualitative research can tender rich information that is often overlooked by statistics on financial transactions.

Figure 1: Transaction in rental housing markets



Source: Arena for Journalism in Europe 2021 (based on Real Capital Analytics 2021).

Figure 2: Transaction in rental housing markets



Source: Arena for Journalism in Europe 2021 (based on Real Capital Analytics 2021)

However, the share of institutional investors in the rental housing markets differs. The aim of our study is to analyse the reasons and conditions for this different role of institutional investors in different cities by using selected case studies as examples.

Institutional investors develop different strategies in approaching residential real estate markets. While some of them act directly as owners and landlords (e.g. Vonovia, Heimstaden, Akelius), others target investments in housing companies and construction projects where they participate as key shareholders (e.g. BNP Paribas, Brookfield, UBS). An analysis of the annual reports of institutional investors listed by PropertyEU research "Top100 Investors ranking by assets under management" for 2021 identified only 9 companies that act directly as landlords of rental housing. Most institutional investors acquire mixed real estate portfolios comprising of assets in logistics, retail, office and only some housing assets that relate to student or micro-living accommodation. As annual reports document, a common way to enter local real estate is via the participation in other companies, spin-off of subsidiaries or the participation in larger portolios in which different properties are combined. A detailed number of residential units acquired by institutional investors cannot be derived from available data or from other real estate information.

Concrete information on the number of residential units and the size of the housing stock is only available in the business reports of the few investors that act directly as property owners of rental apartments. These companies manage more than 1 million rental apartments in a total of 10 countries throughout Europe. A distribution of these housing stocks shows a very clear disparity, with a focus on Germany (>770,000 housing units) and Sweden (>120,000 housing units).

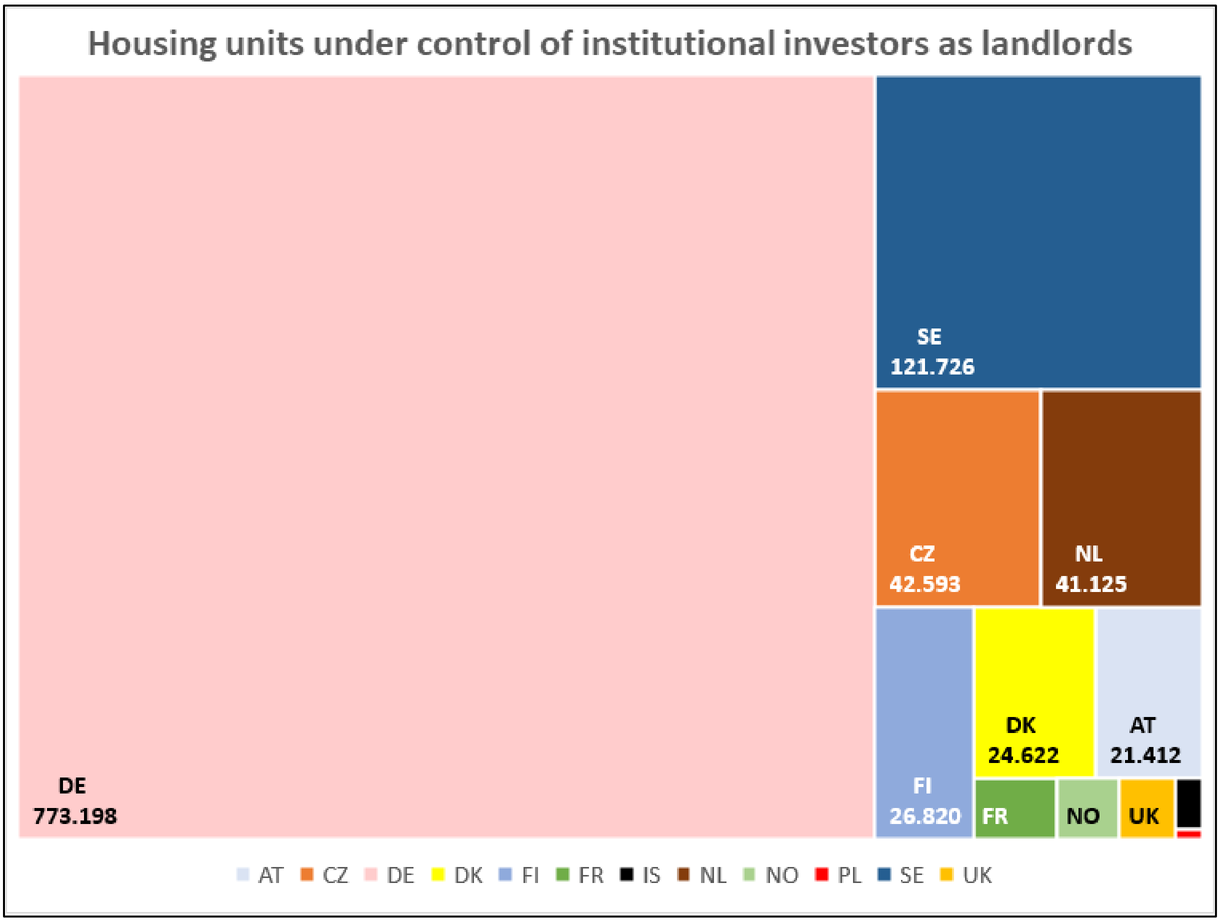
Table 1 Top100 investors with rental housing under direct managment

	AT	**CZ**	**DE**	**DK**	**FI**	**FR**	**IS**	**NL**	**NO**	**PL**	**SE**	**UK**	**total**
Balder				4.807	23.650						16.843		**45.300**
Covivio			40.000										**40.000**
Gecina						6.000							**6.000**
Grand City Property			48.795			-						3.840	**52.635**
Heimstaden		42.593	29.704	19.815	3.170		1.677	13.464	4.453	282	44.785	60	**160.003**
LEG Immobilien			167.040										**167.040**
SBB i Norden											20.645		**20.645**
Vesteda								27.661					**27.661**
Vonovia	21.412		487.659								39.453		**548.524**
Total	**21.412**	**42.593**	**773.198**	**24.622**	**26.820**	**6.000**	**1.677**	**41.125**	**4.453**	**282**	**121.726**	**3.900**	**1.067.808**
Share	**2,0%**	**4,0%**	**72,4%**	**2,3%**	**2,5%**	**0,6%**	**0,2%**	**3,9%**	**0,4%**	**0,0%**	**11,4%**	**0,4%**	

Source: PropertyEU 2022, Annual Reports of Companies

According to this analysis, almost three quarters of housing apartments that are managed directly by institutional investors as owners are located in Germany and Sweden. The portfolio and shares in the other countries are much smaller. For example, in the Czech Republic institutional investors control over 42,000 apartments and in the Netherlands over 40,000 apartments, while in Denmark and Finland around 25,000 apartments in each country. In Iceland, institutional investors control just under 1,700 apartments, and in Poland, around 282 apartments; these are the documented countries with the smallest portfolios of institutional investors in the “TOP100 Investors” report.

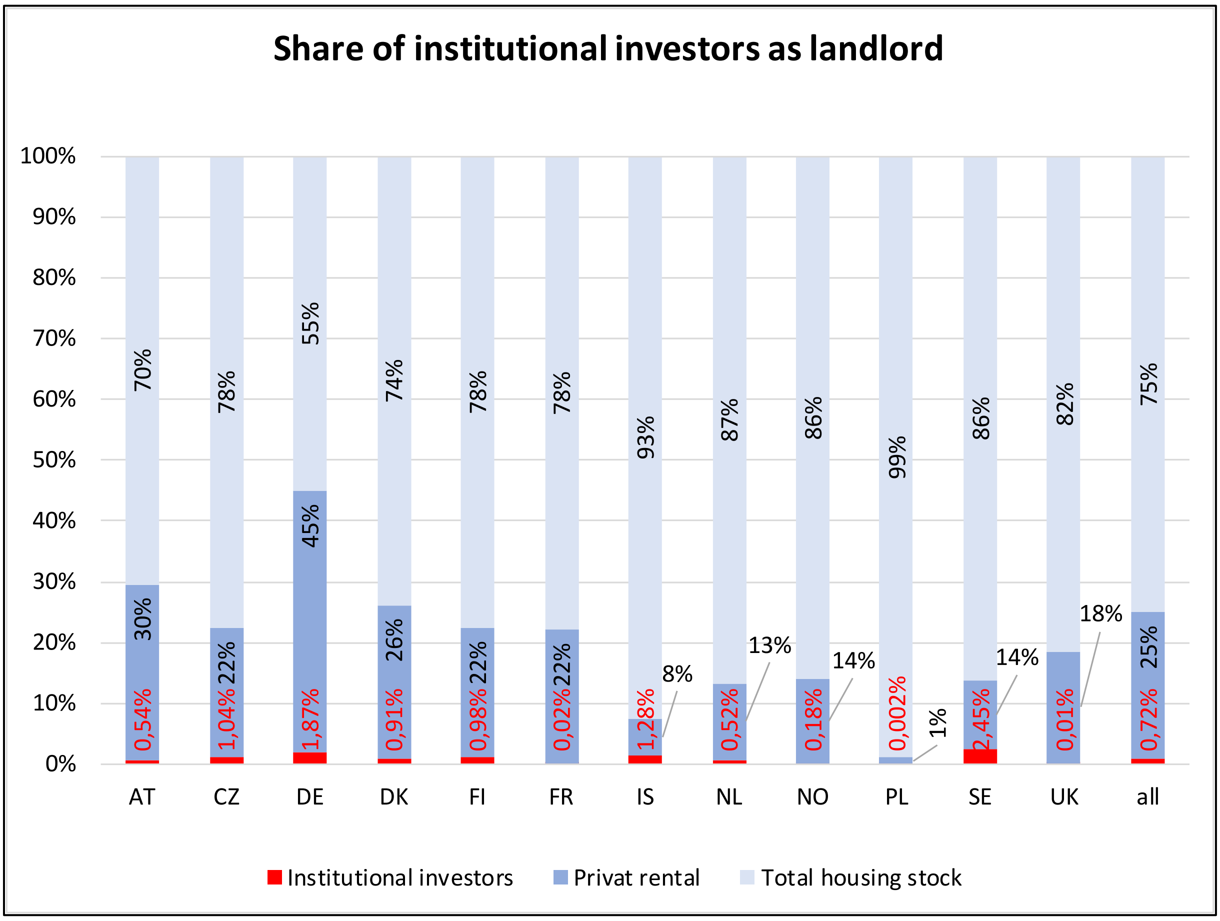
Figure 3: Housing units under control of institutional investors as landlords



Source: PropertyEU 2022, Annual Reports of Companies

However, in a cross-country comparison, the share of institutional investors as landlords is taken into consideration. In relation to the total housing stock of the countries considered in this report, the share of institutional investors as landlords ranges from 0.002 % in Poland to 2.45 % in Sweden - the importance of institutional investors as landlords at national level is rather low overall, averaging just 0.72 % of the total housing stock in the countries studied. This is where the high stock figures in Germany come into play, as the proportion of housing stock held by institutional investors is just 1.87 % of the more than 41 million homes in Germany.

Figure 4: Share of institutional investors as landlord

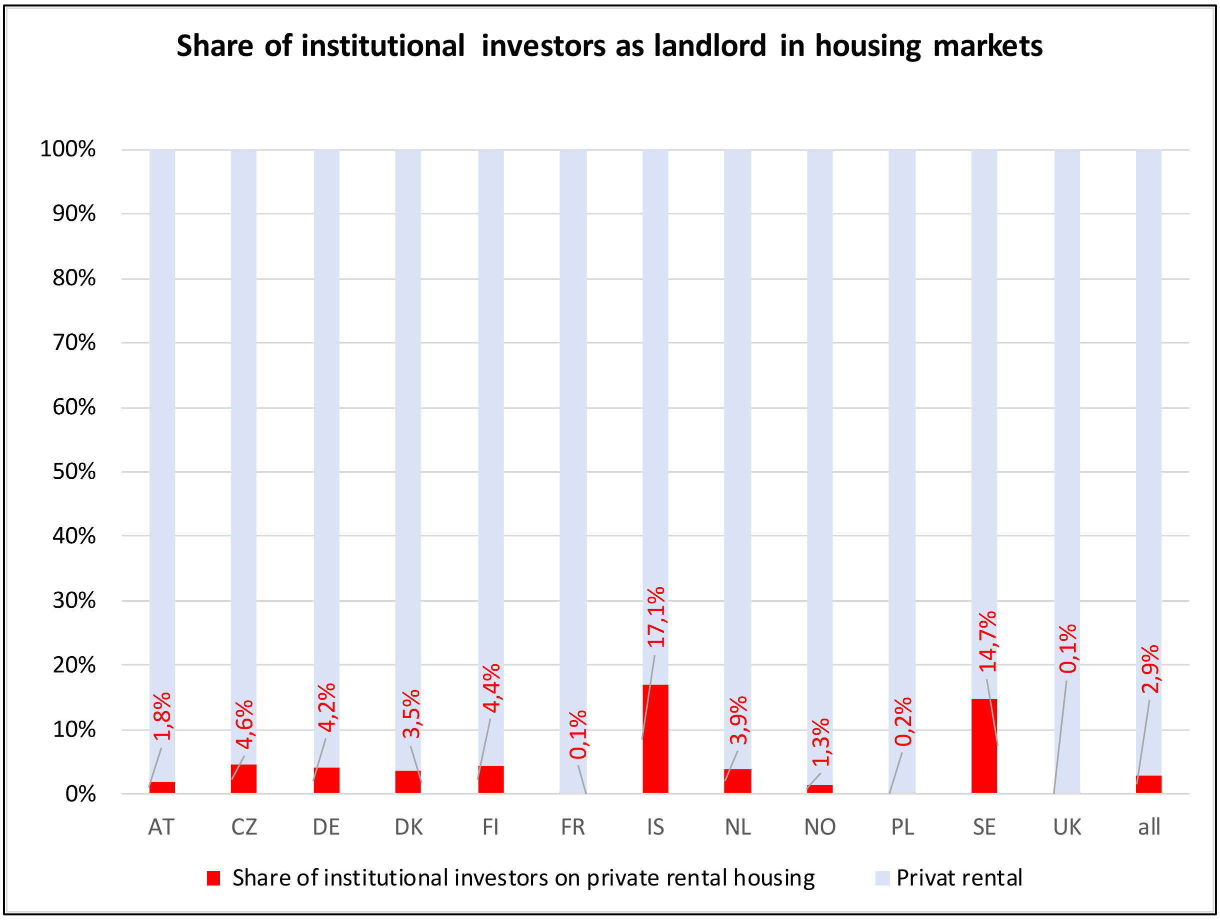


Source: PropertyEU 2022, Annual Reports of Companies

The picture is somewhat different if the share of residential units managed by institutional investors in the private rental housing sector is considered. Iceland appears with the largest share of over 17 %, as there are fewer than 10,000 rental apartments there in the market dominated by owner-occupied property. In Sweden, too, the share of apartments with institutional investors as landlords is above average at over 14 %. In Germany, the Netherlands, Denmark, Finland and the Czech Republic, the share of institutional investors in private rental housing ranges between 3 % and 5 %. In France, Poland and the UK, on the other hand, the share of institutional investors as landlords is just between 0.1 and 0.2 %, that is, of only secondary importance for housing supply.

However, while at the national level the share of institutional investors as landlords appears to be rather restricted, this may not be the case at the regional or local level. In the cases that institutional investors manage assets in specific locations, they develop into important real estate actors that influence the housing supply side dynamics and control housing access and demand. Moreover, the limited data available on the role of institutional investors in housing markets and in the supply of affordable housing also points to a complexity of the business models of the financialisation of housing that can only be partially captured by classical statistic indicators. With our study, we aim at exploratively attaining the variety of manifestations of institutional investors on the basis of city-specific case studies, to contribute to a deeper understanding of the role, strategies and magnitude of institutional investors as housing supply actors.

Figure 5: Share of institutional investors as landlords in housing markets



Source: PropertyEU 2022, Annual Reports of Companies

2.2. Institutional Investors, affordable Housing and urban Politics

Several studies have examined the emergence and expansion of institutional investors as real estate actors, while others have analysed the impact of different financing models on housing supply in cities (Aalbers & Christophers, 2014; Beswick et al., 2016; Fields & Uffer, 2016; Aalbers, 2016; 2018; 2019). Much research highlights a conflict between the management models of financialised companies and the requirements of affordable housing supply (Alexandri & Janoschka, 2018; Bernt et al., 2017; Byrne & Norris, 2022; Rolnik, 2019). However, some recent research challenges this assumption by demonstrating the contribution of institutional investors in social housing construction (Milligan, 2015; Tang, Oxley & Mekic, 2017; Courtney, 2018). Such contradictions reflect the differences between housing systems, as defined by the structures of the rental housing markets, the state capacity of social housing provision, and ideology regarding the role of the state in housing affairs. Through a comparative study design, we want to investigate the impact of increasing financialisation and make a systematic diagnosis of the potential contribution of institutional investors to the provision of affordable housing, both in terms of managing formerly public or social housing stock and new housing constructions.

Literature analysis on the relationship between state actors and institutional investors in reconfiguring housing policies is contradictory. On the one hand, urban policy decisions to privatize previously public housing stock have enabled the rise of institutional investors (Fields & Uffer, 2016; Wijburg, 2020; Waldron, 2020). On the other hand, strategies of de-financing and re-regulation of the housing policy and institutional framework are increasingly sought after (Wijburg, 2021; Wetzstein, 2017, 2019). As previous housing policy instruments have become increasingly ineffective in ensuring the supply of affordable housing (due to liberalisation, privatisation and austerity), many cities are seeking new strategies to regulate local housing markets. Under the rubric of post-neoliberal housing policy, recent studies describe the contribution of housing struggles and tenant unions in redefining local housing policies, and novel city government strategies to confront the growing housing crisis (Kadi, Vollmer & Stein, 2021; Schipper, 2015; Watt & Minton, 2016; Watt, 2021; Card, 2022).

The intention of this study is not only to compare the strategies that institutional investors employ as property owners in local housing markets, but also to analyse the way policy making is developed or influenced under the exchange with institutional investors in a cross-country analysis. In many cases, due to internationally woven corporate structures and cross-industry business models, institutional investors pose challenges to the policy-making processes as new strategies of lobbying come into play (Colenutt, 2020, Robinson & Attuyer, 2021). Nonetheless, local specificities in each case may pinpoint to a variety of policy arrangements than can be better evaluated after scrutiny of the power dynamics that evolve at the local level between policy makers, institutional investors, housing campaigners and society.

This study has an explorative character that aims at: a) capturing the impact of financialisation on affordable housing; b) identifying housing policy and planning instruments that target institutional investors; and c) analysing policy-making under the conditions of housing financialisation. Our chief goal is to develop an in-depth and thorough understanding of the impact of financialisation on housing affordability and scrutinise the path-dependency of the process by looking at the way local dynamics enmesh with institutional investors' strategies. Additionally, we tender that the financialisation of housing economies is integrated with highly variable and changeable forms of public policies that are enacted in different contexts. We expect that this will enable a more nuanced analysis that combines "global-relationality and territorial-embeddedness" (McCann, Roy & Ward, 2013, p. 584). A comparative case study design amongst cities that act as representatives of different rental systems allows us to engage with different perceptions on housing policy, welfare ideologies and real estate market dynamics to shed light on the way institutional investors' strategies play out in different local contexts. Moreover, the seven cities selected (Athens, Berlin, Brussels, London, Malmö, Milan, Warsaw) present different paradigms of the way institutional investors approach local markets and their potential magnitude in defining housing affairs.

The seven case study cities have been selected for three reasons: 1) all cities are characterised by rent increases that constitute a profound affordability housing crisis. As a consequence, different means of state intervention are employed in each case to address the current pressures households face; 2) the cities represent different housing systems (Kemeny, 1995, 2001,2006), and this facilitates a comparative analysis of dissimilar market structures and regulatory environments and allows an in-depth understanding of path dependencies and the specificities that define the process of housing finanicalisation; and 3) all partners have worked extensively on the seven cities and have the necessary expertise to analyse complex constellations and housing policy deployment vis-à-vis institutional investor activities.

Methodologically, the project relies on combining different sets of qualitative methods for in-depth engagement with case studies (Yin, 2018). Major sources of data collection used are grey literature, documentary analysis and expert interviews. In addition, the project draws intensively upon the expertise offered by project partners. Due to different availability of datasets in each city, contacts, and public discussions, the research design has been flexible to adjust to the circumstances of each case. To ensure comparability, a common set of questions and detailed guidelines have enabled a basis of systematic analysis.

The report is structured as a case study design. Research findings from each city as case study are laid out in dedicated sections (section 3-10). City case studies are identically structured and consist of the following sections: a) description of the current challenges of affordable housing; b) an account of the activities of institutional investors in the housing markets and their role in the supply of affordable housing; and, c) an outline of the urban policy contexts that enable or impede institutional investors and the enacted tools of urban policy that aim at ensuring affordable housing supply. This is followed by a comparative section consisting also of concluding remarks that offer insights on the path dependency of the process of housing finanicalisation; by looking at the role of institutional investors in local housing markets and the way housing policy frameworks are re-defined to address or respond to the housing pressures of financialisation.

3. Athens: From Debt to Housing Crisis

Athens is the capital of Greece and adheres to the regional state of Attica. The municipality is populated by approximately 650,000 inhabitants, with a greater metropolitan area of 3.7 million people. It should be noted that around 45 % of the total population of the country is concentrated in greater Athens, however the focus of this project is on the municipality. Since the late 1980s, the city experienced successive suburbanisation waves, as mainly middle-class households sought for better living conditions away from the density and poor environmental amenities of the city centre. From the 1990s onwards, as the country transformed from a place of external migration to a recipient of migrants, the incoming migrants in Athens inhabited the apartments with poor quality standards on the first floors and basements. Since the last decade the city centre of Athens has attracted investment interest and several neighbourhoods are undergoing a process of gentrification. At the moment of writing (May 2023), Athens is governed by the conservative party, that also runs the regional state of Attica as well as the central state.

a. Analysis of Housing Provision and Affordability

The structure of the housing market

Athens, like Greece in general, is characterised by homeownership rates of roughly 68 %, most of which are small/individual owners inhabiting their own property (Emmanouel, 2015). This is due to the rather unique urban-land system that developed in Greece in the aftermath of the Civil War (1944-1949).

More precisely, the lack of employment opportunities in the countryside, including the anonymity big cities offered to those stigmatised by the civil war, pushed hundreds of thousands to emigrate towards Athens (see Leontidou, 1990). In Athens, urban development and construction of housing came about largely through assertive self-interest (antiparochi) and informal settlements (Leontidou, 1989; 1990; Mantouvalou & Mavridou, 2007). In order to accommodate the urbanising population, the state restrained from investing in social or other forms of municipal housing, and promoted instead a land development system, called antiparochi (Mantouvalou et al., 1995). The latter relied on agreements between landowners, developers and the state for the demolishing of existing low story houses and their replacement by blocks of flats. Planning laws were promulgated after construction activities, legitimizing speculation in space production (Tsoulouvis, 1987). In the city centre, the implementation of the antiparochi system led to the uncontrolled demolition of most of the low-rise housing stock and its replacement by sprawling developments of high-rise flats. Moreover, it led to a form of vertical social segregation (Leontidou, 1990), with upper- and middle-class households occupying the higher floors and poorer residents the lower floors and basements.

Such urbanism was the outcome of the highly centralised and bureaucratic nature of Greece’s formal planning system, which was further linked to “the importance of patron-client relations in Greek politics. Central control of local processes meant that political actors who had access to the government could exercise pressure for the extension of the City Plan and the modification of the building regulations to the benefit of their clientele” (Tsoulouvis, 1987, p. 502). Tolerating illegal private construction and public land appropriation became a planning strategy, creating consensus between the state and the urbanising population. Moreover, this tolerance assured political support for the dominant political system (Hadjimichalis, 2011; 2014; Alexandri, 2018).

At the same time, policies that supported homeownership through the antiparochi system proved to be an efficient mechanism of income redistribution: housing demand stimulated construction -one of the key economic pillars of the country- while antiparochi nulled the need for investments in public housing, as housing provision was eased via homeownership. Additionally, antiparochi smoothed out communist endorsements and access to homeownership gave political support to conservative powers (Mantouvalou & Mavridou, 2007). Moreover, antiparochi offered housing for sale at affordable prices. However, as interest rates for mortgages were as high as 25 % until the early 2000s, home purchases relied more on the mobilisation of own funds (for example own savings or selling property at the place of origin) than on credit financing. This was reversed after joining the Eurozone in 2001, as liberalization of mortgages and low interest rates set by the European Central Bank (around 5 %) made mortgages available to the broad spectrum of society. These articulations are reflected on the table below, where homeownership rates in Greece are approximately as high as 75 % until 2011. However, since 2020 there is a drop in homeownership rates which may be explained by the financial and socio-spatial restructuring provoked in the aftermath of the global financial crisis.

Table 2: Tenure Type in Greece

Tenure type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Homeownership	77.2	75.9	75.9	75.8	74	75.1	73.9	73.3	73.5	75.4	73.9	73.3
Tenant	22.8	24.1	24.1	24.2	26	24.9	26.1	26.7	26.5	24.6	26.1	26.7

Source: Eurostat

The 2007 global financial crisis translated into a so-called debt crisis in Greece, comprised of capitalisation of the Greek banks and austerity reforms in the form of wage cuts and tax increases. Confronted with almost 40 % loss of disposable income, households started to rely on savings or to accumulate debt for daily expenses in order to cover basic needs. At the same time, austerity reforms, besides wage cuts, also consisted of increased tax obligations. As appreciated in the table below, household arrears in Greece started increasing from 2010 onwards, with insolvency developing as a one-way route for tackling the financial asphyxiation caused by fiscal reforms.

Table 3: Household arrears in Greece

Household Arrears*	2010	2011	2012	2013	2014	2015	2016	2017	2018
Greece	30.3	29.9	35.4	40.7	42.1	46.1	46.4	42.8	38.5
Eurozone	11.1	9.6	9.6	10.3	11.2	11.4	10.1	8.8	8.6

Source: Bank of Greece, 2019

The perception of homeownership was agitated: from the pillar of economic security and social inclusion it became an economic burden of tax and debt obligations. As the servicing of bills and mortgages became agonizing, waivers of succession reached 150,000 cases in 2019, while renunciation of heritage applications increased by 418 % between 2013 and 2018 (Stathi, 2019). Additionally, households started to sell off assets burdened with debt obligations to international investors (especially after 2017 when real-estate demand for residential real-estate in Athens increased sharply, as will be discussed later), or consent to repossessions by bank institutions. The latter dynamics may also explain the drop in homeownership rate from 77.2 % in 2010 to 73.3 % and the increase in tenancy from 22.8 % in 2010 to 26.7 % by 2021 (see table 2). As Athens follows similar trends like the ones observed at the national level, a relevant decrease of homeownership rate in the city could be expected.

Housing costs

Following the data acquired from the real-estate agency Spitogatos, the average rent for 75 sqm apartment in the second floor in the municipality of Athens was around EUR 6.9 per sqm in 2015. By 2019, the rent requested was around EUR 10 per sqm. Since 2015, rents in the municipality of Athens have increased by almost 40 % with some areas (like the gentrifying ones adjunct to the Acropolis like Koukaki, or the neighbourhood of Exarchia) showing rent increases ofmore than 60 %. Since 2017, house prices have risen strongly by more than 10 % per year due to increasing demand from foreign financiers, as well as from local financiers (Bank of Greece, 2021). While rents are increasing due to/because of such real-estate investment and activities, housing costs also sharpen due to the energy crisis. In other words, housing in Greece is becoming unaffordable, and this is more pressing for Athens as a place that attracts population due to the educational and employment opportunities that maintain housing demand high, as well as due to the increasedinvestment interest, as will be explained later.

According to the EU report on affordable housing (2021), the highest housing cost overburden rates in cities were observed in Greece, as 32.4 % of the population is living in a household where total housing costs represent more than 40 % of disposable income. Although until the end of the 2010s, rents and housing costs were considered affordable, the recent real estate recovery has developed into housing affordability pressures.

Investments in real-estate have become increasingly attractive since 2017. This has been chiefly due to: (i) the political stability offered by the so-called exit from Memoranda and the maintenance within the Eurozone; (ii) the cheap real estate prices offered by real estate in comparison to other Mediterranean EU capitals; (iii) the higher yields promised from investments in short-term rentals; (iv) the Golden Visa programme that offered since 2013 residency to non-EU investors purchasing or renting property worth over EUR 250,000 (Alexandri, 2022). Additionally, an encouraging institutional environment for investments in local real estate was set via suspension of VAT obligations and the promotion of tax reliefs. Beyond attracting international investment interest, locals with capital reserves are triggered by the favourable environment and invest in upgrading their own or buy apartments to let as short-term rentals, mainly via the Airbnb platform (Lalios, 2021; Balabanidis et al., 2021).

Policies on tenant protection and social housing are residual. Rent controls in urban centres were abolished in 1994 (Tulumello & Dagkouli- Kyriakoglou, 2021). Although since the late 1980s there is an objective value system, according to which real estate values are set by tax authorities to control speculation. Landlords may consult the objective value pricing before negotiating rents, but in practice, rents are set arbitrarily. Tenant protection is arranged by leases of a three-year minimum duration by law. Breach of contract or non-payment of rent constitutes grounds for eviction.

Since the 1950s, social housing has been considered a rather marginal task oganised by the Worker’s Housing Agency (OEK); a public body established in 1954 responsible for less than 1 % of the housing stock. Their basic task was the construction of new developments destined for worker’s or low-income families. However, OEK developments were not destined for social rent but for sale, that is to say, that what was supported was access to homeowership for vulnerable households. This was pursued via subsidies or low interest mortgage arrangements, but also OEK organised lotteries that provisioned winners with homes (Alexandri & Janoschka, 2018). Another public body, the Public Agency for Planning and Housing (DEPOS), which was established in the mid-1970s to construct public housing projects with the same rationale, had also a rather marginal role in housing provision.

According to the 2012 second Memorandum Treaty with the EU, the ECB and the IMF, both OEK and DEPOS were abolished. Since then, residual measures relate rent subsidies to marginalised families, mainly of migrant or refugee background. In Greece, 5.6 % of tenants enjoy rent at reduced prices. In the last year, Greece is championing in the EU in relation to energy cost increases. This directly affects the housing cost overburden, as a growing amount of income is appropriated by energy bills. According to recent metrics, 20.2 % of the population (that is, 50 % of the vulnerable) cannot afford ancillary costs like energy, electricity, and water bills (Hellenic Statistical Agency, 2023).

Current supply of affordable housing stock

Affordability in relation to housing is a notion recently introduced in public discourse due to the rapid rent increases in major city centres (namely in Athens, Thessaloniki and Chania). In a recent project, launched in collaboration with the Heinrich Boell Institute, the Aristotle University in Thessaloniki and the Major Development Agency in Thessaloniki, it is mentioned that the particularly high rent prices in urban areas, combined with the shrinking incomes of the Greek population, have forced the most vulnerable to live in conditions of homelessness. The study further focuses on empty apartments that can be activated, that is, renovated for use by lower income households. As such, the notion of affordability at present relates to the asymmetric relation that is observed between the high rents requested in the housing market and the rents that can be afforded by the local population without jeopardising other basic needs.

Regarding the supply of affordable housing stock, it should be outlined that in Athens, the antiparochi system allowed access to housing at affordable prices, especially for the apartments in lower floors and basements. It produced a vertical social segregation pattern (see Leontidou 1991; or Maloutas and Karadimitriou 2001 on vertical social differentiation) that until recently allowed more affluent households to reside on the upper floors of buildings (enjoying better quality of light, air, and a view of the city) and lower income households and the migrant population on lower floors and basements. However, the recent real estate recovery has challenged this segregation pattern (see Pettas et al., 2021). As small apartments (mainly found in ground floors and basements) are valued as good assets for short-term rentals, they are renovated “ikea-style” and placed as new entries in the Airbnb platform. Existing tenants are displaced directly by rent increases, and need to seek affordable options in neighbouring areas. However, this mobility provokes market tensions in neighbourhing areas, which are in many cases more deprived, as the incoming households push the rents higher and provoke affordability pressures to the existing inhabitants.

In relation to housing estates, Kandylis’ et al. (2018) research on the developments produced by OEK in Athens, suggests that developments are located in the periphery of the city, with the most recent one constructed in 2004 for the Olympic Games[1] . These developments were produced from the 1950s to the mid-2000s and they were destined for owner occupation. As such, they hardly changed the housing market or the social profile of the neighbourhoods. Considering that beneficiaries were

[1] The latter is about the Olympic Village that was constructed in the north-west periphery for accommodating athletes during the event, and then this was turned into social housing.

comprised exclusively of low-income households, the condition of these developments deteriorated with the passing of time, as households lacked resources for maintenance and upgrading (ibid).

Size and characteristics of affordable housing stock

As discussed in the previous section, the exact size and characteristics of the affordable housing stock are hard to calculate. Estimations consider that former OEK housing units, built-to-sale at affordable prices to low-income households, account in Athens for almost 1.5 % of the housing stock (Kandylis et al., 2018). In addition, parts of the privately rented housing in the city, by large comprised of the apartments in the ground or the first floor of buildings, were formerly offered at affordable rents to lower income households and migrants. However, as mentioned earlier, these assets are now increasingly valorised as Airbnb listings. Since households look for more affordable options in neighbouring, "less attractive" areas, they heat up the market locally. In sum, the affordable stock is small (if compared to the need for it) and increasingly shrinking.

Description on major policy and spatial planning instruments directed on affordable housing

As will be discussed in a following section, most policies related to housing, such as the insolvency law, law on debt management and servicers, have been amended to favour financial investors. However, as will be explained, internal contradictions that relate to the sustainability of the bank sector have set obstacles to financial operations to some extent. In terms of tenant protection, the Rent moratorium is abolished, while the rent law foresees a minimum duration forrent contracts of three years. During the debt crisis, in lack of other state support, the family acted as a "welfare" unit[2] that basically absorbed the social and spatial impact of the fiscal restructuring (Tulumello & Dagkouli-Kyriakoglou, 2021). It was observed that households with financial issues (including married couples and young families) returned to the parental home, and that young people prolonged their stay at the parental home, at least until the age of 30.

It should, however, be mentioned, that there were two pilot projects (Estia and the Curing the Limbo project) in Athens with basic targets to support access to affordable housing for refugees. The Estia was a UNHCR 2015 project for the integration of the refugee population that undertook and certified rent payments to owners who would offer apartments to the refugee population. After 2022 the project was abandoned, also because the Greek government stopped paying the rent to property owners. Equally, the Curing the Limbo project in Athens was a pilot integration programme from 2018-2021 that offered refugees access to affordable housing through rent subsidies to owners registering their assets for the projects' purposes. Besides these two marginal projects (e.g. Estia involved 20,000 apartments in Greece) refugee housing was mostly tackled via refugee camps, which eventually became detention camps. Under the 2019 conservative government, refugees' housing needs are completely separated from those of the rest of the population (Kandylis, 2019).

[2] The family has traditionally supported housing options for its members in lack of concrete housing policies and provision. In the bibliography of housing systems, this has placed Greece in the group of countries with familialistic housing systems where provision is mediated and facilitated by the family unit.

b. Impact of institutional Investors on affordable Housing Supply

Size and share of the housing stock owned or managed by institutional investors

There can only be rough estimations over the amount of the housing stock owned or managed by institutional investors in Athens. As will be detailed in the next section, until 2019 the institutional framework in Greece did not allow primary residence repossession and, moreover, it partially hindered housing auctions. Beyond socio-political reasons, this was also due to the fragility of the bank system which was exposed to high values of provisions for Non-Performing Loans (NPLs) that jeopardised the financial stability, thus the sustainability of the financial and real-estate eco-system.

However, from 2017 onwards, with the recovery of the economy, the plummeting real estate prices as well as the maturing market of Non-Performing Loans (NPL) were recognised as investment opportunities. In broad terms, Greek real estate attracted the interest of international family offices, i.e., investors with initial capital of up to €10B, and of institutional investors, mainly private equity funds.

Family offices are active in four distinct ways in the local housing market:

- *Specialising in projects targeting Golden Visa Transactions*: Real-estate companies, such as Vitruvious and East to West, specialise in the purchase and upgrade of entire buildings in central areas or the construction of new prime developments in the outskirts of the city. Apartments are often offered to Third Country individual investors interested in the Golden Visa programme. This programme, offered by Law in Greece since 2013, guarantees 5-year residence permits to third-country nationals who invest over 250,000 € in Greek real estate. However, Golden Visa assets may be placed back in the market as short-term rentals or they may be sold at higher prices. Both activities lead to rent increases.
- *Investments in short-term rentals*: Other international real estate actors act as mediators between individual investors across the globe and real estate opportunities in Athens. These companies may purchase existing assets (apartments) and sell them to investors or mediate transactions between potential investors and owners. Additionally, they offer consulting services to investors over profitable use of the assets, driving attention to the capital gains secured by short-term rentals. It should be noted that these actors are also involved in the Golden Visa programme, that is to say that their activities also facilitate third country investors.
- *Renting out assets as medium-term leases*: A niche market that has emerged is that of medium-term leases that targets professionals who are required to make business stays in Athens for longer periods. The Blueground proptech company is leading this field. It is charged with the upgrade and management of apartments that are then offered as medium-term leases through the company's website. This niche market targets mobile employees whose accommodation costs are often covered by companies. The rents requested are higher than the ones set out in long-term leases in respective areas of the city.
- *Long-term contracts*: Other investors such as Prodea or Golden Horizon specialise in the purchase or acquisition of entire buildings and their renovation. Assets are then offered in the market as long-term leases. Assets are located in "good" or "upgrading" areas in the city and the rents requested are around 10 euros per square metre. It should be noted that Prodea was the former Pangaia REIT of the National Bank of Greece, purchased by Invel, an investment company of Israeli interests. This transaction was backed financially by the US Castlelake fund.

Castlelake appears to own 98% of the shares of Prodea according to Orbis database (2020). As may be identified in table 4, the process of property acquisition is just starting off as the buildings or assets operated by other prominent real estate actors are smaller in volume in comparison to the other cities in this study (e.g. Berlin or Malmö).

Table 4: Prominent real estate actors in Athens

Prominent Real Estate Investors	Assets in Athens
Vitruvius	7 buildings with apartments for sale
East to West	615 for sale apartments +39 for rent
Tranio	1077 listings in the metropolitan area for sale
Blueground	143 buildings in the metropolitan area of athens
Prodea	380 assets including retail & logistics
Zoia	29 buildings for rent

Source: Own compilation of data

Regarding the NPL market, from 2017 until 2020, 38 % of auctions related to debt settlements with banks had to do with housing (Kiki & Trompoukis, 2021). By 2019, banks had acquired a stock of around 250,000 assets from debt settlements and the e-auctions platform. According to the activist network "Unitary Initiative against Auctions" (2021), more repossessed residences are located in the metropolitan area of Athens (3,816); 10 % of them located in the city of Athens (Kiki & Trompoukis, 2021). These transactions that relate to housing repossessions are undertaken by debt management companies that arrange value recovery from NPL portfolios. These *Servicers* are mediated by corporate capital as main shareholders, in mortgage securitisation projects. In other words, the financial investor that purchases an NPL portfolio is also the one that participates as main shareholder in a Servicer (Alexandri, 2022).

The structure of the housing stock held institutional investors

Family funds and real estate investor companies are primarily interested in acquiring full property rights of entire buildings, that is, to buy all the apartments and spaces that comprise a building. Considering the horizontal homeownership pattern in Greek real estate (a building is owned horizontally by multiple small owners), the acquisition of vertical property rights, that is, the property rights of entire buildings, might be considered as an investment challenge. Nonetheless, as homeowners become increasingly willing to sell off property, either to cover debts or to minimise exposure to tax obligations, vertical property ownership is not impossible.

Research on real estate transactions has shown that the purchase of entire buildings has become relatively easy when ownership is shared between 3 or 4 landlords that rent out the rest of the stock to tenants. In many cases, owners are persuaded to sell their assets and, this way, the property ownership of the building transforms from horizontal to vertical, that is to say, that one investor ends up with the property rights of all the apartments and communal spaces that constitute a building. Moreover, vertical acquisition of property rights is also facilitated when the building is not for residential use (for example if the building is currently used as offices or retail) and in such case, ownership belongs to an owner who decides to sell off.

The purchase of buildings is facilitated by networks and word-of-mouth amongst real estate agents and related actors (also including bank employees). Additionally, apartments as units are purchased on e-auction platforms directly from the owners (in most cases, these owners sell properties to settle debts) or acquired via NPL portfolio purchases.

The quality of the housing stock is perceivedas good, mainly due to the structural and construction material used for the building frame, through some kind of renovation is required due to the age of the building stock (most buildings in the city of Athens where built in the 1960s and 1970s). Some companies (see Vitruvius) renovate entire buildings (façade, apartments and communal spaces) and return the assets to the market targeting high-end buyers or more affluent middle-class tenants. In terms of location, these companies invest in all neighbourhoods that constitute the municipality of Athens, but with a more pronounced focus on areas which are considered "good" in terms of socio-economic profiles of residents, or in neighbourhoods characterised as "upgrading"[3].

Characteristics of institutional investors

Main financial investors active in Athens' real estate are: (i) international family offices, i.e. investors with initial capital of up to 10 billion euro; and (ii) institutional investors controlling servicers and purchasing NPL portfolios.

Family offices are controlled by shareholders of the same place of origin (e.g. Israeli or Russian investors) and are interested in housing projects (e.g. renovation of buildings let to more affluent households, Golden Visa investors, short-term rental investments). Most of the housing projects are renovations of existing buildings; however, there are also new developments towards the outskirts of the city. Contrary to the cases of Berlin and Malmö, where financial investors control blocks of flats in specific neighbourhoods, financial investors in Athens own apartments or buildings everywhere in the city. Besides this piecemeal pattern of property acquisition, they are transforming into key real estate players mainly because of the networks they develop with other real estate actors. According to interviews with real estate agents, most family offices are well connected with professionals in the real estate, banking and legal services in the city. This way, they can gather upfront information about assets that will come out in the market and acquire properties the moment they are advertised in e-auction or other platforms. Nonetheless, funds controlled by Israeli interests appear to be more independent from local networks, as they develop projects through their own resources and rely on their own professionals with expert knowledge in Athens' real estate.

Regarding the NPL market, international institutional investors are key actors in purchasing NPL portfolios. It is interesting to note that institutional investors are the main actors who participate as shareholders in Greek banks. After all, during the third recapitalisation of the Greek banks in November 2015, the government exchanged contingent convertibles (CoCos) in the stock market instead of participating as a basic shareholder (as with the previous two recapitalisations). Since then, the ownership of the four major banks has passed to international investors and hedge funds, such as Credit Suisse, Goldman Sachs, HSBC and JP Morgan, Deutsche Bank, Barclays, and Morgan Stanley

[3] It should be mentioned that investments by Prodea in the neighbourhood of Exarchia are met with scepticism by residents. This real-estate company, that also owns several apartments in the area, was appointed by the municipality to regenerate and exploit the public space of Strefis Hill. Ongoing local discussions pose arguments against the promotion of real-estate and concrete political interests that target a gentrification project that involves the destruction of existing environmental resources for the real-estate exploitation of public spaces. The local community has taken the Municipality and Prodea to court for the destruction of environmental resources.

(Lapavitsas, 2015; Alexandri & Janoschka, 2018). In other words, institutional investors indirectly own NPL related to mortgaged houses, garages, properties, businesses, and rural lands.

Moreover, institutional investors are key capital shareholders in Servicers. The latter are companies that manage debt settlements with the purpose of transforming non-performing debt obligations into performing. They are mediated by corporate capital as main shareholders, which are other financial institutions based in the US, Spain or Norway (see the chief shareholders of Servicers dealing with mortgages in Table 5). Following Table 5, Cepal, DoValue, Cerved and Intrum servicers were established after the NPL management or the real estate section of the respective recapitalised banks (Alpha Bank, Eurobank and Piraeus Bank) were sold to international funds.

Moreover, the real estate portfolio "Pangaia" of the National Bank of Greece was sold to Invel. This transaction was financially supported by Castlelake capital and the new real estate entity created was renamed into Prodea, which is one of the most influential real estate actors in the city of Athens. The investor owns several buildings in the city centre of Athens, including listed buildings and entire buildings in central areas of the city. Moreover, the servicer Thea Artemis[4] emerged out of the portfolio of Attica bank (private bank, not rescued/ recapitalised by the state) and is controlled by Aldridge UK. Additionally, Spanish financial institutions, like Banco Santander and Altamira properties, are also active in managing or acquiring NPL portfolios or targeting assets from the e-auction platforms. In cases of mortgage securitisation, the investor to purchase the NPL portfolio is often the same that mediates as main shareholder the Servicer.

[4] Thea Artemis means Godess Artemis. In Ancient Greek Mythology, Artemis was the Goddess of Hunting.

Table 5: Servicers in Greece

Servicer	Main Shareholder	Global Shareholder	Activity
Cepal/ former Alpha Bank NPL department	Davidson Kemper	Davidson Kemper (USA)	Loan management services, real estate management and investment consulting
Eurobank FPS/ Former Eurobank NPL department	DoValue	EuroCastle Investment Limited (UK) Siena Holdco (LU)	Consolidation of NPL portfolios and new products to serve NPLs.
Thea Artemis	Aldridge	Aldridge (UK)	Management of distressed assets
	Attica bank	Attica Bank (Greece)	
UCI Greece	Banco Santander	Banco Santander (Spain)	Residential NPL management
B2Kapital	B2Holding Group	B2Holding Group (Norway)	Debt servicer active in Europe.
Resolute Asset Managements	Resolute Asset Management LLP	Resolute Asset Management (UK)	Asset manager and consultant for distressed assets and real estate exposures.
Qquant	Qualko	Qualko (Greece)	Technology focused debt servicer.
	PIMCO	Allianz (Germany)	
Hoist Hellas	Hoist Finance AB	Hoist Finance (Sweden)	Debt servicing technologies
DOVALUE Hellas	DO VALUE SPA (Italy)	EuroCastle Investment Limited (UK) Siena Holdco (LU)	Leading servicer in loan and real estate
APS Recovery	APS Holdings SA	APS Holdings SA (Luxemburg)	Asset management, real estate and debt recovery.
Cerved Credit Management/Absorbing Eurobank NPL management	Cerved Group SPA/ Italy	Wellington Management Group LLP (USA)	Property, REO and real estate services
Mount Street Hellas	Mount Street Loan Solutions LLP (UK)	Mount Street Loan Solutions LLP	Financial activities in international stock markets
Intrum Hellas/ having absorbed Piraeus Bank NPL department	Intrum Spain	Intrum Justitia AB (Sweden)	Credit management company with expertise in debt collection services
Pepper Hellas	Pepper European Servicing Limited (UK)	Red Hot Australia Holdco PTY Limited (Australia)	Asset management, advisors for residential and commercial property

Source: Alexandri, 2022.

DoValue and Cepal appear to be active in proceeding with housing repossessions; however, it is noteworthy that recent attempts of housing repossessions have been stopped by social mobilisations. Servicers negotiate new debt settlements with existing indebted owners/tenants under the pressure of social mobilisations.

Management strategies of institutional investors

Key strategies pursued in the management of the real-estate portfolio deal with (i) sales; (ii) renovation, and (iii) rent increases.

I. Apartments may not be necessarily renovated, but re-sold to other international buyers at higher prices, following the real-estate dogma "buy low, sell high". This is especially the case for the Golden Visa activities that support real estate speculation. For example, initial Golden Visa Chinese investors attracted by a purchase of approximately three assets (flats) in Athens adding up to 250,000 €, routinely turned to a resale of each asset (to compatriots) for this amount, heating up the real estate market in the city.

II. Renovation is undertaken by investors who place back the assets in the markets in the form of short-, medium- or long-term rentals. For long-term rentals, renovation is undertaken only when investors place back the asset in the market as prime, that is to say, that the business plan foresees tenant turnover through gentrification. For short-term and medium-term rentals, renovation (with a cost of up to some thousands euro) is a necessary condition so that the asset can be better exhibited in platforms and achieve a higher capital turnover.

III. Rent increases are the outcome of the renovation strategies pursued by international real estate actors. For example, new rents consisting of around 10 euros per square meter are described as affordable by investors. However, considering the available disposable income of local households, such rents can only be paid by affluent households.

New construction activities

For more than a decade, construction activities in Athens were frozen by the debt crisis, that halted housing supply due to the lack of financial capital available, and nulled demand as households restrained from any kind of financial transactions. Recent activities deal mainly with renovation and refurbishment of the existing stock. New construction activities in Athens are destined for the production of prime assets and luxury apartments. These are mostly new housing projects (for example construction of a new building) that fill up empty slots in the city centre or at the fringes of the city towards north-west and south-west neighbourhoods. Apartments in these constructions are mainly destined for sale. Sale prices per square metre are around 4,000 €. Rents requested for flats in newly constructed buildings are around 15 € per sqm; for example, the rent requested for a two-bedroom apartment (ca. 70 sqm) is around 1000 € per month. As minimum wage in Greece is, at the moment, around 713 € per month, these assets may be considered as out of range.

c. Policies directed to institutional Investors

Introduction to housing policy framework

Housing policies in Greece are a central state affair. Regional and local governments are mainly entitled with monitoring and implementation of policies decided at the national level. There are hardly any tools in the jurisdiction of local and regional states regarding land use planning, financial resources, or welfare competences. As the construction of the institutional framework on housing and financial policies are a central matter, a short historiography of the policies that were launched since joining the Eurozone for the promotion of homeownership is necessary for exploring the roots of financial logics and the recent legal means enacted to facilitate the transfer of property rights to financial investors.

Exposure to credit financing

After joining the Eurozone in the 2000s, Greece was perceived as a country of low investment risk, equal to Germany and France. Concomitantly, European financial institutions gained confidence in lending capital to the country as a "new financial market" (Toussain, 2017). At the same time, liberalisation of mortgages and low interest rates set by the European Central Bank, at around 5 %, made mortgages available to a broad spectrum of society. Greek banks further developed aggressive lending strategies to increase their clientele. By bypassing laws, mortgages were combined with other products offered to households; for example, banks were offering mortgages at around 120 % of the value of the property. This way, they covered tax and notary expenses, new furniture, as well as potential new car purchases (Alexandri, 2022). It is noteworthy that mortgages in Greece in 1999 amounted to 5.8 % of the GDP, but by 2009, this had multiplied to 33.9 % (Toussain, 2017). Credit availability and lending hyperactivity translated into house price increases up until 2008 (Sampaniotis & Charouvelis, 2012), and supported the expansion of the city towards the eastern and northern prime areas of the greater metropolitan area (Alexandri, 2022).

The 2007 financial crisis changed these housing dynamics in Greece drastically. By 2015, real estate assets had lost almost 40 % of their value in relation to the pre-crisis levels, while, simultaneously, the creditworthiness of the country gained negative evaluations by rating agencies such as Moody's and Fitch. The restructuring of the national economy under the framework of austerity measures included privatization of public assets and state enterprises, three bank recapitalisations, cuts in welfare provision regarding health, social security and the pension system, labour market deregulation via decentralisation of bargaining systems and wage cuts (Hadjimichalis, 2017). Within seven years, public sector salaries were cut by 30 %, and equal rates of decrease were imposed on minimum wages and unemployment benefits (Papadopoulos & Roumpakis, 2018). Additionally, new direct and indirect tax obligations constituted the other side of the austerity coin. In addition to increases in personal income tax, new taxes on property ownership further accelerated the tax burden (Alexandri & Janoschka, 2018; Papadopoulos & Roumpakis, 2018). On top of property income revenues and contributions declared to tax authorities on an annual basis (via the E9 declaration), a novel added tax was applied to property ownership. This new property tax (Enfia) was initially imposed as an indirect one on energy bills that eventually matured into a direct one on property ownership. It is interesting to note that, so far, there are 40 taxes calculated on property, 2 direct and 38 indirect ones. Households unable to deal with tax obligations, social security contributions and wage cuts enrolled into a credit-debt relation, which was not signed (as in the case of mortgages) but rather imposed. Arrears in utility bills, rents and mortgages soon translated into increasing NPLs in bank portfolio.

Insolvency Law and primary residence protection

Quite interestingly and in contradiction to other Western paradigms, insolvent or mortgaged households have, so far, stayed put in their homes. This was due to two policies: (i) a legal framework on insolvency that shielded primary residence against auctions, repossession and evictions, and (ii) the internal contradictions within the financial sector, characterised by an increasing number of NPL provisions and the fringe condition of bank balances that opposed any kind of securitisation until 2019.

Law L. 3860/2010, commonly known as Katselis law, was passed in 2010, setting a regulatory framework over indebtedness for 'natural' people, that is, for individuals and households. The law foresaw specific income criteria and specified the process of property liquidation for debt settlement, though delineating that the primary residence, i.e., the homes of debtors, cannot be repossessed (interview, lawyer, May 28, 2019). Moreover, considering the social importance of homeownership in Greece and the lack of other housing options, it was deemed that primary residence protection could support households from sliding into further debts. Simultaneously, this guaranteed creditors against a possible scenario of deferred payments, as it allowed liquidation of other kinds of property (e.g. second homes, plots of land, other family assets).

At the same time, a key task for the Greek banks was to maintain the level of exposure to NPL low. Informants from the banking sector explained that what has been at stake for the survival and credibility of the banking sector is the maintenance of low NPL provisions (see Alexandri, 2022). A provision is a book value that illustrates the bank's prediction for acquiring part (or even the sum) of a loan. As a value, it is linked to the debtor's creditworthiness. More precisely, for every credit that is issued, the value of the loan is inscribed as an asset and the related value of provision is inscribed as a liability in the banks' accounting books. If debts are not served or assets loose value, then the actual value of provisions grows. At the end of the accounting year, when the bank as an entity must report balance sheets, the sum of provisions is calculated as a cost that needs to be deducted from total revenues. If the number of NPL provisions is high, then financial losses will be even higher. Moreover, when the values of properties used as collateral decline and their proportion in non-performing mortgages becomes higher, loans then exceed the value of the property; this negative equity between loans and property values can bankrupt banks (Haila, 2016). When banks present financial losses, domino effects relate to recession, further recapitalisation (i.e., multidimensional bankruptcy) and, essentially, a change in the board of directors.

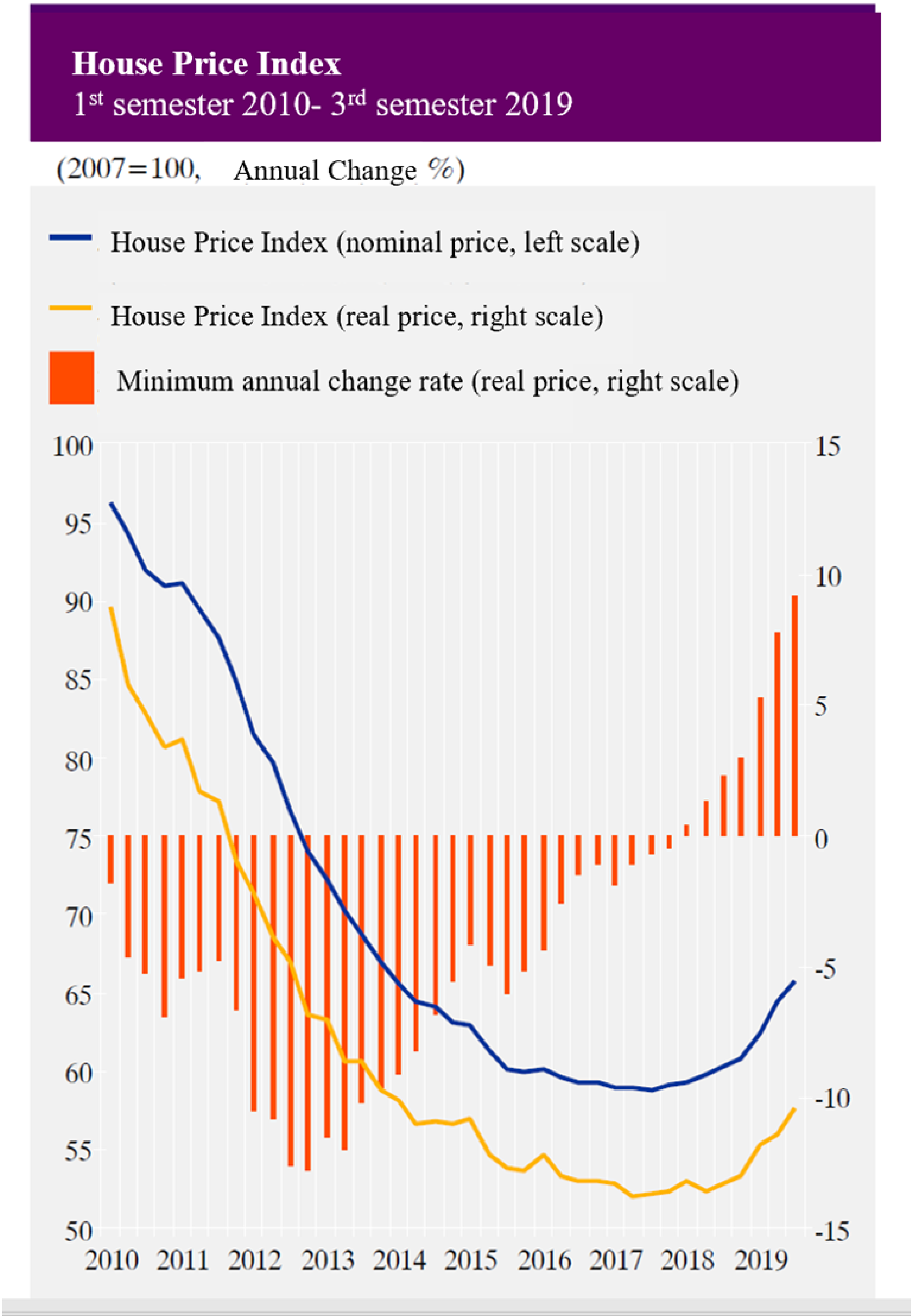
Hence, the basic task for bank managers in the last decade was to mediate political and economic risks to a low degree by keeping the number of NPL provisions low. To do this, mortgages and debts had to be negotiated, and new settlements with households were prioritized. Up until 2016, banks developed this experimental approach to NPL management by negotiating debt directly with borrowers or making use of the Katselis law. Eventually, banks released a series of products with regulations, especially for big debts with marked properties, as collaterals that entered the process of debt restructuring. During this period, banks systematically avoided juridical processes for repossessions, as any kind of debt servicing was preferable to prevent mortgages from being classified as non-performing. Additionally, banks also avoided liquidation processes through auctions to secure low book values for NPL provisions. This was also due to the high probability of barren actions. As real estate demand was historically low, auctions of distressed assets had to be, by law, repeated until the asset was sold. Every time the same asset was auctioned, the auction price had to decrease up to 60 % from the initial price. If real estate values decreased further, then banks were obliged to inscribe higher NPL provisions to reflect the lost value from auctioned assets. In order to avoid detrimental losses, auctions were not considered a preferable debt management technique. Furthermore, the ECB granted the recapitalised banks the permission to bid and acquire auctioned assets themselves, so that the odds of a further drop in real estate values was tempered. This kind of debt management also guaranteed that the logistic value of assets in banks' spreadsheets was maintained in standards that did not call for another recapitalisation (see Alexandri, 2022). Additionally, during the last decade several laws passed that imposed a freeze on property auctions, while in many cases auctions were not conducted due to notary strikes. This also supported the maintenance of low NPL provisions.

Real estate recovery

The first signs of recovery from the financial crisis appeared in 2017. The exodus from the Memoranda signified that the country's lending capacity was restored and the "Grexit" threat was considered by long past. Investment risk was smoothed, and from 2017 onwards, rating agencies allowed the country back into positive grades. The same year appears to be the tipping point for the real estate cycle (see also figure 6), and international consultancy providers PwC praised the profit potential of housing real estates. Athens was presented as an emerging place for real estate investments, offering yields higher than other eminent European cities best ranked in 2020 for expected returns from housing investments.

With the risk waived, investing in local real estate became promising as: (i) real estate prices for property acquisitions were cheap in comparison to other southern European capitals (Athens: 1,470 € per sqm ; Madrid: 4,127 € per sqm; Lisbon: 3,117 € per sqm); (ii) high yields from investing in real estate of around 7 % offered a profit potential of around 40 %, illustrating the expectations towards pre-crisis real estate values (reading Fig. 6 from right to left); and (iii) the yield opportunities of the Greek spreads, i.e. the difference between Greek and German state bonds, were more lucrative in relation to other ones – such as the Spanish spread (Greek spread 103.6 bp vs. Spanish spread 64.5 bp on July 8, 2021). These qualifications attracted the interest of international family offices, i.e. investors with initial capital of up to €10B, and assets were placed back into the real estate market as short-term listings for the Airbnb platform (see Gourzis et al., 2021; Lialios, 2021; Pettas et al., 2021).

Figure 6: House prices in Greece 2010-2019



Source: Bank of Greece, 2019

Although the legal framework for Golden Visa to Non-European investors was launched in 2013, it was after 2016 that it started attracting attention as investment risk was waived. Additionally, up until 2021 there were no regulations for Airbnb listings; the only legal requirement was that properties destined for Airbnb rentals must be registered at the Short-Term Residence Register and obtain a registration number (AMA).

Table 6: Policies paving the way to the financialisation of housing 1999-2023

Year	Policies paving the way to the financialisation of housing
1999-2009	Great mortgage offers at low interest rates
2009-2010	Debt crisis and austerity measures
2010	Katselis law- primary residence protection, Law 3860/2010
2010-2017	Legal measures freezing auctions
2013	Establishment of the Golden Visa Programme
2016-2017	International real estate Investments for short term rentals/ no regulations
2017	Law on Servicers, Law 4354/ 2015
2017	Law on E-auctions platform, Law 4472/2017
2019	Hercules securitisation project, Law 4649/2019
2020	Abolishment of Katselis law and introduction of Second Chance Law, L. 4738/2020
2020	Bridge project for “sale and lease back” housing arrangements
2021	Short-Term Residence Register for Airbnb listings
2022	Request from funds to use L. 3156/2003 to avoid taxation to enjoy state guarantees in case of NPL sales and property auctions
2023	High Court decision in favour of servicers auctioning NPLs and underlying properties

Source: Own compilation of data

By 2018 investments in real estate led to house price increases, lowering at the same time the values of NPL provisions. Concomitantly, banks changed their attitude on debt negotiations, especially if the asset was considered good. The first areas to go “red” due to mortgage NPLs were the ones towards the eastern suburbs of Athens, i.e. where mortgages were granted during the credit expansion period. In these areas, banks became keen on claiming the property of the asset for settling debt.

Changes in the institutional framework attracting investments in residential real estate

Two changes in the institutional framework, established in 2017, further facilitated the transfer of property ownership from indebted citizens to financial institutions and international investors. Firstly, an online platform (the e-auctions platform) was set to accelerate the process of auctioning, as it also bypassed the social mobilisations against notary offices that executed auctions.

Secondly, a new legal framework was established for Servicers, i.e. specialised companies that manage, service and collect the debt from households. Servicers are tax registered in Greece, regardless of who partakes in managerial boards or as capital shareholder (Law 4354/ 2015). However, it is important to note that until 2019 Greek governments and credit institutions kept postponing auctions and the scenario of mortgage securitisation, often opposing relevant pressures from the EU, the ECB and the IMF for the change of the Katselis law and the liberalisation of home repossessions.

Opening the gates to institutional investors

Following its landslide election victory in 2019, the current government withdrew the entire Katselis framework and established a new insolvency law L. 4738/2020. This law, symbolically named “Second Chance,” directs attention to the opportunities that arise in life once debt is settled. Households burdened with more than 30,000 € debt and in arrears for more than six months are requested to liquidate whichever kind of property they own, from cash deposits to primary residence. And while previously initiating a juridical process with creditors (the banks or the state) was at the discretion of the household, under the new law, creditors may move on with property liquidation and decide upon the creditor order to be served (with banks having a comparative advantage to the state). “Second Chance” establishes the condition of bankruptcy for natural persons, that is, for individuals who are not merchants. Individual insolvency is equated with the entrepreneurial risk of legal entities.

This is especially the case for the very deprived (with a maximum double income of 10,200 € with a commercial property value of a maximum of 120,000 €), whose indebtedness is dealt with by state intervention: the Bridge project. A newly established 3-million-€ capital public body attached to the Ministry of Social Affairs will absorb these primary residences for a maximum of 12 years. Debtors-tenants can claim back the property of the asset over time if they acquire the necessary capital for debt repayment. However, as house prices tend to inflate, it is rather questionable whether a household unable to confront debt in the present will be in a position to reclaim property within a decade in a country with decreasing wages and basic salary levels. Furthermore, the state will use these repossessed homes as collateral to raise funds on financial markets, while rents from “tenant-ified” homeowners will be collected by Servicers. Initial estimations for this scheme mention around 5,000 homes, mainly in the area of Athens. While auctions and physical evictions are avoided, homeownership transforms peacefully into tenancy, homes are traded as bonds around the globe and the state guarantees the financialisation of homes. Nonetheless, the majority of insolvent households are not eligible for state support and face repossessions with the possibility to ‘sale-and-leaseback,’ that means to lose ownership of assets, but remain in the homes as tenants.

In 2020, a robust securitisation project was called Hercules, refering to the fifth battle of the hero of the Greek mythology, when he managed to clear up the dirt from the stables of King Augeas. Symbolically, what was previously considered as the backbone of economic activities (medium size enterprises, mortgages and consumption) were now equaled to dirt for the Greek economy. Hercules was celebrated in the parliament as an impudent act that cleanses bank spreadsheets from the unsustainable burden of non-performing loans (NPLs). This project provisioned the securitisation of 30 billion euro, i.e. 40 % of NPLs in banks’ portfolios. According to the Hercules securitisation project, that follows the Italian NPL management paradigm, debt is transferred to a special purpose vehicle in Ireland that tranches it into senior, mezzanine and junior bonds, which are then sold to international investors. The mezzanine bonds correspond to the amount of Greek banks’ provisions and are supported by state guarantees. While debt is sold on the international markets in the form of bonds, at the same time, Servicers need to collect or service the debt from indebted households in Greece.

Up until 2023, servicers were not allowed to auction properties of indebted households by Law and High Court decision. The rationale behind this decision of the High Court of Greece was that servicers are not the owners of debt, but its managers. As such, they are not allowed to auction properties. However, a fast-track decision taken in March 2023 by the High Court ruled that the administrators of debt (i.e. the servicers) based in Greece and acting on behalf of the funds can act legally (become parties) and conduct auctions under their own name and not as proxies of the funds. After this development, approximately 700,000 loans purchased by servicers and funds are now at risk of auctions; this goes hand in hand with banks' most recent goals to further clean up portfolios from debt. Already 170,310 auctions were posted for early March 2023 on the online e-auction website, of which 120,000 involve primary residences.

Simultaneously, the government, in the second phase of the Hercules securitisation programme, directed banks and funds to proceed with sale and purchase of NPLs under Law 3156/2003 to achieve exemption from tax obligations, contrary to the existing 4354/2015 Law that foresees a special tax for institutional investors. In other words, as a precondition for the provision of state guarantees, the securitisation of NPL portfolios must be carried out in accordance to the previous framework that allows tax exemption to investors.

It is notable that the last seven years the institutional framework has been changing to allow favourable and attractive means for international investors. This has led a former prime minister, Kostas Simitis, to claim that: "The investment climate that the government seeks to create is an imperative objective which, without underestimating what has been done to date, has yielded inconsistent results. In most cases, real estate investments and speculative fund deals dominate, which are often financed with loans from Greek banks! That is, with our national capital, foreigners gain control of our economy. This is not called foreign investment, but speculative opportunism" (The Press Project, March 8, 2023).

However, it is important to note the internal contradictions that have hampered, so far, institutional investors' penetration in local real-estate. First, as institutional investors' offers for the purchases of NPL porfolios were so low that the financial stability of the bank system would be damaged[5], Greek banks had to reject securitisation negotiations to safeguard the values of NPL provisions. As such, securitisation projects are coordinated by local administrators beside the wills of institutional investors. Second, throughout the last decade, for a variety of reasons raging from pre-electoral reasons to notary stikes and COVID-19 measures, auctions of properties were forebidden or frozen. This put obstacles on institutional or other international investors' purchases. Additionally, up until the current government, all previous government coalitions were opposed to withdrawing the Katselis law and allow repossessions, often in fear of the political repercussions and changes observed in countries like Ireland and Spain. Third, recent social mobilisations in support of families under threat of eviction have raised public awareness over repossessions of primary residences of vulnerable people and placed Servicers under social pressure. The later are forced to renegotiate debt and allow, temporarily, households to reside in their homes. In other words, although amendments in the institutional framework aim at attracting institutional investors, local financial, political, and social factors do not allow international financiers to act in free will; rather, they force them to negotiate terms and adjust to the existing capacities of households, as well as to the financial potential of the bank balance sheets.

Power relations in current residential, financial and real-estate affairs

Real estate in Athens in the past few years has beenorganised as a market with international magnitude. Prior real estate activities were related to sales via the antiparochi system. Although a real

[5] As paradigmatically mentioned in an interview, for a NPL of 200 €, funds would offer a purchase price of 0.20 € (see Alexandri, 2022 for details).

estate fair (Prodexpo) takes place every year since 2000, new fairs are organised since 2019. Through participant observation at Real Estate Expo and the distressed investing on NPLs conference (DDC), it became clear that there is intense networking between servicer managers and CEOs, local real estate actors and high-level politicians.

To the best of our knowledge, institutional investors are not yet organised in associations nor do they lobby systematically through specific organisations. Nonetheless, an association of homeowners and small property owners called POMIDA (the Hellenic Property Federation), acts as a pressure group with the key target to represent the interests of homeowners and push for policies that support homeownership.

Nonetheless, regarding the power relations of institutional investors, recent political scandals revealed in 2022-2023 may point to existing links between international financiers, the ruling party and local real estate market actors.

- An MP of the ruling party, Mr Patsis, is the owner of three offshore companies based in Cyprus that purchase NPL portfolios at below-market prices. Mr Patsis participated at the special purpose company “PLATON S.A. Debt Securitization”, with a capital share of 60,000 €. The company purchased NPLs from a Greek bank (Pireaus) with a total value of more than 62 million € at a price of around 4 million euro. Nonetheless, the Greek constitution expressly forbids MPs from owning or participating in offshore companies. At the same time, the son of Mr. Patsis was acting as the coordinator of New Democracy for issues such as non-performing loan management. In October 2022, Mr Patsis was excluded from the party, but his activities are indicative of the links that exist between the NPL market, banks and political cycles.
- As discussed previously, in 2023 a fast-track decision by the High Court overruled the previous legislation and pronounced that Servicers are legitimate actors to auction properties and primary residences that relate to NPLs. It is interesting to note that the son of the Prosecutor of the High Court is employed as lawyer at the servicer CEPAL, and signed a confiscation order delivered to a loan guarantor on Thursday, February 9th, that is, the day when the High Court was deciding upon the issue closed doors. It is of interest to note that the confiscation order was delivered before the decision was publicly announced.

d. Summary

Housing in Athens was traditionally arranged via the antiparochi system as a private market affair. Access to housing was affordable, and the family, acting as the unit substituting welfare provision, kept assisting its members in accessing homeownership. With the outbreak of the financial crisis, real estate prices and house values plummeted while odious austerity measures were launched. Wage cuts and tax increases alongside house value decline led to the impoverishment of the local population. When political and investment risks of default were waived, the low house prices were recognised as an investment opportunity. Currently, the housing stock in Athens is targeted by international and local investors active in placing assets as short-term listings in the Airbnb platform, and by institutional investors that purchase non-performing loan portfolios or distressed assets.

Financial investors are relatively new actors in housing real estate in Athens. They specialise in the purchase and acquisition of horizontal (apartments) and vertical (buildings) property rights of the existing stock and, in some cases they are also involved in new constructions, but mainly in the outskirts of the city. They are triggered by the real estate opportunities, namely by the low real estate prices and the rapid capital turnover from investments in short-term rentals, but also in medium- and long-term rentals. The recent rent increases observed in Athens are chiefly related to these real estate activities of family offices, private equity and servicers. However, institutional investors' approach to the city is opportunistic, as the values locally produced by rent increases are destined to global financial markets.

Housing policies in Greece are at the jurisdiction of the central state, as the regional and the local state are eligible mostly for implementing policies, projects, and plans. Successive changes in state policies regarding the insolvency law and NPL securitisation have constituted an institutional framework more flexible and attractive to institutional capital. At the same time, tenant or primary residence protection are no longer considered a policy priority. On the contrary, international investments in residential real estate, house price and rent increases are celebrated as trends of economic growth. However, these activities have leveraged the housing market, and as rents are increasing, they cause affordability pressures on the local population. Considering that the disposable income of Athenian households is significantly lower in relation to pre-crisis levels, current inflation and energy costs add to the finanicial stress that rent increases cause. As long as there is hardly any political motivation to regulate rents, the local population will strive to afford housing costs, making housing at best unaffordable and at worst repossessed.

4. Berlin: Financialisation in a regulated Rental Market

Berlin is a city of tenants and just under 16 % of households live in owner-occupied housing. Housing issues in Berlin are therefore centrally linked to letting practices, the structure of landlords and the legal and planning instruments regulating rental housing.

a. Structure of the Housing Market and Crisis of Affordability

In Berlin, almost 3.7 million residents live in nearly 2 million housing units. With almost 85 %, the vast majority of the population lives in 1.7 million rental housing units. The housing stock in Berlin can be classified by pointing out different types of landlords. Thereby, in the German housing system, social housing is not limited to specific owners and landlords, but has a temporary status of tenancy conditions that results from past subsidies. The total of 142,000 social housing units in Berlin are therefore managed by both public and cooperative landlords as well as by private landlords.

<u>Private landlords:</u> With more than 1.1 Million housing units, almost 70 % of all rental housing units in Berlin are owned by private individuals, companies or investors. Only 5 % of the private rental sector (651,000) is managed as social housing. The majority of flats are let on the free market, yet in accordance with national rent price regulations (see below).

<u>Municipal housing companies</u>: nearly 340,000 housing units are rented out by municipal housing companies. Altogether, the city of Berlin owns six large housing companies which are run as private business organizations, but owned by the state of Berlin. The public-owned stock has a total market share of just under 17 % and accounts for 20 % of all rental housing units. Around 16 % of the public housing stock (55,000) also has a formal status as social housing, resulting from variegated subsidy programs (IBB 2023; WVB 2022). Independent from the formal social housing status, the public housing stock is subject to strict social management requirements, which are specified in a state law and annual “cooperation agreements” between the state government of Berlin and the companies (Holm, 2020).

About 190,000 flats are owned by <u>housing cooperatives</u>, which make up a share of just under 10 % of Berlin's housing stock (resp. 11 % of all rental units). Since the abolition of the “*Wohnungsgemeinnützigkeit*” (Non-Profit-Housing-Status) in 1989 at the national level, cooperatives have no formal obligation to provide social housing. Only 14 % of cooperative flats (26,000) are formally dedicated to social housing. The management and letting practices of the cooperatives are marked by considerable differences and range from quasi-market-oriented to socially committed cooperatives (Metzger, 2020; Belina & Pechstein, 2021).

Table 7: Berlin's housing market structure by types of landlord

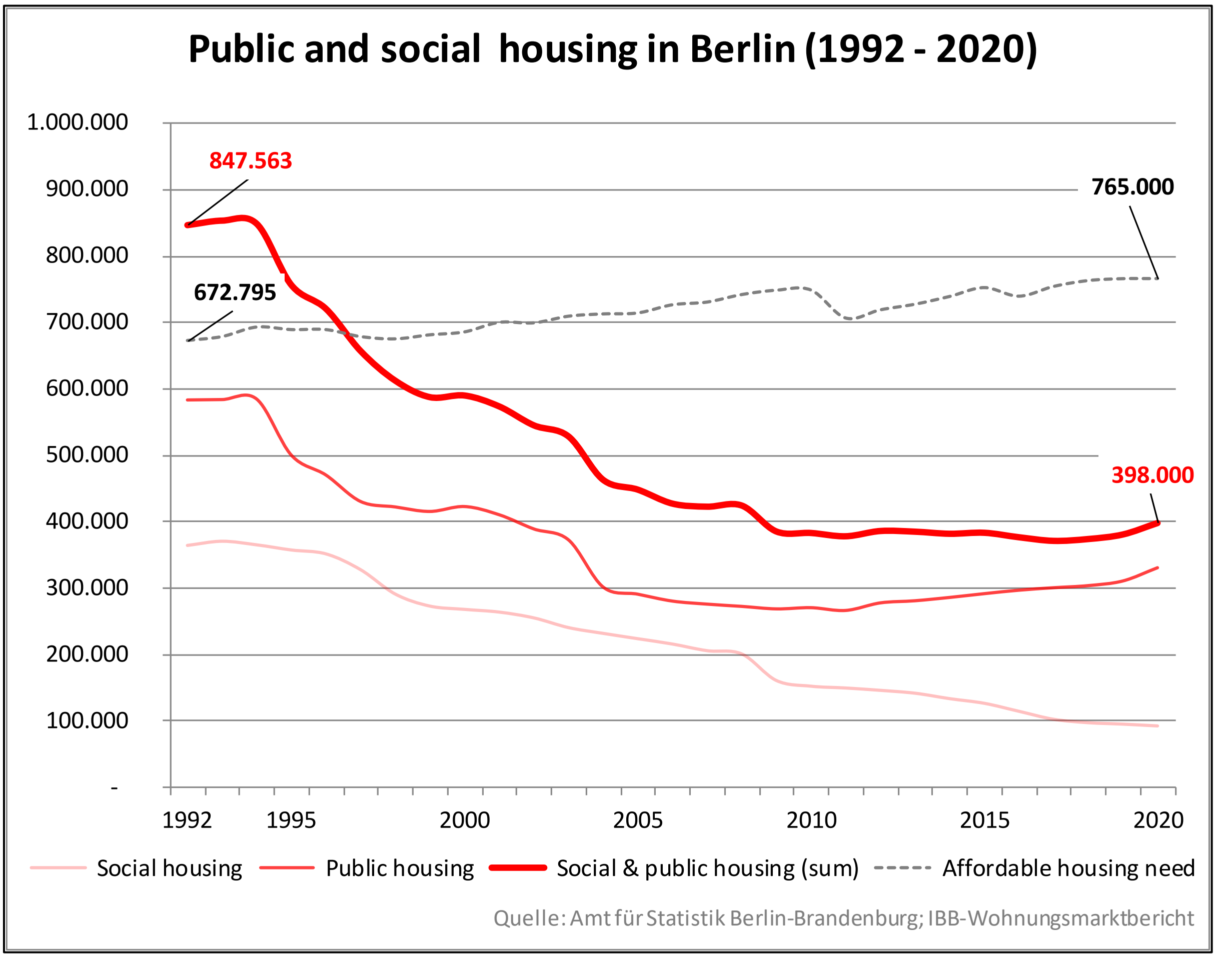
	Number of housing units	Share of total housing stock	Of these with social housing status*
Owner occupancy	308,755	15.5 %	-
Rental housing	1,679,400	84.5 %	
Private rental	1,147,981	57.7 %	61,125
Housing cooperatives	191,777	9.6 %	26,429
Public housing companies	339,642	17.1	54,789
Total	1,988,155	100.0 %	142,343

* Data from 2021

Source: IBB 2023: 10, 53

In the last decades, the share of these three groups of owners has changed considerably (see figure 7). Thereby, both the municipally owned and the social housing stock have seen a massive shrinkage, whereas privately owned stocks has increased.

Figure 7: Public and social housing in Berlin (1992-2021)



Source: Amt für Statistik Berlin-Brandenburg; IBB-Wohnungsmarktbericht

The level and development of housing costs

Whereas Berlin has a reputation for being a comparativley affordable place, it is a matter of fact that housing costs have seen a tremendous increase over the past three decades.

When discussing rent prices in Germany, it is important to distinguish between rents in existing contracts and market rents (see below). Rents in existing contracts (*"Bestandsmieten")* have risen continuously from 3.11 €/sqm (1991) to 6.86 €/sqm (2021) - this corresponds to a total increase of 121 % (+2,7 % p.a.) during the last three decades. Rents for new contracts have increased even more: by a total of 193 % (+3.7 % p.a.) from 3.78 €/sqm (1991) to 11.09 €/sqm (2021). If these increases are compared to disposable incomes, a gap is clearly visible, as the average income of private households has only increased by 70 % (+ 1.8 % p.a.) in the same period. As a consequence, in 2018 almost half of the households have a rental cost burden of more than 30 % of their income (Holm, 2022, pp. 9-10).

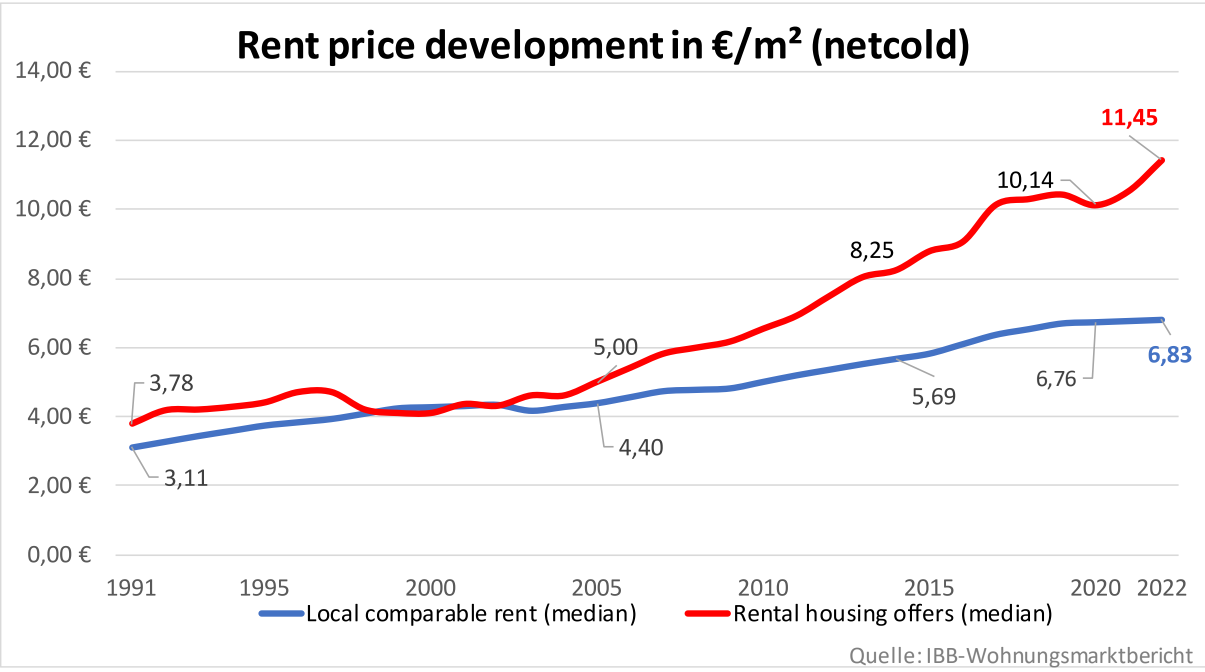
Table 8: Index, rents, income 1991 - 2021

	rents in current contract	marked rents	disposable income p.p.
1991	100	100	100
2001	139	115	119
2006	143	147	126
2011	168	196	137
2021	221	293	170

Source: Amt für Statistik Berlin-Brandenburg 2022; IBB 1991-2021

While the growth of rent prices in both existing contracts and new contracts followed a parallel course until 2006, rents in new contracts have widely decoupled from rents in existing tenancy agreements in the last 15 years. Residents in need of a new flat thus pay significantly more than households that have lived in their flats for many years.

Figure 8: Rent price development (1991-2021)



Source: IBB Wohnungsmarktberichte, 1991-2021.

Berlin's affordability crisis

Since the turn of the millennium, Berlin's population number has grown from 3.5. to 3.7 million. New constructions, however, have not even closely followed this development. It has been calculated in official documents that Berlin lacks around 80,000 housing units in totals. In addition, there is a need for around 115,000 new constructed housing units in order to keep pace with the expected population growth in the coming years (SenSW, 2018, p. 9). A housing crisis is thus evident in Berlin. Thereby, the situation is particularly challenging for low-income households.

Almost 970,000 households (48 % of the total population) have an income which entitles them to access to social housing. Approximately 50,000 of these households apply for a housing entitlement certificate each year (AGH, 2022a). Currently, however, only around 10,000 social housing units can be provided per year, so that the majority of households in need are left without an adequate housing supply.

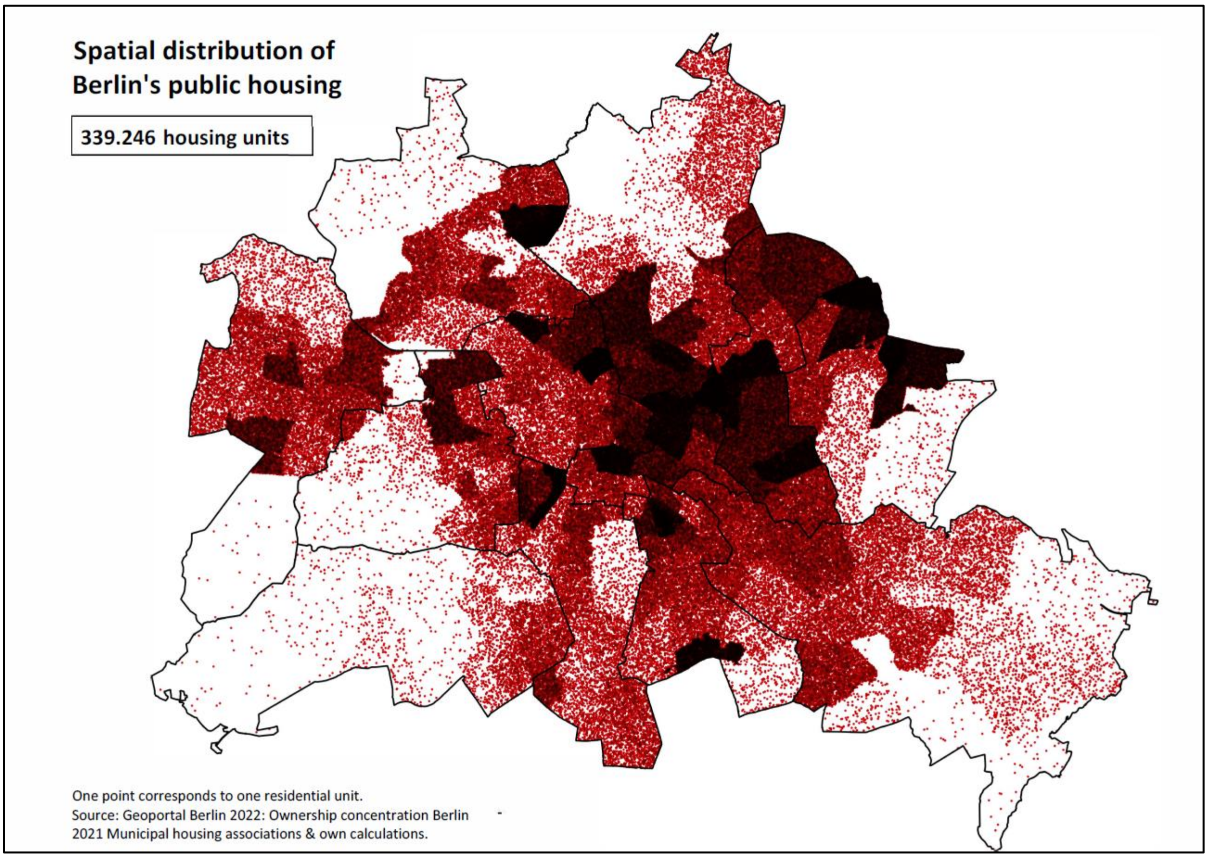
For households in precarious housing situations or individual emergencies there is a separate status of urgency. It includes families in unacceptable housing conditions, people with health problems, women at risk of domestic violence, homeless people and ex-convicts. The Department of Social Affairs estimates that approximately 50,000 people are in acute housing need (Breitenbach & Fischer, 2021).

By and large, the supply of affordable housing rests on two columns: (a) municipal housing companies, and (b) subsidy programs for social housing (let by both public and private landlords).

The approximately 330,000 apartments owned by the public housing companies are regulated through state law (*Wohnraumversorgungsgesetz WoVG*) and detailed in "cooperation agreements" between the state of Berlin and the companies. In addition to economic targets, these agreements provide regulations on letting and management, rent pricing and modernisation measures that go far beyond the legal obligations defined by national legislation. Currently, they rule that 63 % of all re-lets must be allocated to households eligible to social housing. In recent years, this has amounted to almost 10,000 apartments per year. Twenty-five percent of these committed apartments are for households with urgent needs.

The stock of the six municipal housing companies is very unevenly distributed across Berlin. The lion's share of housing units is located at the peripheries, with a particular focus on East Berlin. Both gentrifying areas in the city centre and traditional elite neighbourhoods in the South West of the city have an incomparably smaller public stock (for details see Bernt & Holm, 2023, and figure 9).

Figure 9: Spatial distribution of Berlin's public housing stock



Source: Geoportal Berlin 2022.

In addition to municipally owned housing, about 142,000 apartments had a status of social housing in 2021[6]. It needs to be emphasized, though, that the status of "social housing" does not imply any particular form of ownership or management in Germany. It refers to subsidies taken by the owner in the past and only applies for a respective subsidy period (usually between 15 and 30 years). Previous decades have seen massive cuts in these programmes, so that the volume of "social housing" has declined from approximately 350,000 in the mid-1990s to less than 100,000 today (2021). In order to counterbalance this development, the government of Berlin has started a new construction programme for social housing in 2015. However, with just 8,000 apartments completed so far, it has only had a limited impact. (IBB 2022, pp. 12-13, see table 9).

Most social housing is concentrated in West Berlin (both in the inner-city in previous urban renewal areas of the 1960s to 1980s and in the periphery in large housing estates like *Märkisches Viertel* or *Gropiusstadt*) and in a handful peripheral new housing estates that were built on after reunification. In addition, the renovation of around 28,000 housing units in historical buildings in urban renewal areas in East Berlin has been subsidized in the past, leading to specific rental and occupational obligations (SenStadt, 2004, p. 10; IBB, 2022, pp. 12-13) comparable to social housing. However, most of these subsidies have expired, only about 13,000 currently remain (see table 3).

[6] With over 89,000 housing units, most of the social housing can be traced back to subsidy programs in the 1980s and 1990s. Only about 8,000 social housing units have been newly built in recent years since 2015. In addition to the social housing, there are about 45,000 more flats with temporary rent control, which are based on various housing policy programmes and decisions of the past and will expire in the coming years.

Table 9: Development and projection of the social housing stock subject to occupancy restrins

	Occupancy obligation according to BelBindG	**Subsidised modernisation (Mod/InstRL)**	**Social housing "old" (subsidy programmes until 2001)**	**Social housing "new" (construction since 2015)**	**Sum**
2011	122.113	26.534	149.954	-	298.601
2012	121.353	26.301	146.466	-	294.120
2013	112.069	25.700	142.151	-	279.920
2014	79.748	25.254	135.346	-	240.348
2015	77.743	24.678	121.933	69	224.423
2016	77.743	22.099	114.710	206	214.758
2017	77.743	20.645	102.424	1.126	201.938
2018	74.700	18.233	95.774	2.162	190.869
2019	74.700	16.570	91.708	4.102	187.080
2020	69.900	15.118	90.371	6.399	181.788
2021	**33.200**	**13.013**	**89.021**	**8.300**	**143.534**
2022*	14.300	11.318	84.927	11.800	122.345
2023*	14.300	9.306	79.544	15.800	118.950
2024*	4.700	6.745	73.580	20.300	105.325
2025*	-	4.572	68.611	25.300	98.483
2026*	-	3.155	62.439	30.300	95.894
2027*	-	2.372	60.105	35.300	97.777
2028*	-	2.004	55.885	40.300	98.189
2029*	-	1.635	49.070	45.300	96.005
2030*	-	1.375	42.944	50.300	94.619

Source: IBB Wohnungsmarktbericht 2021, Tabellenband, pp. 12-13.

Major policy and spatial planning instruments directed towards affordable housing

Rent prices are predominantly regulated at the federal level (for an overview of rental regulations in Germany, see Bernt, 2022, pp. 77-97) and local attempts to introduce more restrictive regulations at the state level have been annulled by the Federal Constitutional Court in March 2020 (see below).

To protect existing rents and curb displacement, Berlin has declared "social preservation status" in inner-city areas with high gentrification pressure. In total, Berlin has 72 “social preservation” areas with a total of 1.08 million inhabitants (2020). The most important affect of this policy is that “luxury modernisations”, which would lead to excessive rent increases, are banned in these areas. Berlin has also tried to prevent conversions of rental apartments into owner-occupation in these areas for years, yet with limited success (SenSWB, 2022). In addition, a local law prohibiting the misuse of housing for commercial purposes is in effect which aims to both make long-term vacancies impossible and limit the conversion of residential housing into short-term (tourist) rentals.

Altogether, it must be said that the legal instruments for limiting rent increases are rather weak at the local level. For this reason, the state of Berlin has focused on expanding its public housing stock since

2015 - both through purchases from private landlords and companies and new constructions. Since then, the stock of municipal housing units has grown by 47,000 apartments (21,000 new constrcuted and 26,000 purchased) (WVB, 2022, p. 14, 59)

The increase in subsidies for social housing construction (from 64 million € p.a. in 2015 to 740 million € p.a. in 2022) is also aimed at supporting the provision of new social housing. However, the interest of private developers in the programmes has been very limited so far, and 94 % of programme funds have been drawn down by public housing agencies (AGH, 2022b). Against this background, Berlin's government is currently desiging a new subsidy program (*Dritter Förderweg*) which allows higher rents and income thresholds, with the intention to make social housing more attractive for investors.

The so called "cooperative land development" is a planning instrument that is also designed to support the provision of affordable housing. It enforces a quota of at least 30 % social housing (in relation to the space built) on new constructions. In practice, most developers meet these obligations by including social housing units into their development plans which they later on sell to municipal housing companies. "Cooperative land development" and the plan to expand the municipal housing stock therefore work hand in hand in practice.

A successful referendum to expropriate about 240,000 homes from large housing corporations (with more than 3,000 homes) passed with 59.6 % of the votes in September 2021. However, it faces massive resistance and so far the government has refrained from implementing it.

Summing up this subchapter, it can be said that Berlin faces a pronounced housing affordability crisis and, while there are more or less dedicated policies aiming at providing more affordable homes today, these have yet failed to solve the problem. The policies applied are, moreover, costly, difficult to implement and often politically contested.

b. The Impact of institutional Investors on (affordable) Housing in Berlin

The market entry of institutional investors has mostly happened through sales of municipal properties in the 1990s and 2000s. In this period, more than 200,000 municipal flats were sold, both in larger packages and entire housing associations in Berlin (Uffer, 2013). Mostly, this was done in en bloc sales to real estate private equity (REPE) companies such as Cerberus, Fortress, or Goldman Sachs. After several rounds of resales, the privatised housing stock is now mainly concentrated in listed companies such as Deutsche Wohnen SE, Vonovia SE, ADO Properties S.A., Covivio SE/S.A. or Grand City Properties S.A.

Structure of the housing stock owned or managed by institutional investors

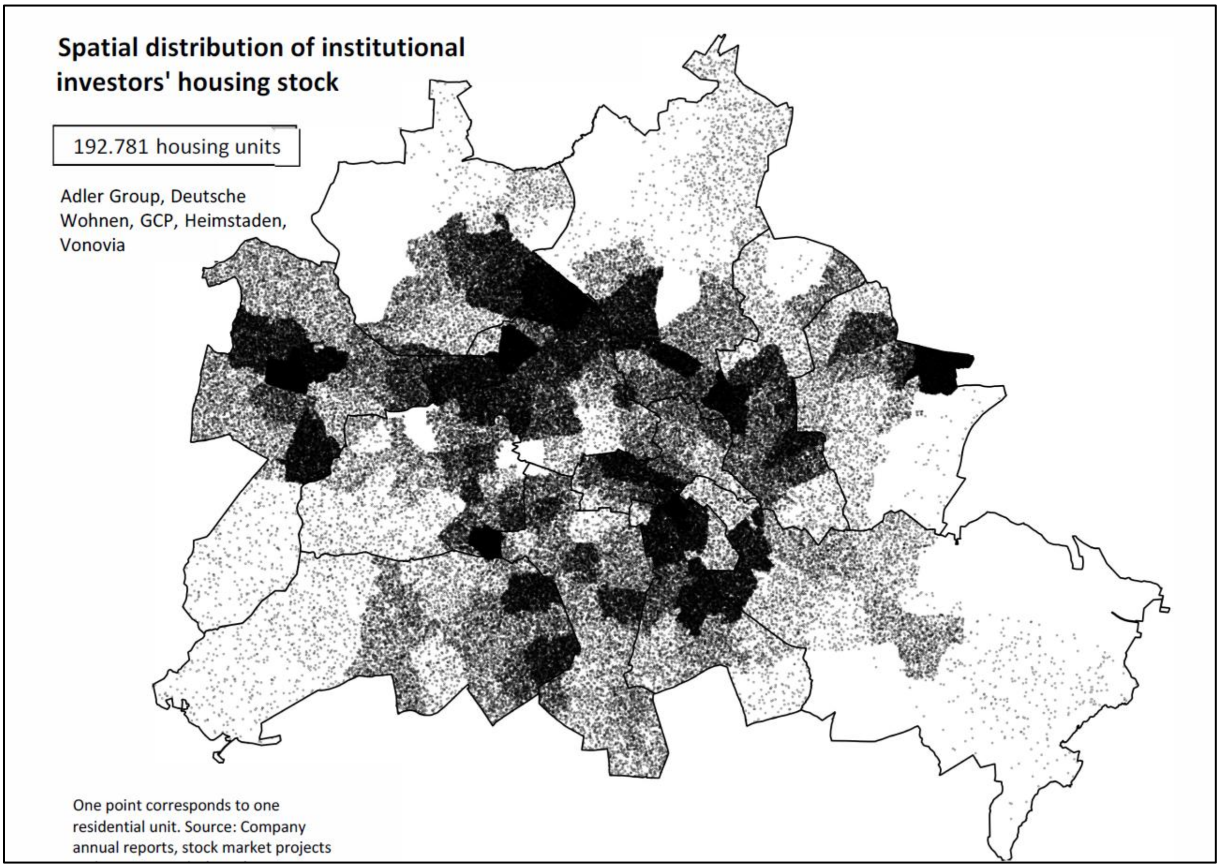
The total volume of the housing stock owned by listed companies and institutional investors in Berlin is at about 330,000 flats (Trautvetter, 2020, p. 9). This corresponds to a share of just under 17 % (20 % of rental flats). With over 200,000 flats held by only five companies, the stock owned by institutional investors has been subject to a strong concentration.

Table 10: Overview on the largest institutionalised landlords in Berlin

Name of company	Housing units in Berlin 2021	Housing units overall	Typ of Company
Deutsche Wohnen SE	113.200	621.300	listed on the stock exchange
Vonovia SE	45.800		listed on the stock exchange
Adler Group S.A.	19.800	27.500	listed on the stock exchange
Covivo S.E.	16.700	39.600	listed REIT (Euronext)
Heimstaden/Akelius	18.600	148.300	private property joint stock company (privately owned)
Grand City Properties S.A.	8.000	64.900	listed on the stock exchange
Total	222.100	901,600	

Source: Company reports.

Figure 10: Spatial distribution of institutional investors' housing stock in Berlin



Source: Company annual reports, stock market projects.

The holdings of the institutional investors are concentrated in large housing estates, mostly at the peripheries of the city. Only 18 % of the flats are located within the S-Bahn ring (share of inner-city areas in the total housing stock: 38 %). However, with Adler Group (inner city share: 40 %), Covivio (inner-city share: 44 %) and the Swedish housing group Heimstaden (inner city share: 57 %), there are three smaller companies that have an above-average share of inner-city flats. Accordingly, most of the stock owned by financialised investors was built in the second half of the 20th century and only a small share consists of old buildings built before 1918. The condition of the housing stock shows a wide spectrum, from desolate housing stock to well-maintained buildings. The entire stock consists of multi-storey rental flats.

Characteristics of the companies

The major institutional investors active in Berlin all have supra-regional portfolios and invest in housing on an international scale. Some of them also invest in commercial real estate (office, hotels, care facilities, etc.). With the exception of Heimstaden, the major institutional investors holding considerable residential portfolios are all listed on stock exchanges. Vonovia, as a DAX-listed company, has diversified its shareholder structure, combining large free float and institutional investors such as Norges Bank (14.6 %), BlackRock (9.6 %) and APG (4 %). The other listed companies such as Covivio, Adler Group and GCP are also characterised by a large number of private shareholders. Covivio SA (formerly Foncière des Régions) is registered in Paris and listed as a REIT. Most of the property companies (*Objektgesellschaften*) held by Covivio SE are registered in Luxembourg for tax reasons. The Swedish company Heimstaden is majority-controlled by Ivar Tollefsen, but has also opened up for shares from smaller investors (Trautvetter, 2020; annual reports).

In general, the institutional investors in the field of housing have complex organisational structures with regionalised and functionally differentiated divisions. Vonovia, for example, operates with over 700 property companies (*Objektgesellschaften*) and has outsourced sub-companies that are combined into a centralised corporate structure. The central corporate management and coordination of the individual companies is carried out by a management holding company, which also determines the economic corporate goals and sets the rental prices. The regionalised business units take on property management, housing allocation and housing upkeep. By organising subcontractors as shared services, Vonovia secures a monopoly on almost all housing-related services and can thus also largely determine its own operating cost expenses (e.g. repairs, cleaning, maintenance of green areas, maintenance of heating systems) (Vonovia, 2021, p. 58-59).

In the early 2000s, the business model of private equity firms and hedge funds was oftentimes characterised by "opportunistic" strategies. Typical at that time were quick resales, outsourcing, poor maintenance and a rent structure aimed at low-income and households receiving social benefit from the state. Nicknamend after the 2004 welfare reforms in Germany, this letting model has also been coined as a “Hartz IV business model” by many observers, since it targeted welfare recipients whose rent was paid by the state. This orientation has, however, gradually changed. Today, the focus of institutional investors is more on increasing the value of the acquired real estate portfolio, which makes high dividend payments possible for the company's shareholders. Scholars have therefore written of a "financialisation 2.0" (Wijburg et al., 2018; Gabor & Kohl, 2022) which considerably differs from past valorisation strategies. The following practices can be regarded as typical for the business practices of insitutional invesotrs, although they are applied in very different "mixed ratios" by the individual companies:

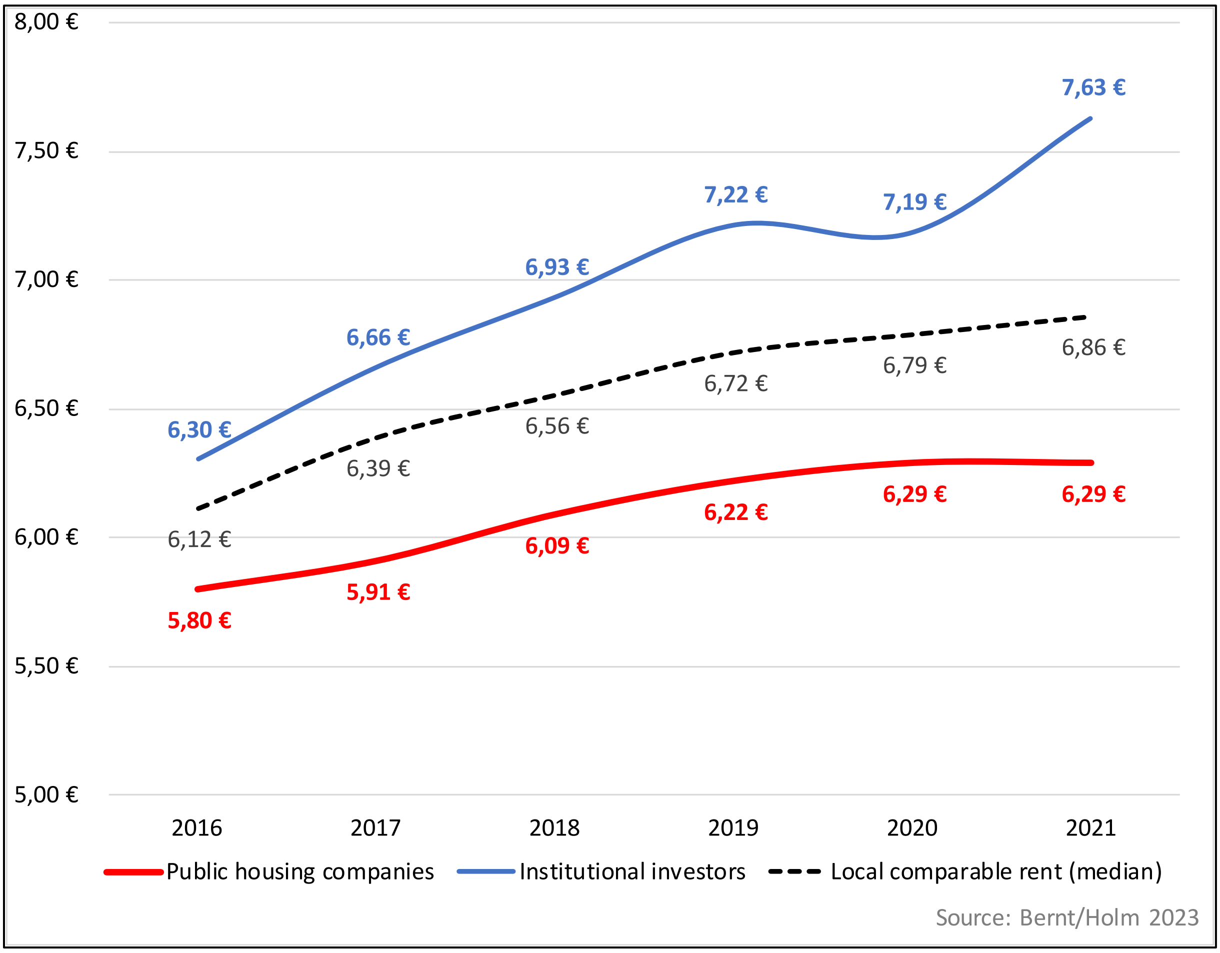
- *Valuation gains*: The potential market value of the companies is increased through a higher balance sheet valuation of the housing stock in the annual business reports. This also creates increased collateral for borrowing. An example of this is Vonovia, who increased its balance sheet value by a factor of 9.5 between 2013 until 2021 (due to the change of the accounting method from the German legal norm of HGB to international IRFS standard), although the housing stock only grew 3.5-fold (cf. Zimmermann, 2022).

- *Efficiency gains*: Companies are trying to reduce costs through standardisation, automation and digitalisation. As a rule, this works at the expense of service. Listed housing companies have thus often been in the press for neglected repairs, lack of accessibility and faulty billing.
- *Insourcing*: Some companies have in-sourced housing-related services. Usually, this goes hand in hand with wage dumping. In addition, by opening up new business areas, it makes high additional profits possible (cf. Unger, 2018). The subsidiary "Vonovia Technischer Service" has already been publicly criticised on several occasions for charging excessive operating costs (Trautvetter, 2019, p. 13).
- *Modernisation*[7]: The companies pursue modernisation as an investment that simultaneously increases the balance sheet value of their housing portfolio and increases rental income. In doing so, the companies focus on measures whose costs can be passed on to the tenants through modernisation charges, while expenses for repair and maintenance are kept low. On average, the financialised companies spent just under 43 €/sqm p.a. on maintenance and modernisation investments (2016-2021, Bernt & Holm 2023, p. 9). Almost 75 % of this amount related to modernisation measures, while only 25 % counted as maintenance and repair.
- *Rent increases*: The companies make maximum use of existing legal opportunities for rent increases. In a company's annual report, this practice is referred to as a "business model (of) creating value through rent increases" (Adler, 2022, p. 92). Comparisons between the rents of public housing companies and the large financialised companies show significantly higher base rents and faster rent increases (Bernt & Holm, 2023, p. 10). (see also Figure 11)

In summary, it can be said that the finance-oriented housing companies pursue different business models in detail - but all models are to the disadvantage of the tenants. The focus of their business activities is on the return expectations of the financial markets and the interests of share owners, not on long-term portfolio management and affordable rents.

[7] In German legislation, “modernisation“ refers to all building measures which increase the use value of a flat, e.g. the installation of modern heating systems, better bath room facilities, or the insulation of windows. Modernisations lead to rent increases, since 9% (11% until 2019) of its costs can be put on the annual rent.

Figure 11: Rent price development in ongoing contracts in Berlin in €/sqm (basic cost) by public housing companies and institutional investors



Source: Bernt/ Holm 2023.

New construction activities of financial investors

Compared to the properties acquired through purchasing existing stock, the total volume of new constructions by institutional investors has remained negligible in Berlin.

In sum, the new construction of inner-city residential complexes is driven by fundy and developers that do not act as large landlords in the existing stock (e.g. Van Ceam Projects, Grimm Holding, Groth Gruppe, Berlanto, Panion AG, Formart/Instone). It has mostly progressed in the form of "speculative urban production" in Berlin (Calbet, 2017). Investors with large rental housing stock have rather focused on the acquisition, rental and sale of residential properties than on new construction. The growth of these companies has mostly taken place within the existing stock and their investments have hardly contributed to expanding the overall supply. Of the “Big Six”, only Covivio, Deutsche Wohnen and Vonovia are also active in new construction. However, they have only completed a total of 640 flats in recent years. Construction activities have been announced for another 2,200 flats, yet all these projects are in an early planning phase and have been laid on ice indefinitely due to rising construction costs, interest rates and economic uncertainties.

Covivio has the most visible presence in new construction activities in Berlin. With just under 17,000 rental apartments in its portfolio, it is one of the "smallest" institutional investors in Berlin's housing market - but with spectacular new construction projects. In addition to a high-rise project (with 60,000 sqm of floor space) in the heart of East Berlin, the company is also planning other new construction projects on the edge of the city centre. All projects are, however, primarily aimed at office uses and retail and only include a very small proportion of residential apartments.

Vonovia is also active in new constructions – mostly as additions and densification projects in the existing housing estates owned by the company. Across the company, Vonovia completed almost 8,000 new flats between 2017 and 2021 - in Berlin, this figure was around 432 flats during this period (Vonovia, 2021).

In 2022 and 2023, Vonovia had planned the completion of more than 1,000 additional apartments.

According to the company itself, 30 % of the new flats should be provided as subsidised social housing (Vonovia Annual Report, 2021, p. 82). In the construction projects of recent years, this promise has, however, hardly been kept. Only just under 300 of the total 1,500 apartments (20 %) were built with subsidies and have the status of social housing. Vonovia announced the increase of its new constructions in 2022, in the course of negotiations with Berlin’s government (see chapter 4) but stopped all activities in 2023 due to the current crisis (Paul & Dankbar, 2023).

Deutsche Wohnen has also announced that it will invest more in new construction activities and build several thousand apartments in Berlin. So far, only 110 of these apartments have been completed, mostly in the form of roof extensions and as redensification in a residential area in Berlin Prenzlauer Berg (Grellekiez). A larger project with 1,200 apartments in Köpenick (Köpenick) is still scheduled for completion in 2023. Other announced projects were in the planning phase and, like Vonovia's pre-projects, have been put on hold for the time being.

The Adler Group developed in recent years as a subordinate business strategy on new construction on luxury residential buildings. The business model based on forward sale contracts with institutional or individual buyers, where sales are already completed before the completion of the buildings, in order to finance construction with these payments. Due to increased construction costs and internal financing problems, the new construction strategy has been completely discontinued since 2021 and the company is trying to sell the building land (Adler, 2023; Bergermann, 2021).

The following table provides an overview of the construction activities of institutional investors in Berlin. As is easily visible the contribution of these companies to providing new housing is so far marginal.

Table 11: New construction activities of institutional landlords in Berlin

	Relevance of new construction activities in their corporate reports	New constructions in Berlin (2017-2023)
Adler	"selective additions through project developments in new construction" (Adler 2021: 89)	No new construction activity
Covivio	Office buildings, special housing forms (micro-apartments) and high-priced residential construction	Mix Used tower at Alexanderplatz (60,000 m²), planned completion 2026 Office Loft project in Moabit (6,000 m²) planned completion 2024 Plano office project at Südkreuz (14,500 m²), planned completion 2023
GCP	Minimal new construction activities	No new construction activity
Heimstaden	No new construction activities	No new construction activity
Vonovia	New construction business on own properties (Vonovia 2021: 95)	Alboingärten (432 apartments) in Schöneberg, planned completion 2021 accessible new building (97 apartments) in Lichtenberg, planned completion 2023 Siemensstadt (1,000 apartments) in Spandau, planned completion 2023
Deutsche Wohnen	"With our subsidiaries and the 40 % investment in the Quarterback companies, we are creating new real estate stock in strategic core and growth regions through targeted project developments." (Deutsche Wohnen 2023: 30)	Redensification & new construction in Grellekiez (111 apartments) in Prenzlauer Berg, completed 2021 Marienufer (1.200 apartments) in Köpenick, planned completion 2023
Total		2.840 Housing units & more than 80,000 m² office and retail space

Source: Company reports.

In addition to the new construction of "classical" residential apartments, the segment of student housing and micro-apartments has seen an increased interest by investors in recent years. It is, however, mainly operated by rather conventional construction companies and developers. One exception is Cresco Real Estate, an institutionalised investor who has completed almost 2,000 micro-apartments (predominantly for students) in 4 projects citywide since 2020 - a share of over 60 % of the completed apartments in this segment (https://www.crescore.de). As with new constructions, it can thus be said that niche markets are a field which has not yet seen pronounced interest by institutional investors in Berlin. In contrast to London, Milano, Warsaw and Brussels, both the new construction of residential homes and investment into niche markets have yet remained a "side-show" in Berlin.

c. Policies directed at institutional Investors

As a starting point for the discussion of policies directed at institutional investors, it needs to be emphasized that the housing planning policies in Berlin cover a broad range of instruments, subsidy programs and regulations. While these are in general directed towards securing an adequate supply of affordable housing for Berlin's residents, the ways in which they are organized are fairly variegated and policies supporting investment stand cheek by jowl with more protective and regulationist approaches. In any case, the policies implemented in Berlin are embedded into long-established and rather complex national frameworks (see Bernt, 2022, pp. 77-97), which have hardly been developed in relation to institutional investors. Rather, the rise of institutional investors, together with the growing lack of affordable housing, have put more public attention on the limits of existing regulations and partly stimulated a discussion about their reform.

The following table provides an overview of major policy instruments used in Berlin with regard to the questions of how effective they are in influencing the actions of institutional investors.

Table 12: Overview of major policy instruments used in Berlin

Policy Instrument/ Regulation	Effectivity with regard to institutional investors	Reformation of existing instruments
General rent regulations	No effect, new rents are usually above the values defined by national legislation (*Mietpreisbremse*), see WP2	Introduction of more restrictive rent regulations at the local level (*Mietendeckel*) in 2020 – declared as illegal by Fed. Constitutional Court in 2021
Social preservation status, right of first refusal	No impact with regard to "luxury modernisation" / Some boroughs have used the "right of first refusal" to complicate the acquisition of properties by institutional investors and transfer homes into municipal property	The Federal Constitutional Court has stopped the use of the "right of first refusal" in Nov 2021
Ban of conversions of rental apartments into owner-occupation	Not relevant for institutional investors because their strategies are targeted to the rental market	New legislation has been introduced in 2022 at the national level which enables municipalities to stop conversions more effectively
Subsidies for social housing construction	Limited impact because of a lack of new constructions by institutional investors	Introduction of new subsidy programmes in late 2022, aiming more at middle-class households and allowing higher rents
Cooperative land development (i.e. mandatory share of social housing units for private developments)	Limited impact because of a lack of new constructions by institutional investors	Introduction of new subsidy programmes in 2022 (*Zweiter Förderweg*) and 2023 (*Dritter Förderweg*), aiming more at middle-class households and allowing higher rents
Expanding public housing stock through purchases of privately owned properties	Indirect effect on institutional investors because purchases are often done in their stocks	---.
Expropriation of institutional landlords	Demanded by a referendum in 2021, but not yet implemented	---

Source: Own compilation

Reflecting on a broad range of policies, it can be said that Berlin's stance towards institutional investors has changed considerably over time. Thus, as discussed above, in the early 2000's, Berlin has sold large chunks of its municipal housing stock to institutional investors. Most notable in this respect was the sale of 75,000 housing units to a consortium of Whitehall (Goldman Sachs) and Cerberus institutional investors. Also, the stock market launch of the buying company has been enabled by a governmental decision. Originally, local policies were thus rather inviting towards institutional investors.

The background for this was a situation experienced in the early 2000s, in which the city of Berlin faced enormous budgetary problems on the one hand, while at the same time population was stagnating, so that housing affordability was not seen as a major problem by many politicians on the other. This has changed gradually over time. With housing affordability becoming a serious issue, and supported by a change towards a red-green-red government, Berlin has introduced a number of reforms, which aim at limiting rent increases and providing more affordable housing (see table above).

Thereby, it needs to be emphasized that many of the policies introduced at the local level are not evaluated as very effective by many observers. One reason for this is that the leeway for local regulations is limited by the German constitution, so that policies introduced at the local level are dependent on decisions made at the national level. This has been most notably the case when the introduction of a local rent cap (*Mietendeckel*) was stopped by the Federal Constitutional Court in 2021, or the de-facto abolishment of the "right of first refusal" by the national government.

Nevertheless, Berlin stands for a change towards more interventionist policies with regard to institutional investors that is unparalleled by other cases analysed in this study. It therefore makes sense to look at their "political history" of local policy interventions. In this sense, the following paragraphs provide a snapshot overview about housing controversies, debates and struggles regarding institutional investors in Berlin.

In sum, it can be said that the business of institutional investors has come to be seen more critical in Berlin in the course of the 2010s. This has, however, been the outcome of successive steps and a number of parallel developments. In this regard, more and more reports about lack of services and repairs, under-maintenance and drastic rent increases in the homes managed by institutional investors came to the public from 2010 onwards and received growing attention. Mostly, this has been the outcome of press releases by tenant organizations and journalistic work, but also due to the pressure of a growing number of tenant initiatives (*Kotti&Co, Deutsche Wohnen Vernetzung, Akelius Vernetzung, Stop Heimstaden and others*) who have publicized their experiences with institutional landlords as scandals. A milestone in this respect was a series of protests organized by activists together with the residents of a former social housing estate (*Otto-Suhr-Siedlung*) in Kreuzberg. Here, the tenants for the first time achieved an agreement between the borough of Friedrichshain-Kreuzberg and Berlin's by then largest landlord *Deutsche Wohnen.* It limited rent increases after renovations at a level of 1.79 € per sqm, and an even less for households facing social hardships[8]. A second victory of tenant's movements was achieved at Karl-Marx-Allee in 2019 where the borough used its right of first refusal to stop a purchase by an institutional investor and transfered 700 flats to a municipal housing company. Shortly after this, the campaign "Expropriate Deutsche Wohnen & Co" was founded and received immediate support by many of Berlin's tenant activists and organizations.

At the same time, housing affordability was about to become a prime concern in the city. This was, among other issues, decisively reflected in the coalition agreement between Belin's ruling parties in 2016 which made the expansion of the public stock from 300,000 to 400,000 units until 2025 a public goal. In addition, the government of Berlin implemented more restrictive reforms to existing instruments but also tried to introduce new policies directed to regulating speculative investors (see table above). Most notably, the state of Berlin tried to introduce more restrictive rent regulations (*Mietendeckel*) in 2020/21, but was stopped by the Federal Constitutional Court. Simultaneously, a number of boroughs started to use their right of first refusal in "Social Protection Areas" more proactively.

[8] For details see https://taz.de/Otto-Suhr-Siedlung-in-Kreuzberg/!5500721/

Interestingly, institutional investors didn't seem to be much bothered by this development at the start. Quite in contrast, they ignored or even attacked existing regulations in a rather offensive way. Thus, for example, when the state parliament of Berlin invited the head of *Deutsche Wohnen* for a discussion on the rental practices and rent increases put forward by his company, he didn't even show up. Naturally, this was taken as an affront by many local politicians. To make things worse, *Deutsche Wohnen* even went to the courts and appealed against the widely accepted rent index[9] (*Mietspiegel*) in 2019. Although this court case was lost by *Deutsche Wohnen*, it made clear that institutional investors did not accept long established lines of consensus in German housing policies.

As a consequence of all these developments there has been an increased pressure on local politics to find more effective ways of dealing with the growing significance of institutional investors. This has led to a threefold dilemma for local politicians:

First, policy and planning instruments have not yet been well designed to cope with global corporate landlords. As a consequence, the implementation of more proactive policies is complex and characterized by a continuous "trial and error". The controversial debate about the legality of the attempt to socialize corporate landlords is a telling example in this respect. Second, local strategies have often been thwarted by national level decisions, as is clearly visible in the case of the *Mietendeckel.* Third, there is substantial disagreement between the ruling parties about the best course towards institutional investors. For all these three reasons, local policies have often been introduced rather hesitantly and in inconsistent ways.

Policy making between expropriation and partnership with institutional investors

Nevertheless, the growing attention on issues of housing affordability and the increasingly critical public opinion on institutional investors has set into motion two contradictory (but at the same time innovative) developments: a) an ongoing and controversial process of agenda-setting and policy formulation with the goal of expropriating major institutional investors, and b) attempts to find forms of public-private cooperation with exactly the same institutional investors

Thus, a referendum on the expropriation of stocks held by private investors with more than 3,000 flats has been held in September 2021, and won with 59.1 % of all votes. As a consequence, the government has a binding political obligation to find ways to socialize the stocks held by corporate landlords. As this an absolute novum in the history of German housing and planning policies, however, the legality and feasibility of this strategy is widely disagreed upon, both among experts and local politicians. The government of Berlin has therefore mandated a commission to find out about "feasibilities and ways" for the planned socialization. While the work of this commission is ongoing, an interim report has pointed towards the legality of the undertaking, so that the pressure on the local government to make decisions is not likely to go away. At the same time, local elections have led to a change in the coalition of parties governing Berlin and a more conservative government has come into power. In its coalition agreement it has announced that it will work out a "framework law" for the expropriation, take it to a norm control suit at the Federal Constitutional Court, and only then start working out the legal requirements for implementing the referendum – provided a positive assessment by the experts'

[9] The rent index set up at a municipality is of prime importance for rent regulations in Germany, as it is the reference value for rent increases. It is a long-established instrument in most German cities and widely accepted by the broad diversity of actors in the field of housing policies.

commission. Against this background, many observers expect that policies will be directed at winning time and sitting out the issue.

At the same time, and in stark contrast to the more confrontational course set by the initiative for the expropriation of major landlords, the mayor of Berlin settled a deal with Vonovia a few weeks before the referendum, and bought 14,750 housing units for a price of 2.46 billion euro. By and large, this was announced overnight and even the coalition partners (The Greens and the Left Party) were taken by surprise. In the media, it was criticized that the price paid would have been excessive and that the units were in serious need of renovation and peripherally located[10].

Even more importantly, a "Coalition for New Constructions and Affordable Housing in Berlin" has been formed in mid-2022 in which the local government has aimed at joining forces with at least a part of the institutional investors who are active in the city. However, both Berlin's biggest tenant organisations, and Heimstaden, Grand City Properties and Covivio (who own in total more than 50,000 flats) have refrained from becoming part of the initiative. The "coalition" agreement therefore includes leading state representatives, all six municipal housing companies, a few cooperatives, a small number of NGOs and lobby organisations active in the field– as well as the two institutional investors Vonovia and Adler Group. The major points agreed upon in the "Coalition" were the following[11]:

- The participants aim to complete at least 100,000 housing units by the end of 2026. Thereby, 35,000 units should be built by municipal companies, 60,000 by private companies (i.e. by Vonovia/ Deutsche Wohnen and Adler/ADO Properties) and 5,000 by cooperatives.
- Planning procedures for housing construction are to be completed within three years.
- The state of Berlin envisions significantly improved social housing subsidies for the construction of up to 5,000 social housing units per year. This, however, includes a redesign of existing subsidy schemes aiming at a higher share of mid-prized apartments.
- The large private housing companies (from 3,000 housing units in their own stock in Berlin) undertake to allocate 30 % of the apartments to WBS[12]-eligible households when re-letting.
- The alliance partners will not implement increases in net cold rent that lead to charges of more than 30 % of net household income for WBS-eligible households. They will also implement rent increases of no more than 2 % per year for WBS-eligible households until December 31, 2023.
- The alliance partners agreed to expand the sheltered market segment (GMS) to 2,500 housing placements per year.

Up to today, the implementation of these agreements is open in many respects. Thus, an inquiry to the parliament of Berlin revealed that the local government is not capable of knowing if the participating institutional landlords have in fact rented out 30 % of their apartments to WBS-eligible households when re-letting (see Drucksache 19 / 14 022). The reason for this is that a control and/ or a reporting on this goal has not been agreed upon. Moreover, Vonovia has declared that it will freeze all new construction activities in January 2023, as a reaction to the energy crisis and rising construction

[10] However, similar deals (though with a smaller total volume) had already been settled in the past (e.g. Kosmosviertel, Rollbergesiedlung, Heerstraße Nord).
[11] See https://www.berlin.de/rbmskzl/aktuelles/pressemitteilungen/2022/pressemitteilung.1218203.php
[12] *Wohnberechtigungsschein (WBS)* is a document stating the eligibilty of a household for access to social housing.

costs. Nevertheless, the new SPD-CDU government which has come into power in April 2023 has unequivocally declared that it wants to continue and intensify the “coalition”.

What does this development reveal about the role of institutional investors in the local policy arena? In sum, it seems that the role of institutional investors in local policies has remained rather passive over most of the last two decades. It is only very recently, that institutional investors have started to try and influence local policy debates and engaged in negotiations with parts of the policy and planning apparatus of Berlin. There is a number of reasons for this: First, political pressure on institutional investors has only grown over time – so that there is more need for them to avoid developments which could affect their business in problematic ways. Second, resales and fusions have complicated the situation. The ongoing reorganisation of financial markets and business models has weakened the organisational stability of institutional investors. This has made long-term intervention in local politics more difficult. Third, continuously rising stock valuations have supported a business model for which governmental support seemed negligible for a long time. Strategies to influence the public policies have therefore only emerged late.

However, the current economic situation, characterised by rising energy and construction costs, currency inflation and increased interest rates, has led to immense pressures on the business model of the institutional investors (see Zimmermann & Unger, 2022) and made them more interested in receiving political and financial support. The stock market value of Vonovia, for example, has decreased to a level of one fifth in the course of its peak value within the past two years. Refinancing debt obligations, as well as investing into modernisation of existing stocks or new constructions, has become rather difficult today and consequently, many of the investors that were expanding in the last decade face serious difficulties. This situation has made institutional investors more vulnerable and, at the same time, more interested in public support.

As a consequence of these circumstances, selected companies have begun to influence public opinion making more proactively with a clear PR-strategy. Thus, Vonovia has invested into a more professional campaigning and lobbying strategy and joined the two main lobby organisations of the housing business. As a consequence, the company is now both represented in GdW/BBU (*Gesamtverband der Wohnungswirtschaft/ Verband Berlin-Brandenburgischer Wohnungsunternehmen*) and ZIA (*Zentralausschuss der Immobilienwirtschaft*). Given their size, they have become major players in these organisations. Together with this development, BBU, which is a central player in Berlin’s housing policy debates, has more proactively intervened in policy debates in Berlin than in the past and, for example, lobbied against Berlin’s rent cap, against the referendum for an expropriation of major landlords, and against environmental concerns “blocking” new housing developments. Also, while much of it is hidden from view, press reports point towards a more intensive networking of institutional investors with parts of the local political apparatus. This mostly concerns SPD- and CDU-representatives.

Summarizing a long story in a nutshell, it can be said that financial investors have joined efforts for more collaboration with the state only hesitantly, only under (both political and market) pressure and only partly in Berlin. The points agreed upon in collaborative intiatives, however, only marginally go beyond what is already regulated and it is, moreover, unclear how much of the agreements will be implemented.

The politics towards institutional investors have been contradictory, to say the least. Thus, on a local level, while Berlin has sold large portfolios of municipal homes to institutional investors in the early 2000s, it has bought back parts of exactly the same stocks at inflated prices in the years following 2016.

Although a referendum on the expropriation of institutional investors is pending, the city government has made intense efforts to form a “round table” which includes the very companies that should be expropriated. More contradictions are to be found when the interaction of the local and the national level is observed: thus, local attempts at introducing more tenant protection have been annulled by the national government or federal courts. While this is not the place for an in-depth analysis of all these contradictions, the following points ccan be regarded as crucial for an understanding of the complications faced:

- Housing policies are subject to complex Multi-Level-Governance arrangements in Germany that leave room for contestation. In this context, conservative national governments have often thwarted more progressive intiatives taken by city- or state-governments. This situation often leads to a “back-and-forth” regarding the regulation of business interests which could paradigmatically be studied in Berlin in the previous decades.
- After decades of austerity, Berlin’s administration has often been described as “burnt out”, lacking initiative and resources and characterised by dysfuncitional organisations of responsibilities. This has arguably made the implementation of new policies difficult and weakened the “firepower” of new policy initiatives.
- Berlin is governend by coalitions of parties who do not often share the same vision and strategy. The past two legislatures have thus been characterized by intensive struggles between the ruling coalition partners (Social Democrats, Green Party, Leftists) which could only be pacified by bad compromises. The new government of Social Democrats and Christian Democrats has also faced strong opposition from within the Social Democrats. Against this background, Berlins’s political scene is marked by an enormous degree of contestation and the stability of political orientations has often remained low at the state-level. The outcome of this situation has been very contradictory policies, both with regard to different state departments, and over time.

Notwithstanding these difficulties, political pressure on institutional investors remains high and a referendum on their expropriation is still pending. Whether or not the local government will develop stronger regulatory frameworks towards institutional investors and whether or not more stable forms of collaboration between the local government and institutional investors will be developed in the future thus remain open questions.

5. Brussels: Financialisation at the Rental Margins

Brussels, counting approximately 1.2 million inhabitants, is a fragmented city made up of 19 different municipalities that together form the Brussels Capital Region (BCR). These municipalities are not city districts or boroughs, but independent local authorities that make their own policies, but together give shape to one functional city. This complicates policy responses to many urban challenges, including housing affordability. Moreover, contrary to what people might expect from the *de facto* "Capital of Europe", Brussels is a relatively poor city within its Northwestern European context with very high numbers of migration and ethnic minorities, and this includes not only expats and others attracted by Brussels international functions (primarily the EU and NATO), but even larger numbers of relatively poor migrants, who move to a city with a structurally high unemployment rate matched with the dominant labour market of the country.

At the same time, institutional investors are slowly but surely discovering the Brussels housing market. As the social housing stock is small (but slowly expanding) and very little of it has been or is currently being privatized, institutional investors focus primarily on new construction and "marginal" or "fringe" housing asset classes, such as care homes, "market social housing" and co-living. Overall, the influx of institutional capital tends to intensify housing affordability problems and policymakers are only beginning to deal with the impact of financialised and corporate landlords on the Brussels housing market.

a. Overview on Housing and Affordability

Similar to many European capitals, the BCR currently faces a severe housing crisis characterized by mounting affordability issues across tenure forms (De Keersmaecker, 2018; Dessouroux et al., 2016; Kahane et al., 2019). A combination of stable demographic growth, an increase in mortgage lending capacity, an influx of investment capital, and the growing presence of high-income – mostly international – residents has boosted house and rental prices to the point that a growing number of low- and middle-income households are unable to meet the high costs of living in Brussels. These households are pushed into poor quality housing that does not meet their needs, or are forced to look for more affordable alternatives outside their neighbourhood or the city altogether (Dessouroux et al., 2016; Kahane et al., 2019).

Structure of the housing market: a renters' city in a nation of homeowners

The BCR, like many other capital cities, can be characterised as a renters' city in a nation of homeowners (De Decker & Dewilde, 2010). While longstanding national and regional policy support for homeownership has significantly expanded this tenure form since the post-war period, homeowners have remained a minority in the BCR. Whereas the country's homeownership rate hovers around 70 %, the Brussels rate is around 40 %. Private rental housing amounts to 51 % of the Brussels housing stock, and approximately 9 % can be considered social rental housing (both public and market social housing) (Franklin et al., 2022; Kahane et al., 2019)[13].

The city's relatively large private rental sector (PRS) caters primarily to low-income households unable to afford homeownership and without access to the small and insufficient social housing sector, but also to a significant group of people who are new to the city or staying for the short- or mid-term. Despite the explosive growth of co-living investments, the expansion of local residential REITs, and the arrival of major international residential investment managers (for all three developments see Section b.), Brussels PRS ownership is only marginally corporatized. A recent study on the city's PRS ownership structure found that the vast majority of private rented housing is owned by small -and mid-sized individual landlords that hold between one and five units: of all private rented housing owned by individual landlords, 25 % is held by landlords with just one property, 50 % by landlords with one, two or three properties, and 75 % by landlords with one to five properties (Périlleux, 2023). This stands in stark contrast to the small share of corporate PRS ownership, which amounts to not more than 7 %. The majority of corporate owned rental housing is held by corporations with no more than ten units in their portfolios. Large corporate landlords are rare, as companies holding more than 20 or more than 50 units cover only between 1.2 and 3 % of the corporately owned stock. Thus, corporate ownership of rental housing is in itself a small phenomenon, and large-scale corporate ownership an even smaller phenomenon. The corporate ownership that does emerge is dispersed between smaller players. It must be noted, however, that Périlleux's study builds on data from 2015. In the past eight years the PRS will not have radically shifted towards corporate ownership (Périlleux, 2023), but, as this case study aims to illustrate, institutional investors and corporate landlords are gaining more ground in Brussels. For now, the largest share of private rental dwellings is found in the densely populated city centre and the 19th century urban ring, where small -and mid-sized individual landlords dominate (Périlleux, 2023). Corporate landlords are also concentrated in the city centre, but aside from there, they focus on more wealthy neighbourhoods and prestigious areas south-east of the centre. Owner-occupied housing, on the other hand, is concentrated in the municipalities surrounding the city centre and is inhabited predominantly by middle- and high-income residents (Dessouroux et al., 2016).

With regard to regulation, the Brussels PRS falls under a liberal regulatory framework that provides limited tenant protection (Decker, 2001; Van Criekingen, 2008). The 2018 BCR Housing Code does formulate a right to housing, regulates rental agreements, and defines social housing. Furthermore, it describes the competences of all regional housing institutions, the public housing companies, the social rental agencies and the community land trust, and details the available subsidies for housing purposes. Yet, this code does not provide any permanent or structural rent regulation. Rental agreements generally follow a short-term logic of three consecutive three-year contracts, and tenant-landlord conflicts can be addressed by an independent commission, but are more commonly settled through the judge of the peace.[14]

[13] A thorough analysis of the housing market structure of the BCR is complicated by a lack of recent, structured and diachronic data on tenure composition (Dessouroux et al. 2016). The available data on homeownership, private rental and social housing rates had to be gathered from a variety of sources of which some are more recent than others. The numbers mentioned should therefore be taken as an indication of the current tenure composition in Brussels, rather than an exact calculation.

[14] See section c for a more elaborate discussion of BCR tenancy law and PRS regulation.

House price development: price boom and high-cost burdens

The current housing affordability crisis follows from a longer period of consistently rising real estate and rental prices in all three Belgian regions (Flanders, Wallonia and the BCR). This development is particularly pronounced in the BCR where housing prices and average housing cost burdens are significantly higher than in Flanders and Wallonia, and average incomes considerably lower (Statbel, 2019). Since the late 1990s median house prices have been increasing in the BCR, and boomed in the past ten years as prices increased by more than 30 %. At the same time, the average income of Brussels residents has increased at a far lower pace (Dessouroux et al., 2016; Statbel, 2021b, 2021a). Similarly, private rental prices have increased by 20 % since 2004 on top of the so-called 'rent indexation' (De Keersmaecker, 2018)[15]. This increase has led to a high housing cost overburden for private rental tenants of which 70 % spend more than 30 % of their income on net rent, while half of all PRS tenants spend more than 40 % (De Keersmaecker, 2018). This excludes other housing costs such as water, energy and operating costs.

As a consequence of rising housing prices, both homeownership and the PRS have fallen out of reach for low- and middle-income households. For Brussels households with an average income only 13 % of the PRS is affordable, which is defined as net rent consisting of no more than 30 % of income (De Keersmaecker, 2018). At the same time, homeownership is increasingly less affordable for a larger group of households. In particular, low-income households and young aspiring homeowners are no longer able to afford the necessary repayments or down payments required under Belgian mortgage lending norms, leading to declining homeownership rates in Brussels and Belgium (Kahane et al., 2019; Warisse, 2022). It must be noted, however, that under influence of rising inflation and increasing interest rates house price increases are stagnating: the median price for apartments in Brussels has slightly decreased in the past year. Likewise, rental prices for newly signed agreements since 2018 have stopped increasing (Franklin et al., 2022). At the same time, the huge increase in energy prices since the Covid-19 pandemic and the Russian invasion of Ukraine has only put further pressure on social and private tenants already facing housing affordability issues (Meyer & Coene, 2022; Amerijckx et al., 2018).

Social housing: a diverse but insufficient stock

The inaccessibility of private rental and homeownership pushes low-income households towards a range of social housing alternatives. In the BCR, legally acknowledged social housing are: 1) units owned and let by public housing associations as well as directly by municipalities; 2) private rental housing managed and let by social rental agencies; 3) units built and sold below market price by the BCR housing development company Citydev.brussels and the Regional Housing Fund; and 4) housing realised by the Community Land Trust Brussels. However, the total share of this housing stock is marginal and by far insufficient to meet the current demand for affordable housing (Dessouroux et al., 2016).

The largest share of social housing consists of publicly owned rental housing that is funded by the BCR and built and managed by 16 housing associations on the municipal scale. Together with the 5,907 dwellings owned by municipalities and municipal social services, this public stock accounts for 46,349

[15] An annually allowed price increase in line with inflation.

units in total (Franklin et al., 2022). While this public stock has expanded in the past 20 years with 1,576 units, new production fails to keep up with the rising demand for affordable rental housing as is showcased by the growing waiting list currently counting 49,771 candidates (SLRB-BGHM, 2021).

In addition to these public provision forms, 23 social rental agencies (SRAs) manage 7412 units (Franklin et al., 2022). This form of market social housing was originally founded by local community associations as an alternative to failing public housing provision in the 1970s, but has since evolved to a sector run by publicly recognised and subsidised professional agencies (De Decker, 2009). SRAs are exempt from real estate taxes and receive public guarantees on rental payments under the condition that their units are let at a reduced price for at least 15 years. After this period, new agreements to continue social rental need to be negotiated with the private landlords who own most of the market social housing stock.

Other community-organised housing alternatives have sprouted in the past decade, of which the Community Land Trust Brussels (CLTB) has gained the strongest position in the BCR housing system. The CLTB represents a small share of self- and democratically-organised cooperative housing based on the CLT model developed in the US, by which land is held in common property and dwellings are sold under limited-equity conditions. Despite policy recognition and limited annual public financial support, the CLTB has realized only 77 apartments since its formation in 2012, 83 more units are currently in development. Building on the CLT model, the recently founded housing cooperative Fair Ground Brussels (FGB) similarly attempts to take housing off the market, i.e. to decommodify housing. With support from a range of associations (among which is CLTB) and citizens that can buy shares in the cooperative, FGB buys existing dwellings and community spaces to let through SRAs. FGB was founded in 2021 and currently owns five projects consisting in total of 18 apartments and two community spaces.

Finally, informal housing forms such as squats and temporary occupations fill the gaps between social and private housing, in particular for migrants and homeless people in need of emergency housing (Quittelier & Horvat, 2019). In 2020, 1,160 people were estimated to live in squats and temporary occupations, which is almost 22 % of the 5,313 homeless people counted at that time. However, this number is considered to be an underestimation of the total amount of people living in these informal housing forms (Horvat & Striano, 2020) and has likely only increased in recent years.

Housing affordability policy: strong focus on homeownership support

A range of policy instruments aiming to improve housing affordability is currently in place in the BCR. In line with the BCR's extensive policy support for homeownership, these instruments predominantly target aspiring or sitting homeowners (Dessouroux et al., 2016; Romainville, 2010). The BCR provides mortgage loans at reduced interest rates, exempts dwellings to a certain price from real estate registration costs (cf. "stamp duty"), offers homeowners allowances and renovation subsidies, and develops dwellings at a reduced value added tax rate for building cost which are then sold far below market prices. Most of the measures work with income eligibility criteria that target low- and middle-income households, although it is primarily the second group that profits from financial support (Romainville, 2010).

Citydev.brussels plays a particular role in the city's homeownership support schemes, as it develops subsidised housing for middle-income households in predominantly low-income neighbourhoods.

These developments take place through public-private partnerships and are publicly funded with the explicit aim to enhance the city's 'social mix' and attract and maintain the middle classes within the city's territory (Berns et al., 2022; Dessouroux et al., 2016; Romainville, 2010). In response to reduced affordability of homeownership for middle-income groups, the regional government has recently expanded the reach of tax exemptions to compensate for rising house prices (Verhaeghe, 2022). Regarding tenants' support, a rental allowance is in place for a selection of households that are eligible for social housing but whose candidature is still pending.

b. Impact of Institutional Investors on affordable Housing Supply

Rental housing in the Brussels Capital Region is increasingly in demand with both local and international institutional investors. Local financialised real estate developers continue to expand their investment in large-scale rental housing developments (see e.g. Atenor, 2022; Immobel, 2022), international investment funds are increasingly finding their way into the BCR rental market through local companies and index funds (Casier, 2023; FairFin, 2022), Belgian REITs investing in different strands of rental housing have continued to grow in the past years (Cofinimmo, 2022; Home Invest, 2022; Inclusio, 2022), and new investment funds financed with national and international capital have started buying up apartment buildings.

However, institutional investment appears to focus primarily on the "margins" of the Brussels rental market. Forced by the little availability of block properties which allow for convenient and large investments at once, institutional investors turn to other, more accessible market entry points. While block sales do occur on a very small scale, the lion's share of institutional investments enters the city through new apartment constructions on the one, and niche markets such as temporary co-living, student housing, senior housing and market social housing on the other hand.

The size and share of the housing stock owned or managed by institutional investors

The financialisation of rental housing in the BCR is driven by a variety of investors and developers of different types and sizes with different core activities, investment strategies, and portfolio foci. In the rental sector, these institutional investors play a role as landlords of rental housing, investors in SRAs, landlords of residential property in niche markets, and through real estate developers.

Institutional investors in rental housing

As mentioned in section a, the Brussels PRS predominantly consists of individual, non-corporate landlords. Institutional investors and landlords are present on the BCR market, but their share of the PRS remains relatively small. Home Invest Belgium stands out in this regard, as it is the only Belgian REIT almost entirely dedicated to rental housing. With more than 2400 units in Belgium and the Netherlands of which 1,465 units in the BCR, it is currently the largest corporate landlord active in the city (Périlleux, 2023).

The fact that there are few companies holding large rental housing portfolios in the BCR does not mean that rental housing is not on the radar of institutional investors. A slow but clear institutionalisation and internationalisation of rental housing ownership is beginning to unfold. Since 2020 four new private investment funds were established in Belgium that focus on the purchase and development of rental housing for the purpose of letting: Quares Residential Investment, Buysse and Partners Smart Living, ION Residential Platform and the Vicinity Affordable Housing Fund (Table 13). These funds finance their operations with a capital mix of primarily national institutional investors, public investors and wealthy families and individuals. The joint venture ION Residential Platform is more internationalised, as capital comes from the Belgian Real Estate developer/investor ION, but also from Dutch real estate investment fund Bouwinvest and the global asset management company CBRE GIP.

Moreover, large international institutional investors have recently turned to the BCR rental housing market. Most notably, the respectively German and Swedish investors and fund managers Patrizia SE and Catella have started to invest in the Brussels market through large en-bloc apartment acquisitions. As part of its pan-European Living Cities Residential Fund, Patrizia acquired two new-build apartment developments in 2021 and 2022, together consisting of 173 units. Since 2019, Catella has acquired four properties in different segments of the BCR rental market with a total of 196 units, of which 108 are senior living and 76 fully furnished apartments. However, it appears that the expansion of institutional investors' portfolios is seriously complicated by the low supply of apartment blocks available for sale (Vanacker, 2022). Developers do occasionally collaborate with institutional investors to cater to the specific needs of BTR investment formulas (Romainville, 2017), but often prefer individual sales to homebuyers or individual private investors due to the higher possible revenues. This forces institutional investors to diverge into other rental market segments.

Table 13: Overview of new rental housing investment funds

Company name	**Units**	**Pipeline (units)**	**Ambition (units)**	**Capital raised (EUR million)**	**Type of investment**
Quares Residential Investment	-	300	900	10	Rental, co-living
Buysse and Partners Smart Living	-	-	1000		Rental
ION Residential Platform	34		1000	280	Rental, SRA, co-living
Vicinity Affordable Housing Fund	143	66		45	Rental

Source: Data from news articles and company websites.

Private investment in market social housing

Following on the extensive public financial support for SRAs and SRA developments, this form of market social housing is increasingly becoming a target for institutional investors (Bauwelinckx et al., 2018). Subsidies on rental prices, low VAT on new constructions, renovation subsidies, and the exemption of property registration costs make the SRA model a lucrative investment with strong guarantees on rental income. A study conducted by the Brussels tenant rights' union found that seven private investors were active in SRA housing in 2018 (Bauwelinckx et al., 2018). With 521 units in the BCR and a market capitalisation of 137 million euro, the REIT Inclusio is by far the largest investor in this market segment. Although the firm is also active in Flanders and Wallonia, investments in the BCR represent 51.6 % of its portfolio value and rental income. Its business model is based on the purchase and renovation of apartment buildings, which are then let to “social partners” such as SRAs, municipalities, municipal social services, and public housing companies. Thus, we see that institutional investors do not engage in the direct financing of social housing providers (e.g. through bond markets), nor do they encroach on existing public housing stock (e.g. in the form of outright privatisation), but instead they have made convenient use of public support mechanisms and beneficial regulation to turn SRA housing into a lucrative social housing product.

Institutional investors in residential niche markets

Beyond the traditional housing sector and market social housing, several (sometimes publicly-listed) investment firms are primarily active in the niche markets of senior housing, student housing and co-living (Table 3).

While senior and student housing have been the target of institutional investment in Belgium for longer, co-living is a fairly new financial product in the BCR that has seen an explosive growth from almost zero rooms in 2015 to more than 280 properties with around 2800 rooms in total in 2022 (Casier, 2023). Currently, five co-living companies control almost 75 % of the co-living market, of which the Belgian Cohabs is currently the largest. The remaining share is managed by a collection of smaller firms with not more than five properties each (Casier, 2023).

On senior housing ownership in the BCR no comprehensive data is available; however, a recent JLL report and the annuals of the three largest Belgian REITs investing in senior housing, and especially care homes, provide a rough sketch of institutional interest in this housing type. In Belgium, around 1.65 billion € was invested in senior housing from 2015 to 2021 of which 17 % (around 280 million euro) in the BCR primarily by Belgian-based REITs and institutional investors (Glatt et al., 2021). The three largest REITs dedicated to senior housing investment are Aedifica (85 buildings in Belgium), Care Property Invest (31 properties in Belgium, five in BCR with 655 units), and Cofinimmo (89 buildings in Belgium). For Aedifica and Cofinimmo no exact data on BCR property could be found, apart from the facts that both REITs are active in the BCR where Aedifica owns at least eight properties.

Finally, there is also no comprehensive data available on institutional ownership of student housing. Nevertheless, large institutional investors are very present in the student housing market in the form of private as well as publicly listed companies. The REIT Xior Student Housing SA, for example, appears to be the largest student housing landlord in the BCR currently holding 4,033 rooms in Belgium, of which 1,373 are in the BCR. Another major investor is the private company Upgrade Estate with 3,173 rooms in Belgium, of which 664 in Brussels.

Table 14: Overview of niche market leaders and Home Invest Belgium.

Company name	Company type	Market cap (EUR million)	Portfolio value (EUR million)	Property in BCR	Brussels share of portfolio value (%)	Pipeline in BCR (units)	Type of investment
Home Invest Belgium	REIT	403	725	1465 units	67	314	Rental housing
Xior Student Housing	REIT	1,362	1,967	1373 units	9,62	316	Student housing
Cofinimmo	REIT	4,453	5,700	89 buildings, 10850 beds (Belgium)		-	Health care property
Inclusio	REIT	137	229	521 units	51,6	127	SRA
Cohabs	Private company	-	-	714 rooms		64	Co-living

Source: Annual reports and company websites. All data for the year 2021.

Institutional investment through real estate developers

While the financialisation of rental housing *property* remains a partial and segmented process, the financialisation of housing *production* is more advanced. Approximately two thirds of dwellings in the BCR are produced by private developers, of which 14 % can be considered financialised based on the degree to which their development projects are financed with financial capital (Romainville, 2017). However, together these financialised developers are responsible for almost half of the city's total housing production. In practice, these (sometimes publicly-listed) financialised developers function as a key entry point for institutional investment into the Brussels housing market.

The structure of the housing stock

Particularly neighbourhoods in the city centre and the 19th century urban ring show a strong inflow of institutional investment. This concentration of activity in more central locations is partly explained by the presence of several higher university campuses, and EU and other administrative functions in these areas. The EU Quarter, where the EU parliament and commission are located, and surrounding neighbourhoods attract large institutional investments due to the high demand for flexible rental housing from international professionals in these areas (Casier, 2023). Home Invest Belgium, for example, is active in the majority of BCR municipalities, but its investments concentrate in the city centre and around administrative districts such as the European Quarter and the NATO headquarters: 870 of the 1,465 of the company's units in the BCR are located in these areas, with a clear focus on new-build and renovated apartment buildings.

Financialised developers target the city centre and the Brussels administrative and business districts as well, as these areas provide opportunities for the conversion of offices into single- or mixed-use apartment developments. Similarly, co-living companies tend to concentrate their investments in the city centre or 19th century urban ring to respond to the housing demands of (temporary) international professionals, but also due to the wide availability of old single-family houses which, as a result of advantageous rental price/acquisition ratios and quick redevelopment possibilities, are the preferred housing type for these companies (Casier, 2023; Interview with Co-living researcher, 2023).

In the more peripheral neighbourhoods and on the border between periphery and 19th century urban ring, more senior housing and SRA housing investments are found. All five properties of Care Property Invest, for example, are far from the city centre and located towards the regional border with Flanders. In the case of Inclusio, investments do not only concentrate on the border between 19th century ring and periphery, but also largely overlap with the socio-spatial structure of the BCR, where the majority of low-income residents live in the municipalities west of the Brussels-Schelde Canal and in the north of the city centre (Kesteloot, 2013). In these municipalities with high demand for social housing, particularly Anderlecht and Schaerbeek, Inclusio invests primarily in new-build and renovated apartment buildings and conversed office buildings. Finally, peripheral locations in the southern and south-eastern municipalities with high house prices such as Uccle, Watermael-Boitsfort, Woluwe-Saint-Lambert and Woluwe-Saint-Pierre, attract investments from financialised developers that see this part of the city as a prime location for luxury apartment developments (Atenor, 2022; Immobel, 2022).

Characteristics of the companies

Several of the largest investors active in the Brussels rental housing market mentioned above are real estate funds regulated as Real Estate Investment Trusts (REITs). While the majority of REITs registered in Belgium (17 in total) invest primarily in commercial real estate, Home Invest, Inclusio, Xior, Aedifica, Care Property Invest and Cofinimmo each specialize in forms of rental housing and hold large portfolios in the BCR. They have a strongly diversified and internationalised shareholder structure, in many cases including local and international banks, pension and insurance funds, major global investment funds, sovereign wealth funds and family capital. Major global investment funds such as Blackrock, Vanguard, State Street, Dimensional, and Fidelity are among the shareholders of the discussed REITs, although their shares remain small (in no case more than 4 %) (Bureau van Dijk, 2023). Strikingly, Inclusio is heavily backed by public capital from the province of Liège (14.82 %) and the real estate branch of a Belgian sovereign wealth fund (5.37 %) (Bureau van Dijk, 2023).

Cohabs is not publicly listed and entirely owned by Alphastone, a Belgian private investment company focussing on short-term residential real estate and offices. This co-living market leader is heavily funded by public and private institutional investors such as AG Real Estate (a subsidiary of AG Insurance), that invested 17.5 million € in the company in 2021, and Ivanhoé Cambridge (a Canadian real estate firm fully owned by pension fund manager CDPQ), Belfius Insurance and the Belgian sovereign wealth fund, that together invested around 100 million euro.

In regard to financialised developers, a further internationalisation of their ownership structure is emerging since 2019, as more non-European insurance, pension and investment funds are buying up shares through index funds in these originally Belgian developers (FairFin, 2022). In the case of Immobel, the investment funds Blackrock, Vanguard and Dimensional together own 1.38 % of the company's shares. In the case of Atenor, Dimensional holds 0.65 % in shares, and the Chinese insurance fund Anbang Insurance currently owns a share of 0.16 % (Bureau van Dijk, 2023).

All in all, we see that Belgian-based REITs, co-living companies and financialised developers clearly function as entry points for local public and private investors, but just as well for major global investment managers that in many cases operate on behalf of and with capital from institutional investors (Aalbers et al., 2023). The increased investment "appetite" of massive global investors for Brussels rental housing is, albeit to small degrees and often through indirect investment strategies such as index funds, driving a clear internationalisation of company ownership.

The management strategies of institutional investors

Home Invest Belgium relies primarily on the acquisition, conversion and development of rental housing, describing themselves as an investor-developer that focuses on new-build two-bedroom apartments for less than 1000 € per month. Its strategy is to profit from future property value increases, while at the same time yield steady, long-term rental income. In 2021, the company emphasised build-to-rent (BTR) apartment developments as strategic focus, expanding its development activities with three projects consisting of 314 apartments in total. The total investment value of these projects is estimated to be 92 € million (Home Invest, 2022). Similarly, the newly founded investment funds mentioned before focus on large-scale "en bloc" BTR acquisitions and smaller renovated apartment buildings in the BCR and other Belgian cities.

Institutional investors in market social housing follow a particular investment strategy that is based on beneficial partnerships with SRAs, which serve to discharge investors from management and maintenance responsibilities and help to drastically reduce their operating costs. At the same time, state subsidies and guarantees on rental payments cover the risk of potential rent arrears and make up for lower rental prices.

The strategic function of niche markets, then, is twofold. Niche markets such as senior housing, co-living and student housing serve on the one hand to diversify the portfolios of institutional investors and developers. On the other hand, investors aim to increase the rentability of their properties with new products such as co-living and care homes, which allow them to charge higher rents for smaller rooms. In this case, investors regularly outsource the management of their co-living units to specialisfulfiled platforms.

Belgian co-living companies fulfil another particular function in the investment strategies of institutional investors by "unlocking" previously inaccessible segments of the Brussels rental housing market (Casier, 2023). These companies do what could be called the "work of agglomeration" (Interview with Co-living researcher, 2023): by acquiring large amounts of 19th century single-family houses, co-living companies compile property portfolios large enough to be attractive for investors when compared with the scale advantages of large-scale purpose-built new developments.

In sum, there is not one common denominator between the management and investment strategies of the diverse range of investors and companies studied here. Among investors in "regular" rental housing and market social housing, we see a clear preference for BTR developments, en-bloc acquisitions, apartment building renovations and office conversions. Specialised co-living companies, on the other hand, bundle large amounts of small properties, thereby partly alleviating fragmentation of the Brussels private rental market and creating new investment outlets for institutional investors searching to diversify their portfolios and maximise rental income.

New construction activities of financial investors

As mentioned before, (rental) housing production in the BCR is dominated by a selection of large and medium-sized financialised real estate developers that function as an intermediary for institutional investments. Either independently, or in collaboration with institutional investors and public authorities, these financialised developers are responsible for the vast majority of new housing developments in the city. Their projects vary from (luxury) studio and apartment buildings to student housing and co-living spaces, often as part of mixed-use redevelopments of large office buildings. Typically, such developers refrain from maintaining property to avoid investment risks (van Loon, 2016) and instead follow a short-term oriented build-to-sell or build-to-rent strategy in which units are, by preference, sold individually to generate higher revenues (Romainville, 2017). However, as we have seen in the cases of Patrizia and ION described in a previous section, en-bloc sales are becoming more common. In addition to these strictly private sector developments, many financialised developers engage in public-private partnerships with public authorities and housing actors to realize often mixed-tenure developments (e.g., private apartments, subsidised apartments and social housing).

Three of the largest financialised real estate developers that dedicate a significant share of their investment capacity to housing are Immobel, AG Real Estate SA, and Atenor Group SA. Their activities provide a glimpse of the size and share in housing construction of a few of the largest financialised developers in the BCR (Table 4).

Table 15: Overview of three of the largest financialised real estate developers.

Company name	Company type	Market cap (EUR million)	Portfolio value (total)	Residental share of portfolio value (%)	Belgian share portfolio value (%)	Pipeline in BCR (units)
Immobel	Publicly listed	725	5,500*	71	57	2284
Atenor	Publicly listed	399	1,300	17	28	900
AG Real Estate SA	Private	-	6,600	-	-	-

Source: Annual reports and company websites. All data for the year 2021.

**Gross development value*

c. Policies and Policymaking directed to institutional Investors

The BCR: a complex, multi-layered and fragmented policy system

Concrete policy and planning instruments in the BCR that affect institutional investors need to be understood in the context of a complex, multilayered and often fragmented policy system (Corijn & Vloeberghs, 2013) in which relevant housing, planning and fiscal competences are divided between municipal, regional and federal layers of government.

Firstly, there is a strong tension in the BCR between the regional government and the 19 municipalities when it comes to planning and housing policy (Corijn & Vloeberghs, 2009). While the 2014 sixth state reform has further centralised the housing, planning and fiscal system in the BCR, certain competences are still divided between the Region and the municipalities. With the regionalisation of tenancy law in 2018 and the introduction of new regional strategic urban plans and planning instruments in the past decade, the Region has expanded its autonomy in housing and urban planning. Yet, municipalities do maintain some leverage within the limits of regional policy frameworks. They can initiate Special Zoning Plans that complement and specify regional plans, and in many cases municipalities own plots of land and also properties through which they can exert some influence on municipal segments of the housing market. However, the political means to intervene differ per municipality (Conte, 2018), and especially more centrally located municipalities with closer connections to the regional government (Kesteloot, 2013) and with larger shares of land and property often take a more proactive stance in housing and planning matters, while others limit their actions to the execution of regionally-set housing or planning goals. As a result, concrete instruments that impact institutional investors emerge on municipal and regional level, but only in a selection of municipalities. With this policy fragmentation in mind, the following sections describe in more detail the housing, urban planning and fiscal policies that directly or indirectly impact institutional investors, and the new policy and planning instruments aimed at institutional investors.

Urban planning policy

On the regional level several instruments that impact institutional investors stand out. First, the Region occasionally sets social housing criteria for major strategic (re)development sites using the *Plan D'Aménagement Directeur* (PAD), a regional strategic and imperative planning instrument introduced in 2018 which grants the Region full planning control over a given part of regional territory. In some cases, the PADs demand a share of social housing per development site, either in amount of square meters or as percentage of the total amount of housing development. However, often social housing is not clearly defined and could therefore include public housing, market social housing, or even subsidised apartments for homebuyers.

Second, regional urban regulations impose building fees for residential developments larger than 1000 m^2 and office developments larger than 500 m^2. Exemptions from these fees are possible if a share of the development is dedicated to the development of subsidised apartments for low- and middle-income homebuyers. As will be clear from the case study later in this chapter, these building fees are used by the Region as leverage in negotiations with investor-developers on building plans.

Finally, in March 2023 the regional government announced the plan to introduce a "general pre-emptive right" by 2024. This general pre-emptive right would apply to the entire regional territory and would grant Citydev.brussels, the Regional Public Housing Company, and the Regional Organisation for Urban Development the first right to buy for properties larger than 500 sqm. The general pre-emptive right would replace the current version of this instrument which is based on a delimited perimeter.

Housing policy: tenancy law and tenant protection

As mentioned before in section 1, BCR housing policy is characterised by a liberal rental policy framework that offers weak tenant protection in terms of contractual security, price regulation and conflict resolution (Decker, 2001; Van Criekingen, 2008; Godart et al., 2023). This weak regulatory framework adds to favourable conditions for institutional investment and leaves tenants in a poor position to claim their rights. The standard of temporary contracts and the lack of strong rental price regulation stand out in this regard.

To start with, the standard of temporary contracts set by BCR tenancy law offers a weak basis for tenancy security and, at the same time, large flexibility for investors and landlords in handling their properties. In principal, rental agreements should be contracted for a period of nine years subdivided in three three-year periods at which a de-facto renewal of the contract takes places. In addition to this 3-6-9 year-system, landlords can opt for shorter-term agreements of three years or less. Crucially, the housing code does not formulate any specific situations in which temporary contracts are or are not allowed nor any limitations as to how many times a temporary agreement can be renewed. The common practice of temporary agreements has serious consequences for the position of tenants, as in the 3-6-9 year-system landlords can terminate agreements without motivation and can 'propose' new rents without legal limit to price increases after every three-year period. At the same time, temporary agreements have facilitated the development of new financial products such as co-living, which fall under regular tenancy law and thus depend on the legal possibility of such short-term tenancies.

Furthermore, poorly enforceable rental price regulation provides investors with the legal leeway to increase rents in between contracts or at the moment tenants change. Currently, the BCR Housing Code does not formulate any permanent or binding rental price regulations for private rental housing. A frame of reference for rental prices (based on current market prices), which is currently in an advanced stage of parliamentary debate, would allow tenants to contest their rents through the so-called "joint tenants commission". However, this commission will only provide a non-binding advice, which could only be enforced if the tenant turns to the judge of the peace. While this regulation would provide tenants with a new tool to demand lower rental prices, the question remains how many tenants would be willing and capable to start a court procedure.

Fiscal policy

The complex and multilayered government structure of the BCR is clearly manifested in the fragmented fiscal regime of land, real estate and rental income. Although major competences lay with the BCR, fiscal policies that directly impact the actions of institutional investors are divided between the federal, regional and municipal layers of governments (see Table 5).

On the regional level the annual land and real estate tax that applies to the entire regional territory, and the so-called “registration right tax” which in practice is a real estate transaction tax (cf. “stamp duty”) stand out. These two taxes are of major importance to the BCR as they represent the largest source of income for the city and are a key instrument with which the Region intervenes in the housing market. For example, to stimulate homeownership in the BCR, first-time homebuyers receive a significant reduction on the registration right tax as the first 200,000 € of a dwelling are not taxed, as long as the total price does not exceed 600,000 €. In response to rising real estate prices, this range has been widened in order to sustain access to homeownership as of April 2023. On the federal level, institutional investors, corporate landlords and developers fall under company tax, which, most importantly, taxes rental income and surplus value of real estate and land for all companies regardless of their size. Finally, municipalities can levy direct taxes that concern their policy competences, and have the possibility to implement surcharges or discounts on the regional land and real estate tax. A regional amendment to extend this competence and enable municipalities to levy surtaxes or discounts on this tax *per neighbourhood* is currently under discussion.

Altogether, it becomes clear that the BCR has key fiscal instruments available to take measures in response to institutional investors, but partly remains dependent on federal government for the implementation of comprehensive and consistent fiscal policy that would span the entire business model of institutional investors. As one BCR policy advisor explained, the governmental ‘lasagne’ of the BCR could only be pierced through when all levels of government are aligned (Interview with Regional policy-advisor/Campaigner, 2023).

Table 16: Land and real estate taxes on federal, regional and municipal level

	Tax rate	**Exceptions**
Federal		
Company tax	Max. 34%	
VAT for building costs	21%	12% for SRA
REITs		
Rental income and surplus value	Exempt	
Dividend tax	30%	15% for care property (minimum 80% of portfolio)
Regional		
Annual land and real estate tax	1.25%	Exempt for SRA
Registration rights tax	12.5%	
Municipal		
Surcharges and discounts	Varies per municipality	

New policy and planning instruments aimed at institutional investors

Municipal measures on co-living companies

In response to the rapid growth of co-living in centrally located areas, the municipalities of Brussels, Saint-Gilles and Ixelles have introduced new measures to limit the expansion of co-living companies and reduce their impact on certain neighbourhoods and the Brussels housing market. To date, these are some of the few measures in the BCR explicitly framed as effort to prevent housing from being used as a financial product. Each of the three municipalities has introduced a set of non-binding urban planning recommendations to force co-living companies to apply for building permits when converting properties into individual rooms, stop companies from converting 'traditional' single family dwellings, limit the size and regulate the floorplan of co-living properties, and to prevent high concentrations of co-living rooms in specific neighbourhoods. In addition to these regulations, the municipality of Brussels has implemented a 1,520 € tax per co-living room *per year*.

While it is too soon to assess the exact effects of these measures, some first reflections can be made. In the first place, the municipal planning recommendations are not binding and serve only as an advice to regional planning authorities which are in charge of approving building permits. This immediately points to the limited intervention capacity of municipalities in this matter, as the necessary planning and housing competences lay with the region. In other words, co-living policy so far lacks a coherent, region-wide response that clearly defines and regulates co-living with measures that seriously interfere with the model's profitability and that disincentivise co-living investments from institutional and small-scale individual or family investors. There is no adequate regulating framework in place for co-living, which is clear from how this housing form falls in between regulations on rental housing, student housing, and tourist accommodation. As a consequence, some of the recommendations put forward by the three municipalities could be easily circumvented by co-living companies by making simple changes in the way they manage their properties. While the City of Brussels' tax is expected to seriously impact the profitability of co-living properties and has already triggered Cohabs to take a stance against the measure (Interview with Co-living researcher, 2023), the reach of this tax is limited as only a small share of all co-living rooms are located on City of Brussels territory.

Furthermore, Saint-Gilles, the City of Brussels and Ixelles do not problematise the presence of co-living as financial product per se, but rather the negative "side-effects" that the model's rapid expansion has on certain neighbourhoods and the Brussels housing market. Speculation, extraction of single-family housing from the market, densification, loss of cultural heritage due to conversions, and poor integration of co-living in existing neighbourhood structures are mentioned as main consequences. Nevertheless, Saint-Gilles, Brussels, and Ixelles policymakers pose the question of how a right balance can be found to give this housing form a chance to develop itself in the urban environment, indicating that measures have been taken primarily to steer co-living investment in "the right direction".

Regional measures on market social housing

In light of the gradual professionalisation of SRA housing and increased activity of private developers and investors in the sector, the current regional government announced a range of measures to centralise the coordination and monitoring of SRAs and to tighten regional control over SRA developments. To this end, the 2020 Emergency Plan for Housing responds to management issues in larger SRA complexes, little governmental control on the geographical distribution of SRA housing, a lack of diversity in the type of dwellings, inadequate responses of SRA to housing needs of specific target groups, and the heavy burden on regional budgets caused by the quick expansion of the SRA model. In part, the measures are also framed as an effort to avoid SRAs from being used as an investment product. Currently, the region is working on a sector-wide program, one centralised waiting list for all 23 SRAs, and standardized agreements between agencies and developers. A maximum amount of 2500 new SRA units during the current legislation has already been introduced to limit SRA growth and thereby also the budgetary impact of the sector.

Other key measures that will have an impact on the business strategies of SRA investors and developers are the plans to extend the social rental period of SRA units to more than the commonly negotiated 9 years or the legally obliged 15 years for new-builds, and the purchase option for public housing associations or sitting tenants after this rental period has ended. As both measures are still in development the exact criteria are not clear yet. The intended evaluation committee with the purpose of assessing new SRA developments on their social value has so far failed in negotiations with SRAs, as the agencies have refused a ‘peer-review’ model proposed by the region. The BCR state secretary of housing has expressed the intention to develop more partnerships with associations and cooperatives as an alternative to privately developed SRA housing, however it is unclear on which terms these partnerships would be given shape. Most importantly, the fiscal advantages offered to SRA investors and developers in the form of a real estate tax exemption and a reduced VAT rate for new-build developments (from 21 to 12 %, under the condition of at least 15 years social rental) are not changed.

Interest representations of institutional investors

While (international) institutional investors are present in the BCR housing policy arena, so far interest representation of the Brussels real estate sector is a matter pushed particularly by Belgian developers that are most present in major lobby organisations. The efforts of institutional investors to influence policymaking appear to take place primarily through such lobby organisations, although several rental housing investors have made efforts at promoting and positioning themselves in Belgian business-oriented media.

In terms of institutionalised interest representation, the Union Professionelle du Secteur Immobilier/Beroepsvereniging van de vastgoedsector (UPSI-BSV) takes on a major role in BCR housing and planning policymaking. This sector association, representing the interests of developers, investors and companies involved in the subdivision of land, is the largest real estate lobby organisation in Belgium with 175-member companies, and is active in Wallonia, Flanders, the BCR and at the federal level. UPSI-BSV is a permanent member of the regional advisory board on housing and a frequent participant in ministerial (regional or federal) meetings and public commissions or working groups, and has close and direct contact with regional ministers and their cabinets. It initiates legal procedures and public appeals on behalf of its members and frequently organises discussion and networking events with highly-placed administrators which are exclusively accessible to its members. With the exception of the Belgian KBC bank, UPSI-BSV’s board of directors consists exclusively of Belgian developers. Board members are a variety of mostly Belgian developers and investors, of which Home Invest Belgium, AG Real Estate, Eaglestone, ION, Besix, BPI, Cofinimmo, and Intervest are a few of the most prominent members. As of February 2023, Patrizia has taken a seat in the board, making it the only non-Belgian transnationally active board member of the UPSI-BSV.

The Syndicat National des Propriétaires et Copropiétaires (SNPC), the national association for landlords, fulfils a similar role as the UPSI-BSV, representing owner-occupants, small individual landlords, and real estate investors. Smaller lobby organisations that are, to a lesser extent, formally integrated in the housing and planning policymaking process, are the BE-REIT Association, representing Belgian REITs, Embuild.Brussels, representing the Belgian construction sector, and the Brussels Enterprises Commerce & Industry, a partnership between the chamber of commerce and the Brussels employers association, which recently launched the "Real estate community": a platform with the purpose of bringing together real estate investors, developers and public administrators.

In addition, the two Belgian real estate conferences Realty and Brussels Real Estate annually connect Brussels/Belgian developers and investors with local and regional policymakers. Realty is an initiative managed by prominent real estate professionals and CEOs of major developers and investors, together with the CEO of the Brussels regional development company Citydev.brussels.fu. The Realty steering committee consists of mainly Belgian companies, with the exception of Patrizia. Brussels Real Estate is managed by the Spryg Real Estate Academy, a networking and event platform for the Dutch and Belgian real estate sector, in partnership with annually alternating real estate companies.

Strategies and interventions of institutional investors to influence public discourses

A major point of debate in which lobby organisations and real estate companies are taking a stance at this moment is the revision of the Brussels regional urban planning regulation under the name "Good Living". This regulatory framework sets rules and norms to new buildings, housing, and public space. UPSI-BSV takes a clear stance on Good Living and pleads for stronger liberalisation of planning rules to "simplify planning regulation and shorten permit application procedures" (UPSI-BSV, 2023, p. 3). The case of Good Living exemplifies UPSI-BSV's position in the heart of the regional policymaking process, as it was invited to the expert committee advising on the first version of Good Living. In addition, UPSI-BSV regularly organises moments for administrators, policymakers, investors and developers to meet in a private setting, such as a recent debate on housing challenges with the BCR prime minister, minister of climate transition and energy, and the state secretaries of housing and urban planning. Similarly, Beci/Real Estate Community has organised a debate on Good Living with the state secretary of urban planning.

While co-living companies do not seem to be active members of the more traditional lobby organisations mentioned above (for as far as can be observed from publicly available data), both a co-living researcher and a Brussels city policymaker have noted the persistent and vigorous lobbying efforts at municipal and regional level of such companies, particularly by Cohabs. In light of recent municipal attempts at regulating co-living, these lobbying efforts have focused especially on avoiding disadvantageous regulation in the upcoming Good Living plan (Interview with City of Brussels Policymaker, 2023; Interview with Co-living researcher, 2023).

Two attempts of the current BCR state secretary of housing to regulate rental prices engendered similar resistance as is observed against the Good Living plan. UPSI-BSV strongly resisted the state secretary's plan for binding reference rental prices in 2021 and her initiative to cap rental price indexation in response to high energy costs in fall 2022. While the state secretary initially proposed a general cap, the final measure only included dwellings with low energy performance – a decision that

UPSI-BSV proudly claims to be the result of its lobbying efforts together with SNPC and the regional coalition partner, the social-liberal political party Défi (UPSI-BSV, 2023).

Forms of direct collaboration

Forms of direct collaboration between institutional investors and public authorities emerge especially in the planning and development process of (rental) housing. In developments that involve public land or property and for a selection of sites that are of major strategic importance to the BCR, the regional government engages in collaborations with investor-developers and negotiates over how a site is developed, including the housing programme. Such collaborations need to be understood in the context of a very recent rebalancing of power between regional and municipal governments, whereby the Region asserted a stronger position in the planning process which enabled it to take a more leading role in public-private developments on regional territory (Conte, 2018). This shift in governance of urban development projects and its consequences for the collaboration between institutional investors and public administrations is best understood by means of a short case study on the redevelopment of the massive former railway site Tour & Taxi (T&T).

Concretely, the T&T project is a large-scale redevelopment of the former freight station on the territory of the City of Brussels, close to the centrally located Brussels-Schelde Canal. The project, today entirely owned by the investor-developer Nextensa (which in turn is wholly owned by Ackermans & van Haaren, a diversified Belgian holding company), entails the redevelopment of several large former railway facilities into commercial spaces, the creation of a park, and the development of 19 apartment buildings counting 800 units in a first, and another 800 units in a second development round. Currently, the first round of housing development is more or less halfway through, the second is expected to start in 2025.

The Region, the municipality of Brussels and Nextensa committed to collaboratively develop the site, but from the start the project was complicated by civil society contestation, fragmented urban governance and ownership structures, and conflicting planning competences between the Region and the Brussels municipality (Conte, 2018). Major points of discussion between the Region, the municipality and Nextensa were the share of public facilities and social housing that had to be included in the project, and the accessibility of the site from surrounding neighbourhoods. The conflicting planning competences and the fragmented urban governance of the site were overcome by the proactive role taken on by the Region in the final stages of the planning process when the Region stepped in and engaged in direct negotiations with Nextensa. This made the Region the main public negotiating partner for Nextensa, which gave the Region the position to finalise negotiations on the housing programme. Finally, these negotiations led to a deal between the Region and Nextensa on the housing production of around 400 subsidised apartments for low and middle-income buyers. In exchange, Nextensa received a discount on the mandatory public building fees for large-scale housing developments.

The development for T&T entailed somewhat of a paradigm shift in Brussels' urban planning: whereas the BCR planning system before T&T was characterised by a fragmentation of governance and planning competences between the municipality and the Region, the project – in combination with the regionalisation of more planning competences – allowed the Region to centralise planning authority. Importantly, this led to the introduction of the *Plan D'Amenagement Directeur* in 2018 (Conte, 2021) which provides a basis of control over regional territory on which collaborations with investor-developers can be started and private housing production can be regulated. Currently, PADs are used in twelve of the most strategic sites in the BCR, on ten of which housing development is planned. For the majority of the sites, the PADs are still being drafted and concrete public-private partnerships, in many cases, still need to take shape. The recently signed agreement for the Josaphat site, one of the more publicly contested PADs, clearly illustrates the type of collaboration that emerges between private investors and public actors. On the major redevelopment site, the AXA/Eiffage consortium of investor-developers will develop 246 private apartments, 135 social housing units, and 128 subsidised apartments for low and middle-income buyers in collaboration with Citydev.brussels, the Regional Housing Fund, and the Regional Public Housing Company.

d. Summary

As in each of the cities discussed in the report, the BCR is currently in the midst of a severe housing affordability crisis that is affecting a growing share of the city's population. Driven by demographic growth, the growing presence of high-income (mostly international) residents, increased mortgage lending capacity, and an influx of investment capital, property and rental prices have been rising for the past twenty years to the point that private rental housing and homeownership have fallen out of reach for poor, but increasingly also middle-class, households. Social and public housing provision is insufficient to meet the growing demand for affordable alternatives and new social housing production is desperately lagging behind. Against this backdrop, the Brussels private rental market is growing while at the same time undergoing a slow but apparent institutionalisation and internationalisation of ownership.

The share of institutional ownership remains small, yet institutional investors backed up with local and/or international capital are steadily expanding their portfolios, aiming to profit from a growing demand for rental housing, lucrative acquisition/rental price ratios and weak regulatory frameworks. Due to the fragmented nature of the Brussels rental sector and a high degree of homeownership, investors are forced to enter the rental market through niche-markets such as market social housing, student housing, senior housing, and co-living, and through collaborations with and investments in financialised developers. These two particular entry points for financial capital into BCR rental housing (financialised developers and niche-markets) have resulted in a strong concentration of investment, especially in the city center and the 19th century ring, where business districts and major education and administrative facilities are located and demand for flexible and well-located rental housing is the highest. While most major investors and investor-developers focus on built-to-rent developments, renovated apartment buildings and office reconversions, new financial products such as co-living have opened up previously inaccessible single-family housing to institutional investment. At the same time, en-bloc apartment acquisitions are becoming more common despite the low availability of such properties.

So far policy responses have been piecemeal and incoherent, targeting only specific niche-markets or parts of the BCR territory. Aside from recent attempts to regulate and monitor market social housing, there are no coherent *regional* housing policies or planning instruments that are explicitly aimed at and designed in response to the strategies and business models of institutional investors, despite the urgent need to close regulatory gaps which have enabled the rise of new financial products. In the policymaking process, institutional investors mainly attempt to exert influence on upcoming regulations or policy plans through institutionalised forms of interest representation, but at times also through more informal forms of direct lobbying with particular administrators. Recent lobbying efforts (of institutionalised lobby associations and individual companies) have focused on existing planning regulations currently under revision, and on recent regional attempts at regulating rental prices. Forms of direct collaboration between institutional investors and public authorities emerge mainly in the planning and production phase of (rental) housing in projects that involve public land and property. With the help of new planning instruments, the Region has asserted a stronger position in negotiations on such partnerships, which it mobilizes to acquire planning gains and influence the housing programme of new developments.

In Brussels, a major contradiction in public policymaking emerges as a result of the multi-level nature of the city's governance system. The ongoing debate on co-living regulation is a case in point, as we see a clear contradiction between on one hand municipalities that experience massive co-living growth on their territories but lack the competences to respond, and on the other the Region that has the instruments available to set a comprehensive and Brussels-wide regulatory framework but is not convinced of the urgency nor necessity to regulate co-living. Municipal and regional policymaking is not aligned in this regard. At the same time, co-living companies are aware of the contradictory stances between regional and municipal policymakers and use this to their strategic advantage. By lobbying on the regional level against stricter urban planning codes, these companies aim to halt the centralisation of regulating efforts from more pro-active municipalities. In extension, institutional investors backing co-living companies ultimately exploit the regulatory gaps and contridactory policy goals between levels of government that result from the fragmented Brussels government system. The effect of policy contradictions on institutional investors is, in this case, very clear. Poor alignment between municipalities that face the consequences of massive co-living investments on the one, and the Region that holds the power to regulate this housing form on the other hand, sustains the unfettered opportunity for institutional investors to channel capital into this niche market.

6. London: Housing Financialisation in a Neoliberal Global City

If the UK is currently in the grip of a national housing crisis, then London is its epicentre, suffering from what homeless charity, Shelter, calls a “spiralling housing emergency” (Sagoe et al., 2020, p. 4). Lengthening social rental waiting lists, chronic overcrowding, widespread homelessness, routine evictions and displacement, and increasing rent and mortgage arrears disproportionately affect the city’s multi-ethnic working-class population but the crisis increasingly extends to London’s middle-class (Watt, 2018, 2020, 2021; GLA, 2022). The intensity of London’s housing crisis is strongly rooted in four decades of neoliberalisation that have shrunk the city’s previously large-scale social housing sector and deregulated the private rental sector (PRS). But the rapidly inflating housing market is also linked to London’s global city status as a key destination for flows of international capital into its real estate markets (Hamnett & Reades, 2019) and its population growth of 7.7 % between 2011 and 2021, fuelled by migrations of people attracted by the UK's spatial locus of financial, cultural, and knowledge-based employment and university opportunities (GLA, 2022). While these trajectories make London a highly attractive location for institutional investors in housing provision, their presence and growth are shaped and constrained by the path dependency of London’s housing system.

This report is structured as follows. Section a sets out the London housing market context and in particular the scale and nature of the affordable housing crisis. Section b turns to the role and presence of institutional investors, summarising their key entry points, trajectories and impacts on affordable housing. Section c examines the policy environment in relation to institutional investors, and the political dynamics of the policy-making process. We conclude that, while institutional investors are expanding into the London housing market and have a large share of new rental developments, they remain primarily providers of unaffordable housing.

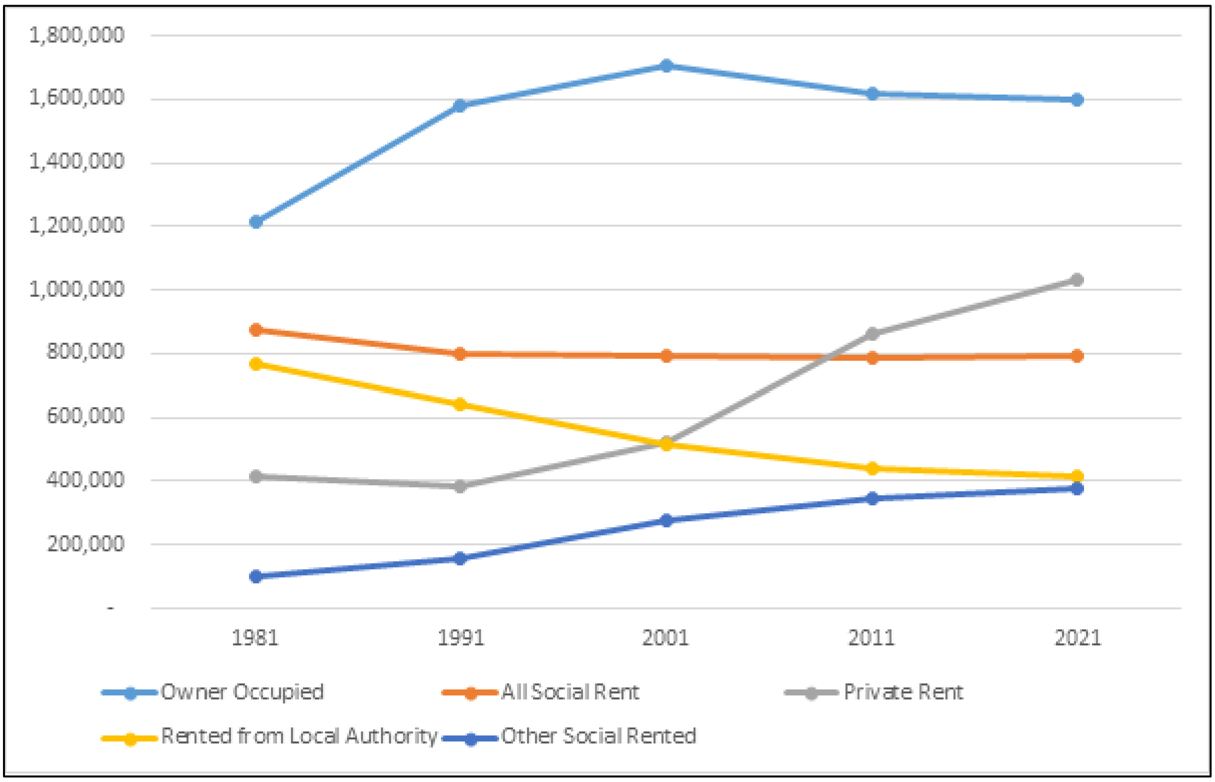
a. London’s Housing Market Context: a Crisis of Supply, Security and Affordability

In this chapter we review the housing market structure, level and development of housing costs, the supply of affordable housing, the size and characteristics of the affordable housing stock, and a description of major policy and spatial planning instruments directed towards affordable housing.

Structure of the London housing market

London’s housing market is, in many respects, the national outlier. Across England, 63 % of households are owner-occupiers, and home ownership is the majority tenure in every city *except* London, where 53 % of households are renters, living in either private or social housing (ONS, 2023). While the overall tenure balance between renters and owners has not changed since the early 1980s, the rental system has been radically restructured over this period. Following the post-war expansion of public housing, in 1981, more than one in three London households (872,426 or 35 %) rented from a social landlord, the vast majority (770,000) in public sector local authority homes (aka council housing) and the rest from a voluntary sector provider ('Other Social Rented'). The PRS, in contrast, had declined from 90 % of households at the start of the 20th century to just 17 % by 1981 at the hands of a post-war policy consensus around regulating private rents and tenancies whilst promoting mass home ownership and mass public rented housing (Rhodes, 2015). Fast forward four decades, just 23 % of households now live in social housing while 30% are private renters (ONS, 2023). We will discuss the reasons for this turnaround in section c.

Figure 12: Tenure type, all households, London 1981-2021



Source: Census of Population (ONS, 2023).

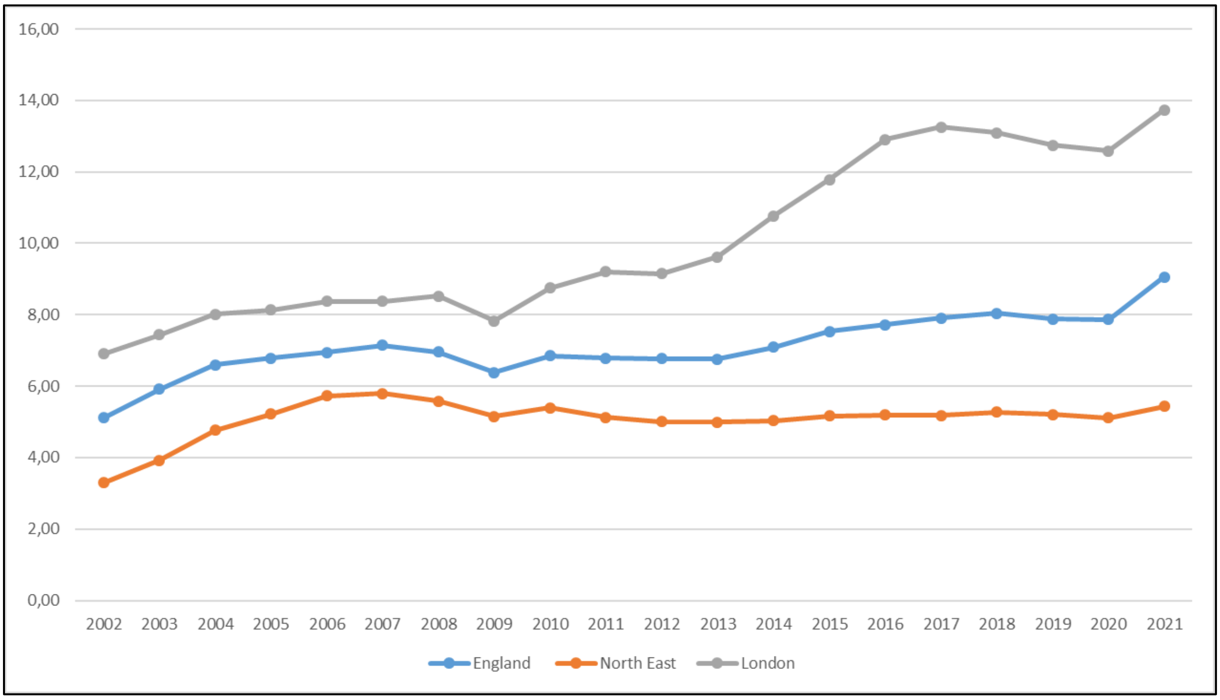
The decline of the social rental sector reflects three main factors: the significant scaling back of new council house building due to national government funding cuts; the sale of council housing via the "Right to Buy" (RTB) policy introduced in the Housing Act 1980 – the centerpiece Thatcherite neoliberal housing policy – that has privatized around 315,000 council homes in London to date, around 40 % of the city's peak stock in the 1980s (DLUHC, 2023a); and the demolition of over 33,000 social rental properties between 1997 and 2022 (DLUHC, 2023b). As Figure 12 above suggests, the RTB initially contributed towards the expansion of owner-occupation in London from 1981 to 2001, but by 2017, some 40 % of these ex-council homes across England had been resold to private landlords, a figure that was higher in at least ten London boroughs with the highest number of sublets in Newham at 46.7 % (Barker, 2017). Moreover, social housing is no longer synonymous with council housing, with the majority of social homes now rented from a Private Registered Provider (PRP) and small number in housing co-operatives and community land trusts.

Level and development of housing costs

In the UK, the Affordable Housing Commission recently argued that housing costs become unaffordable when rents or purchase costs exceed a third (33.3%) of household income for those in work – which translates into a house price to median gross annual residence-based earnings ratio of around 3.5 (AHC, 2020). In 2018/19, the typical London household spent 25.7 % of their income on housing costs, with mortgaged homeowners paying the least at 17.6 %, private renters paying the most at 34.7 %, and social renters paying 27.9 % (GLA, 2021). However, this average housing cost burden had dramatically worsened for both private and social renters by the end of 2020 with the former paying 42.5 % of their income on housing costs, and the latter paying 39 % (GLA, 2021). These rising costs have especially affected Londoners from a Black or Asian background and those with low-incomes (GLA, 2022), with London households in poverty spending, on average, 56 % of their income on housing (LAHC, 2020).

Private market housing – for both rent and sale – is especially marked by a deep and worsening affordability crisis in London as illustrated in Figure 2. The London median house price (including flats) was £515,000 in September 2021, compared to £285,000 in England and £150,000 in the North East (the cheapest region in England) (ONS, 2022a). In affordability terms, in 2021, the average house in London cost 13.9 times the average income, compared to 9.6 in England and 5.4 in the North East (ONS, 2022a). While London has always been a more expensive private housing market, this level of unaffordability has exploded over the past two decades: in 2002, the house price/earnings ratio for these three areas was 6.9, 5.1 and 3.3 respectively.

Figure 13: Ratio of median house price to median gross annual residence-based earnings, England, London and the North East, 2002 to 2021



Source: ONS (2022a).

Private rents have also markedly increased in London but their growth rate has recently accelerated. While the mean weekly market rent went up by 23.7 % from 2011/12 to 2020/21 (DLUHC, 2022a), it increased by 15.8 % between July 2021 and June 2022 (Capital Letters, 2022). As of September 2022, the median monthly rent was £1,475 in London, nearly double the £800 England average (ONS, 2022b). Only London households in the higher income quartile would be able to rent a property without spending more than 30 % of their income on rent in 2020, meaning there were no areas in London where private rent was affordable for low-medium income groups (ONS, 2021). The PRS is also notoriously insecure by Northern European standards, not least due to the existence of Section 21 'no fault' evictions, which we discuss in section c (Watt, 2020, 2021).

The picture is even starker when looking at housing costs across three distinct geographical areas: prime, inner and outer (Hamnett and Reades, 2019). ‘Prime’ London consists of the two most expensive central boroughs of Kensington and Chelsea, and Westminster, plus the City of London. Then come the somewhat less expensive remaining inner London boroughs, many of which have experienced extensive and intensive gentrification during the last three decades (Almeida, 2021). Finally, the generally more affordable housing is in the outer London boroughs, although some are much closer to inner and prime London housing costs, notably the affluent west London borough of Richmond-upon-Thames (Watt, 2023). In the two prime London boroughs, Kensington and Chelsea, and Westminster, where median house prices were £1,247,000 and £855,000 respectively in September 2021, the 2021 house price/earnings ratio was a staggering 24.8 and 20.4 respectively, while the heavily gentrified inner London borough of Camden was third most expensive with a 19.1 ratio. Even the most affordable borough – outer London Barking and Dagenham – had a house price/earnings ratio of 10.2, greater than the England average. As with house prices, the prime London borough of Kensington and Chelsea was the most expensive to rent privately at £2,300 per month on average with inner London rents (including prime) averaging £1,700 per month compared to £1,350 for outer London (ONS, 2022b).

Housing costs are considerably less expensive in the social rental sector due its historic role as state-provided affordable housing. Traditionally, social housing has been set at around 50 % of private market rent levels and is geared towards households in greatest housing need who are usually on low incomes. Social rents are unsurprisingly higher in London compared to England as a whole, although this gap is much smaller than for private market rents. The average general needs monthly social rent for local authorities (net rent) in 2021/22 was £473.94 in London compared to £387.96 for England, while the equivalent PRP figures (gross rent) were £584.09 for London and £444.08 for England (Regulator of Social Housing, 2022a, 2022b). Furthermore, the stark spatial differentiation of costs and affordability across London’s prime, inner and outer areas seen in the private market does not apply for social rents. Since 2001, social rents have been regulated to not rise above the 'formula rent' cap based on the value and size of the property, and on local incomes. This formula setting mechanism only apples to traditional 'social renting'. The mean weekly social rent for new general needs lettings in London increased by 15.9 % from 2011/12 to 2020/21, considerably below the private market level increase of 23.7 % over the same period (DLUHC, 2022a). If anything, social housing still enables low-income households to live in central areas due to its spatial concentration in inner rather than outer London, reflecting the city’s political geography that has seen inner boroughs historically dominated by the council housing-friendly Labour Party and outer boroughs controlled by the council housing-averse Conservative Party (Watt, 2021).

Situation of the supply of affordable housing

London’s affordable housing crisis is in part a function of too much demand chasing too little supply. Research suggests that to clear the historic backlog of under-building and meet growing demand, London needs to build more than 100,000 new homes a year between 2021 and 2025, yet it is currently averaging only 43,000 a year (London Housing Directors’ Group & G15, 2021). However, the widening housing market affordability gap between London and the rest of the country is also being driven by the financialisation logics discussed in the introduction. Governments since 1979 have deliberately recommodified housing, privatising the delivery of new housing, deregulating the mortgage market, encouraging speculation and the treatment of housing and land as a pure financial asset. This restructuring of London's housing as a valuable store of wealth and a generator of capital gains and rental yield has attracted global capital flows, via overseas buyers, into prime London and to a lesser extent inner London property markets (Hamnett & Reades, 2019; Hamptons, 2022). The growth of overseas' property sales can be attributed to the rise of the global super-rich in the city (Atkinson, 2020; Watt, 2023). Another reason for increasingly high house prices and rents in London is the growth of the domestic Buy-to-Let landlord market since the late 1990s (Watt & Minton, 2016).

There are four important points to note in relation to affordable housing provision in England. First is that despite its ubiquitous usage, there is "no all-encompassing statutory definition of affordable housing in England" (Wilson & Barton, 2022, p. 7). Second, affordable housing covers a wide range of 'products', which have expanded in number and complexity since 2010 due to government reforms. Hence, affordable housing can be regarded as an amorphous umbrella term that covers 'traditional' social rented housing, plus a now quite baffling array of rental and for-sale properties whose cost is set somewhere in-between market housing costs and social rents (Hill, 2018). Third, the government's definition of affordable housing is that its price is set "below the market level" and "there is no attempt to specify a maximum percentage of income/earnings that a household should spend on housing costs" (Wilson and Barton, 2022, p. 15). Fourth is that much of so-called "affordable housing" is not really affordable for those on low-middle incomes (AHC, 2020), and this is especially the case in London (Sagoe et al., 2020; Corcillo and Watt, 2022).

One metric of affordable housing need is the waiting list for local authority housing which in London peaked at over 380,301 households in 2012, but which still stood at 301,753 households in 2022 (DLUHC, 2023). Another metric is overcrowding, which affected 11.1 % of London households (nearly 380,000 households) in 2021, nearly three times greater than England at 4.4 % (ONS, 2023). Overcrowding impacts heavily on Black and Asian Minority Ethnic households in London (Elahi & Khan, 2016; GLA, 2022). A third metric of housing need is homelessness, which has been well above the national average in London for several decades (Watt and Minton, 2016; Watt, 2018; DLUHC, 2022b).

Both social and private tenants can also receive cash payments from the state to help them meet their housing costs, and this affordability support takes the form of either Universal Credit or Housing Benefit. In 2020, 40% or more of households in four London boroughs - Newham, Haringey, Barnet and Hackney - were recorded as reliant on welfare support to meet part of their housing costs (The Guardian, 2020). In the case of private renters, the maximum amount of support is capped at the 30th decile of local market rents – which hugely restricts the availability of rental accommodation for low-income households. This was compounded in April 2020 when the government froze such support for two years, with the result that 124,415 London households who rely completely on welfare support to pay for their housing were at risk of homelessness, as their benefits no longer covered all of their rent (Capital Letters, 2022).

Size and characteristics of the affordable housing stock

As we highlighted earlier, the traditional form of affordable housing in the UK has been social rented housing provided by local authorities. Privatisation policies outlined above have seen the traditional social rental sector contract both relatively (from 35 % to 23 %) and absolutely (a net loss of over 155,000 homes) between 1981 and 2022. While the numerical size of the social rental sector appears to have stayed fairly constant since 1991 at around 800,000 households (Figure 1), the official category of social rent now includes a range of more expensive and less secure 'affordable housing' products introduced since 2010 that we discuss below, meaning the true figure of London's social rental stock could be as low as 717,000 (London Tenants Federation, 2022).

London's social rental sector has also been internally reconfigured due to the simultaneous shrinkage of local authority housing and the expansion of a new kind of social landlord – Private Registered Providers (also known as housing associations). Historically set up as voluntary sector companies with charitable aims, from the late 1980s, housing associations were given preferential access to government subsidies to build new homes and also benefited from the Conservative and Labour governments' stock transfer programmes, which transferred nearly 87,000 homes from local authority to housing association ownership between 1992 and 2010 (Watt, 2009, 2021; DCLG, 2011). London's social housing stock is now owned by 376 landlords, comprised of 29 Local Authority Registered Providers (LARPs) (three other London councils have transferred all their stock) with just under 390,000 units (including 1200 in shared ownership), and 347 PRPs who own around 475,000 units (including 54,500 in shared ownership) (RSH, 2022a). Not-for-profit PRPs account for 99.7 % of PRP stock. However, since 2008, for-profit PRPs (FPPRPs) have been allowed to enter the social housing sector – a key entry point for institutional capital – and although they currently own relatively little stock in London, are now starting to rapidly expand (see section b).

Description of major policy and spatial planning instruments aimed at affordable housing delivery

Local government in London comprises the metropolitan-wide Greater London Authority [GLA] set up in 2000, and 32 London boroughs each with their own council (aka local authority) plus the City of London Corporation. The GLA is responsible for the strategic administration of the Greater London area including planning and housing. It has an elected executive Mayor held by Sadiq Khan (Labour Party) since May 2016. The 25-member elected London Assembly monitors the Mayor's work, and the London Assembly Housing Committee (LAHC) scrutinises the Mayor's housing responsibilities (LAHC, 2022). The GLA is responsible for co-ordinating land use planning in Greater London via the strategic London Plan, set within the parameters of the National Planning Policy Framework, while the Mayor's main housing role is the "distribution of funding to build new affordable homes" (LAHC, 2020, p. 2). The borough councils have to legally comply with the Mayor's London Plan, for example in relation to affordable housing provision, although they have some discretion on how they meet targets and pursue estate regeneration including demolition (Hodkinson, 2019; Watt, 2021).

The Mayor's main policy instrument for addressing housing need in London is the distribution of capital grant funding to councils and PRPs to build affordable homes, and the main source for this funding is central government's Affordable Homes Programme (AHP). Mayor Khan has acknowledged that much affordable housing is not "genuinely affordable", and has since introduced a number of 'preferred' affordable housing products in London that must be provided as a condition of planning permission or for receiving grant funding, discussed below (Mayor of London, 2016). These affordable products can be grouped into three types:

1. Low Cost Rent is normally owned and managed by local authorities and PRPs. In addition to 'traditional' social rent, it can include Affordable Rent, introduced by the Coalition Government in 2011, which is classed as social rent but can charge up to 80 % of local market rents; and London Affordable Rent (LAR), introduced by the Mayor in 2016, where rents are "substantially below" the 80% level (Mayor of London, 2016).

2. Intermediate Rent includes London Living Rent [LLR], introduced by the Mayor in 2016, set at or below a third of local household incomes, while tenancies are time-limited on the expectation that tenants will purchase the property on a shared ownership basis within 10 years.

3. Intermediate ownership includes various affordable home ownership products where the price is below market value and is dominated by shared ownership where residents buy a share of the property (between 25 % to 75 %) and pay a below-market rent (typically to a housing association) on the remaining unbought share. 52,496 London households (1.5 %) live in shared ownership properties.

The GLA estimates that London needs 66,000 new homes a year, of which 43,000 need to be affordable, and the majority of these (31,000) should be "at social rent levels" (LAHC, 2022: 37). The Mayor was granted £4.82 billion funding under the AHP 2016-23 (LAHC, 2022). This allowed him to commit to starting 116,000 affordable homes by April 2023 with 78% of that target reached by March 2022. The latest London Plan, published in March 2021, set a target of 52,000 new homes per year, substantially below the GLA's estimated need (LAHC, 2022). The Mayor received a further £4 billion from the new AHP 2021-26, which he has committed to 35,000 affordable housing starts per annum, half of which are expected to be traditional social rent. This renewed emphasis on building new social rented housing is important, part of a much-needed 44 % increase in the total number of new affordable homes being built in London in 2021/22, compared to 2000/01. However, the 2021/22 figures in Table 1 indicate that affordable housing completions were just 28 % of the required total, while social rental homes are being completed at only a tiny fraction (around 2 %) of the required amount; this rises to 3,693 or 12 % of the 31,000 needed if one adds LAR to social rent completions (see LAHC, 2022). Indeed, as Table 1 shows, social rent has shrunk dramatically to around one tenth of the earlier amount at 613 completions in 2021/22, just over 5 % of the total. By contrast, LAR (25.9 %) and Affordable Rent (24.0 %) contributed the vast bulk of 'low cost rent' housing in 2021/22. Shared ownership accounted for 35.8 % in 2021/22 and is the single largest affordable housing component. Affordable home ownership has shrunk markedly, down to just 124 completions in 2021/22, while intermediate rent (including LLR) accounted for 909 units. Governments cuts and rising construction and land costs mean that 70 % fewer homes are forecast to be built under the AHP 2021-26 compared to the previous programme (LAHC, 2022, p. 37).

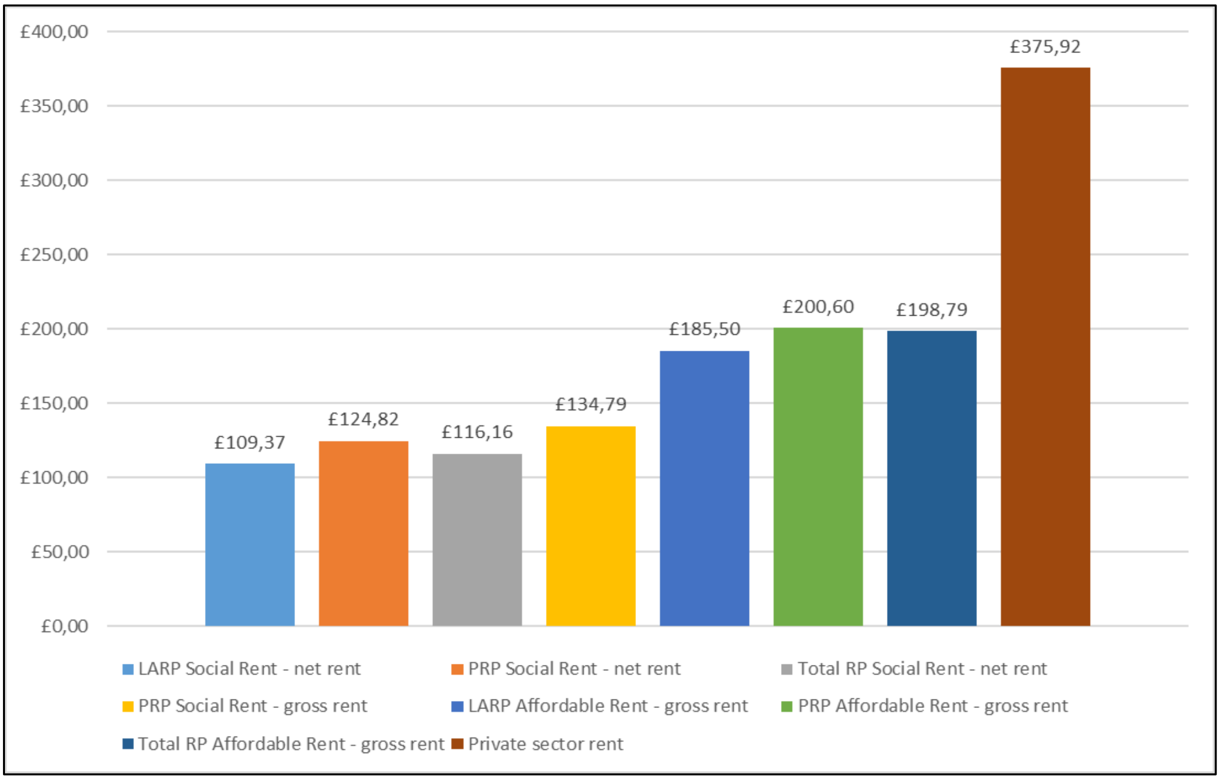
Table 17: Additional affordable housing supply completions in London, 2000/01 and 2021/22

	2000/01 N	2000/01 %	2021/22 N	2021/22 %	2000/01 - 2021/22 N	2000/01 - 2021/22 %
Social rent	6,084	73.5	613	5.2	101,486	41.5
London Affordable Rent	NA	NA	3,080	25.9	8,084	3.3
Affordable Rent	NA	NA	2,857	24.0	35,332	14.5
Intermediate Rent	NA	NA	909	7.7	11,609	4.7
Shared Ownership	NA	NA	4,257	35.8	25,431	10.4
Affordable Home Ownership	2,189	26.5	124	1.0	62,466	25.5
Unknown	-	-	42	0.4	150	0.1
Total	8,273	100	11,882	100	244,558	100

Source: based on DLUHC (2022c).

In terms of housing costs, Figure 3 shows average social rent and affordable rent levels in London for general needs housing by type of registered provider for 2021-22. All the affordable housing products are well below average private rent (nearly £376 per week), even though there is a great variation between them. The cheapest rent is just over £109 per week for social rent provided by local authorities (LARPs), with the equivalent PRP figure of nearly £125 per week, while the PRP gross social rent (including services charges) is nearly £135 per week. As Figure 3 clearly indicates, affordable rent levels are substantially higher than social rents. A Shelter report calculated that for Londoners in the lowest 20th percentile of wages, the only tenure they could afford to live was social rent (Sagoe et al., 2020).

Figure 14: Social and affordable rent levels in London by type of registered provider, 2021-22, £/week



Note: Net rent is minus service charges, whereas gross rent includes service charges.

Source: Regulator of Social Housing (2022a, 2022b, 2022c).

Given the depth of London's housing crisis, there are widespread calls for radical policy interventions such as rent controls. However, the capacity of local government to regulate the London PRS is extremely limited and would require national legislation, currently obstructed by a Conservative majority government. While there is greater local government discretion in relation to affordable housing provision, including via the planning system, London's ambitions are heavily constrained by central government financial restrictions as well as by Conservative housing policy goals – to expand the PRS and homeownership including support for the RTB (Somerville, 2024).

b. The Entry and Impact of institutional Investors on affordable Housing

Institutional investment in property is already well established: the UK hosts the world's third largest professionally managed real estate market behind the United States and Japan, worth £850bn in 2021 with capital growth at over 10 % a year and London its main destination (MSCI, 2022). However, institutions have traditionally concentrated their capital in *commercial* property (office, retail, industrial, warehouse) such that in 2010, less than 1 % of this investment was in residential (compared to the European average of 14 %) (Resolution Foundation, 2011; see also see Jones et al., 2017). This picture is starting to change: over the past decade, institutional portfolios have rapidly expanded into different UK residential segments from a relatively low base (student housing, build to rent, co-living, social housing, shared ownership, and adult social care) with estimates now putting institutional presence in residential at 15 % in 2022 (Knight Frank, 2022). We briefly review the scale of residential stock owned, managed or funded by institutional investors, the characteristics of the companies involved, their investment strategies and the overall impact on the supply of affordable housing in London.

The size, share, and structure of the housing stock owned or managed by institutional investors

Historically, institutional investors' core residential focus has been the Purpose-Built Student Accommodation (PBSA) sector, the "most mature and liquid of the operational property markets in the UK" (Daly, 2019), accounting for around 30 % of the total global PBSA market (Knight Frank, 2019). Of the UK's 700,000 PBSA beds, accommodating over a third of all university students, around 60 % is owned by private operators who either directly let or have exclusive nomination agreements with Universities (PWC, 2021). Four publicly-listed companies and one private firm own 41 % of all private beds in the UK (Cushman & Wakefield, 2022) with 70 % of investment in 2021 coming from overseas buyers (sovereign wealth funds, private equity and high net-worth individuals) (PWC, 2021). London is by far the largest urban market for PBSA investment with 314,000 full-time higher education students, including many from overseas (Livingstone & Sanderson, 2022). London's 100,000 PBSA beds make up 14 % of the UK stock (JLL, 2017), the majority of which are privately-owned with the largest institutional investors owning or operating at least a third. In 2021, London added 3000 new PBSA units and accounted for 10 % of all PBSA beds in the UK pipeline (Cushman & Wakefield, 2022).

Institutional investors are also now moving rapidly into the emerging 'build-to-rent' (BTR) sector, a similar design and management model to PBSA with developments containing at least 50 units specifically for private renters. Some 38,000 BTR units have been constructed in London since 2012 (BPF, 2023) – around 3.9 % of the city's private rental stock – and with a further 14,500 under construction and 38,500 in planning, London is projected to host 38 % of the UK BTR sector in the next few years (BPF, 2023). One niche market segment of BTR is 'co-living', aimed at 18 to 35-year-olds, especially recent graduates and young professionals priced out of home ownership, which offers a professionally managed but slightly less expensive product close to city centre attractions with a similar sense of community akin to the PBSA. London hosts half of the total operational and future UK co-living supply with 2300 units built, 1600 in construction and over 7700 in the pipeline. Institutional investors own or fund the majority of BTR and Co-Living schemes.

The PBSA and BTR sectors share similar characteristics, predominantly comprised of medium- and high-rise buildings constructed since 2010 with normally hundreds of individual living spaces (bedrooms, studios, larger apartments), on-site concierge, communal living and working spaces, and gyms. PBSA beds are concentrated across the inner London belt of University campuses, with average rents slightly below the PRS, usually on 12-month fixed contracts at average rent levels just below the PRS average. BTR is mainly concentrated in the less expensive outer London boroughs, especially Brent, Croydon, and Ealing, and in the inner east London growth poles of Tower Hamlets, Newham, and Southwark (BNP Paribas Real Estate, 2021). BTR tenancies are normally on 6- or 12-month contracts at open market rents, with co-living beds offered on a highly flexible per night basis or on minimum 3-monthly terms with smaller deposits and rents normally around 20 % less than the all-in costs of other PRS accommodation (Rentilia, 2020; Savills, 2022a). Since March 2021, all new BTR developments are expected to offer 35 % on site affordable housing with around a third of these affordable homes set at London Living Rent (see section c).

Turning to the social rented housing sector, institutional investments remain far less developed than the PRS, but we can see four main investments routes. The first – where the majority of institutional investment has traditionally been – is through providing bond finance for housing associations (now PRPs) to build new homes or refurbish existing stock. Although most PRPs have historically relied on long-term high street bank loans, the aftershocks of the 2008 global financial crisis caused bank lending and government funding to dry up, pushing a much greater role for direct bond finance into the HA sector to the extent that more than 50 % of private finance is now raised through bond issues and around 47 % of all current HA debt held as bonds (THFC, 2022). A second indirect and more niche route has been through buying equity in Special Purpose Vehicles (SPVs) that hold long-term design-build-finance-operate contracts for the refurbishment or comprehensive regeneration (demolition and new build) of specific social housing estates or specialist stock (e.g. care homes) under the Private Finance Initiative (PFI). London has had 10 such PFI schemes, the first starting in 2003, mainly for specific social housing estates of various architectures and ages located in predominantly inner London neighbourhoods, involving around 12,150 units. In this model, the stock and rentail streams remain under the ownership of the social landlord, while private investors own shares in the SPV holding the long-term contract that guarantees them monthly inflation-proof revenue streams with high profit-margins (Hodkinson, 2011, 2019).

Third, institutional investors currently have a significant if stable presence in the direct ownership and operation of homes in England's adult social care sector, where 84 % of care home beds (around 350,000) are now owned and managed by the private sector, making it by far the largest private sector adult care market in Europe (Savills, 2022b). The four largest care home providers are owned by private equity and hedge funds, and control around 10 % of the market, including 41 of London's 1000 private care homes (Savills, 2022b).

Finally, the most recent entry point for direct institutional investment in social and affordable housing is in the form of for-profit Private Registered Providers (FPPRPs) introduced by the Labour Government in 2008. In England, there are now 69 FPPRPs collectively owning 28,164 homes with 41 % for social rent (including supported housing) and 59 % as shared ownership (Savills, 2023). In contrast to BTR, there is very little social and affordable housing owned by for-profit providers in London: 14 FRPRPs with clear or presumed links to institutional capital account for little more than 1100 homes, less than 0.1 % of London's total affordable housing stock. These are predominantly new homes built since 2011, the majority in medium-rise blocks of flats below six-storeys (RSH, 2022a). Similar to BTR, there are also some relatively clear geographical patterns to this ownership with the vast majority – 83 % – located in the Outer London boroughs, and relatively concentrated in west London Hillingdon, Bromley, Hounslow, Ealing, and Brent (RSH, 2022a). Notably, while the for-profit presence in social and affordable housing is currently very small, Savills predicts it will triple in size over the next five years (Savills 2023).

Characteristics of the companies (financing structure, organisation management)

Table 2 below summarises the main investors (and their companies) involved in London's residential markets through which institutional actors invest in the provision of housing. Institutional investment takes a variety of organisational types with very different geographical presences, real estate portfolios, financing structures and management approaches. Across all sectors, we see the dominance of three main corporate entities: publicly-listed corporations and Real Estate Investment Trusts (REITs), whose shareholders include pension funds, private equity and sovereign wealth funds; subsidiaries of publicly-listed pension funds with similar shareholders to REITs, who both invest directly in construction and management companies, and provide funds for others to build or acquire stock; and private equity firms who tend to buy and sell portfolios of existing stock. Several institutional funders have a prominent presence including Dutch, Norwegian, and Canadian pension funds, and the sovereign wealth funds of Qatar and Singapore.

The private PBSA market is concentrated in nine companies: three publicly-listed companies with strong institutional shareholdings – Unite REIT, Empiric REIT, and Arlington – and six private firms – Blackstone, Greystar, GSA, Mapletree, Singapore Press Holdings, and Downing. The largest private provider is Unite Students Group PLC, a developer-operator set up in 1991 that converted to a REIT in 2017. Unite owns 10 % of the entire PBSA sector and has a major London presence with over 12,000 beds in 33 buildings and thousands of units in the development pipeline (Unite Group PLC, 2022). In 2019 it acquired Liberty Living (23,000 beds) from the Canada Pension Plan Investment Board C$1.3 billion, who retained a 20 % shareholding in the combined group (Market Screener, nd). The second largest private provider with 30,000 UK beds is iQ Student, owned by Blackstone, the world's largest private equity firm with supra-regional portfolios of office, hotels, care facilities, warehouses and residential usually registered in Luxembourg for tax reasons. Blackstone now owns over 6000 beds in 19 buildings in London through its 2020 acquisition of iQ and its joint-venture purchase of GIC REIT in 2021 with Scape Living (backed by APG, the Dutch public pension fund). Between them, Unite and Blackstone operate just under a third (30 %) of all private beds and nearly half (48 %) of all nominated/leased beds for Universities (Cushman & Wakefield, 2022).

Table 18: Main institutional investors in the key London housing market segments as of May 2023 with current (pipeline) stock

Stock Owner	Largest Shareholders (March 2023)	Institutional Funders	PBSA	Build To Rent	Affordable Tenures	Total London forecast
Legal & General PLC	The Diverse Income Trust PLC 6.2%; Blackrock .77%	L&G loans	1000+	1210 (569)	505	3715
Blackstone	Blackstone (45%); Blackrock (45%)	APG	6571	n/a	261	6832
Unite PLC REIT	Canada Pension Plan (18.3%); APG (5.76%); Norges (5.35%)	GIC - Singapore sovereign	12,574	178	n/a	12,752
Greystar	Private	GIC; ADIA - Abu Dhabi sovereign; Canada Public Sector Pension	5883 (770)	1437 (1799)	n/a	9889
Quintain Living	Lone Star	Canada Pension Plan	n/a	3650 (3000)	n/a	6650
Get Living	Qatari Diar (Qatari Sovereign Wealth Fund); APG; DOOR	Alecta Swedish private pension; London Pensions Fund Authority	n/a	3000 (983)	n/a	3983
Grainger PLC	Norges Bank 9%; Blackrock, 7.7%	Bank loans / share issues		1375 (2819)		4194

Sources: various trade magazines, media, company websites, Orbis database.

In the BTR market, ownership is more evenly concentrated among seven major players: two publicly-listed companies (L&G, Grainger) and five private firms (Quintain, Get Living, Greystar, Criterion, Eco World). The market leader is developer-operator Quintain, acquired by US private equity group Lone Star Real Estate Fund IV in 2015, which is developing 85 acres around Wembley Stadium in Brent (outer London) with 3650 BTR already constructed and another 3000 with planning consent. Quintain has raised over £1.2 billion in development finance from North American investors (Roberts, 2016; Quintain Ltd website). Get Living, part-owned by the Qatari Sovereign Wealth Fund, APG and the DOOR investment fund in which the Swedish Pension Fund, Alecta, has invested, has 3000 homes, including the former athletes' village at the 2012 Olympic Games, and plans to build up to 14,000 homes in the UK (Property Investor Today, 2020). UK pension fund, Legal & General, whose main shareholders are Norges Bank and BlackRock, has established a £2 billion portfolio of 5171 homes in the UK, of which over 1210 are in London with another 569 in the pipeline (L&G, nd). Grainger PLC, who have traditionally acquired regulated private rental properties and sold them upon vacant possession, are now moving rapidly into BTR and are set to be the second largest landlord in London.

In the more traditional social rent and shared ownership housing, two thirds of stock owned in London by for-profit PRPs belongs to Legal & General PLC, Blackstone, and the unlisted private company, Pinnacle, whose main owners Include J.P. Morgan Securities LLC (US), PWC LLP US, Starwood Capital, Legendary Investments, and the Ontario Municipal Employees Retirement System.

Investment and management strategies of institutional investors

The impact of Covid-19 has raised the attractiveness of residential vis-à-vis commercial real estate for institutional investors given housing's counter-cyclical qualities. Investor demand is expected to grow significantly over the next five years in all rental markets, with London the number one target for institutional investment, especially in PBSA and BTR, where 23 % of institutional investment in 2021 was from new entrants to the UK market (Knight Frank, 2022). These sectors are particularly attractive for institutional and overseas investors, because they generate comparatively high and stable yields from essentially unregulated private market rents, in a context of unmet demand from the projected growth in student and graduate numbers and the lack of affordable ownership options.

In PBSA, the most mature and liquid residential property market in the UK, the emphasis of investors is now shifting from funding new supply – which typically adds 30,000 new beds each year – to the acquisition of existing buildings, whole portfolios and development pipelines. In 2020, Blackstone bought IQ Student Accommodation from the Wellcome Trust and Goldman Sachs for £4.7 billion in the UK's largest ever private property transaction, and the biggest student housing transaction globally to date (Tennant, 2020). Unite set up a £1billion London Student Accommodation Fund in 2012 in a joint-venture with GIC - Singapore's Sovereign wealth fund (FT, 2021). In 2022, GIC formed a joint venture with Greystar to acquire Student Roost, the UK's third largest PBSA provider with 23,000 beds and 3000 in development, from one of Brookfield's private equity funds (Private Equity Wire, 2022). Investment activity in the BTR market has been principally focused on financing the significant pipeline of developments with long-term investors forward funding new schemes (BPP, 2021). For example, Greystar wants to build a 10,000 BTR portfolio in London backed by the Abu Dhabi sovereign wealth fund, ADIA, and private equity firm, Henderson Park, which raises loan finance.

While institutional capital in social rent and affordable housing in London remains overwhelmingly focused in housing association bond finance, their direct investment strategies are becoming clear. First, investors have, to date, been growing their stock through purchasing what are called S106 properties – designated affordable housing units of various tenures provided by developers as a proportion of a development as required by planning policies (normally 35 % in London). Second, rather than traditional social rent properties, institutional investors mainly target the more expensive, inflation-linked "sub-market" affordable tenures, and particularly like shared ownership properties, because they are sold at a bulk discount by developers and allow them to immediately recoup between 10 % and 75 % of the equity whilst receiving rental income on the non-owned share that annually increases above RPI. Third, institutional investors are starting to partner with other PRPs and developers, especially those facing financial pressures, to forward fund new homes. Finally, the two main institutional investors in social and affordable housing appear to have very different long-term approaches: while L&G plans to eventually buy its own sites to directly build and manage social housing as a low-yield, low-risk, long-term investment that matches its pension liabilities, Blackstone is targeting much higher returns of 8 % for its investment fund to trigger bonus payments for fund managers, raising concerns that it will skimp on repair and maintenance to maximise profit (Social Housing, 2018).

Impact on the supply of affordable housing

It is not yet possible to identify the proportion of construction additions from institutional-backed schemes, but the overall levels of new supply are clearly failing to meet target numbers. Institutional capital is helping to expand the supply of purpose-built rental market housing, but given the very high rent levels in London, far from expanding the supply of affordable housing, they are mainly profiting from the provision of unaffordable housing. In contrast, institutional investors are providing relatively little affordable housing tenures, although they do have ambitious development plans for the next decade.

c. Policies directed towards institutional Investors and the Policymaking Process

In response to the unfolding crisis of housing affordability in the UK and London over the past two decades, governments have increasingly looked to institutional investors to play a key role in addressing both the general problem of insufficient supply of new homes and the shortage of affordable housing with varying degrees of success. This section provides a brief history and evaluation of national-level policy instruments in relation to institutional investment; it then explores the development of "new" housing policy and planning instruments and strategies more explicitly aimed at institutional investors at the London scale; before summarising the relevance and role of institutional investors and corporate landlords in UK policy-making and at the London scale.

Brief history of national policy instruments in relation to institutional investment in housing

UK governments have created an increasingly attractive environment for institutional investment in housing since the neoliberal turn in 1979, through both the broad historical sweep of neoliberal policies that have (re)commodified and financialised housing, and the purposeful development of fiscal, regulatory and spatial planning policy instruments designed to entice and support institutional investors in the delivery of new private and social rental housing and “affordable home ownership”.

The predominant policy focus has always been on the PRS as part of a wider mission to reverse its long-term decline at the expense of social housing, as we outlined in section one. The 1988 Housing Act was a key milestone, initiating the full deregulation of private rents and tenancies that has gradually phased out and replaced the vast majority of secure, rent-controlled private sector tenancies with standard tenancies of just six months, after which the landlord can evict the tenant without cause (no-fault eviction) by giving two months notice. The combined effects of PRS deregulation with social housing privatisation, growing inaccessibility of home ownership, mortgage market liberalisation, and new household formation has seen the rapid resurgence of the PRS to house 30% of all households and become the second largest tenure nationally and in London.

However, during the 2000s, it had already become clear that the PRS revival was largely at the expense of other housing tenures rather generating new supply (Scanlon et al., 2016), and had negligible presence of institutional investment (Resolution Foundation, 2011). The exception, as noted in section b, was in the student accommodation market where government reforms to expand Higher Education since 1997 through the student loan system, and the UK cultural practice of students moving away from home to study, created a natural growth market for private investment in PBSA. Government urban policy and planning policies also sought to attract students into "centrally located, privately managed, sometimes gated PBSA, often akin to luxury city centre developments" (Heslop et al., 2023, p. 924), as part of central and inner urban regeneration projects to deconcentrate students from more traditional terraced housing in working class areas, and provide the economic basis for redevelopment and revitalisation of city centres through consumption, leisure and the night time economy.

To proactively address the absence of institutional investment into mainstream rental housing and continue to support the PBSA to expand, the Labour Government's 2006 Finance Act introduced Real Estate Investment Trusts (REITS) – tax-favourable companies for investors in real estate as one means of stimulating international investment in additional housing supply. Following minimal take-up, the UK REITS regime has been periodically reformed to make them more attractive to institutional capital with over 100 UK REITS now listed on the stock exchange. REITS legislation was followed by the Housing and Regeneration Act 2008, which allowed for-profit providers to register as social landlords, thus legally opening up the social housing sector to institutional investors to become direct owners for the first time.

A further step change occurred with the election in 2010 of the Conservative-Liberal Democrat Coalition Government, who set out a vision of a "new private rented sector" characterised by a growing number of large-scale, institutionally backed developments. The government-commissioned a *Review of the Barriers to Institutional Investment in Private Rented Homes* (DCLG, 2012), identified a number of disincentives to investors, including the preference for owner-occupation, the higher and faster returns from building for sale rather than rent, the high up-front capital costs and long-term exposure to downward movements in market rents, planning obligations and affordable housing requirements. The Review called on the Government to explicitly rule out a return to rent controls and secure tenancies to provide certainty, and to make public sector land available for large-scale PRS developments.

The government responded by launching a £1 billion 'Build-to-Rent' fund in 2013 to part-finance 10,000 new private rental specifically in larger-scale developments of at least 100 homes, and a £10 billion debt guarantee scheme explicitly aimed at fixed-income investors who wanted stable, long-term returns without exposure to residential property risk. The vast majority of bids for the government's BTR fund were for London developments. The Growth and Infrastructure Act 2013 empowered developers to require planning authorities to reconsider affordable housing requirements where they rendered a development unviable. More recently, in 2017, the government has sought to further increase the viability of BTR developments through changes to the National Planning Policy Framework (NPPF) to allow developers to more easily offer Affordable Private Rent (at a minimum of 20% discount on local market rents in perpetuity) instead of other types of affordable housing (see Bate, 2017).

As for the social housing sector, the election of the Coalition Government in 2010 kick-started a decade of marketisation reforms that created new opportunities for institutional investment. Using the cover of austerity, government funding for the Affordable Housing Programme was cut by around 50%, and was redirected from traditional social rented housing model in favour of the 'Affordable Rent' introduced under the 2011 Localism Act where new homes are built with much reduced public subsidy (down from 40% to 20% on average) and let at up to 80% of local market rents with no legal requirement for secure tenancies (see Hodkinson and Robbins, 2013). Legislative changes that took effect in April 2017, applicable to both non-profit and profit-making PRPs, have meant they no longer need to seek consent from the Regulator before selling their stock, further de-risking the institutional investment offer. Since 2016, for-profit providers of social housing have been permitted to bid for government grants to provide social and shared ownership homes for specific schemes; and in 2021, they were also allowed to become strategic partners for longer-term projects. In sum, these reforms have had the effect of incentivising PRPs to seek greater private finance in terms of both bond issues and joint-ventures, and giving greater confidence to institutional investors that social and affordable housing rents will generate higher and more secure revenue streams.

The development of "new" housing policy and planning instruments and strategies explicitly aimed at institutional investors in London

At the London scale, the Mayor has stated on record his willingness to attract institutional investment into affordable housing delivery. To this end, in 2016 he published Supplementary Planning Guidance (SPG), which introduced a 'Build to Rent pathway' through the planning system, which included, among many other policies, permission for BTR developments to meet their 35 % affordable housing requirements solely through discounted market rent rather than a mix of social rent and shared ownership, as in other development types. The SPG also set out specific considerations for the viability of BTR including a different approach to profit compared to build for sale, and more general help that could be offered to BTR schemes, including supporting institutional investment on public land, and looking at the role REITs could play in attracting investment (Bate, 2017). While clearly helpful in some respects, the Mayor's SPG has been perceived as placing something of a brake on institutional investment through requiring 35 % affordable housing on all developments, including PBSA. The Mayor has also, to date, not provided any affordable housing funding for for-profit providers and is believed to favour using this resource to support councils and not-for-profit PRPs to build social and affordable rent and shared ownership.

Interest representation of institutional investors

Government policy is currently set by the Department for Levelling up, Homes and Communities (LUHC) and implemented by various public bodies such as Homes England, which sets guidance and allocates public funding to private developers and social housing providers to build new homes. Interest groups formally influence policy through responding to government consultations and informally lobby Ministers on an individual basis. In this lobbying operation, the real-estate industrial complex has always been very well represented through its own national-level institutions and in formal and informal policy-making circles, reflecting the UK's different path dependency to the more corporatist, social democratic traditions of other European countries. The British Property Federation (BPF) is the most powerful of the real estate representative bodies as the self-described "voice of the UK real estate industry" with a membership that spans "property owners, developers, funders (equity and debt), agents and advisers" (website). Its Board includes senior representatives from JLL, Landsec, DWS, Argent Related, Dorrington, Grainger plc, Assura plc, and Lloyds Bank, and it has almost 40 committees and working groups. On housing, it directly engages with government through three main committees - 'build to rent', 'affordable housing', and 'student accommodation' - and has specific London-facing working groups like the Build to Rent London Engagement Group. Institutional investors and private equity firms are highly present in these fora. Other highly influential private sector organisations in policy-making circles are Savills, a key player in the BPF whose influence stems to the social housing sector in terms of consultancy work and working with major charities like Shelter. Smaller landlords are represented by the Residential Landlord Association; Housing Associations are represented by the National Housing Federation; and local authority landlords are represented via the Local Government Association. There is no national level representation for tenants.

There is a slightly less one-sided interest representation at the London-scale where the Mayor has set up various official fora in which interest groups can be represented in the creation and delivery of London-wide housing strategies. One route is via the Mayor of London's Homes for Londoners Board, a quarterly forum personally chaired by the Major that brings together city government officials, representatives of local authorities, Transport for London, London's largest housing associations and representatives of London's property sector including CBRE and BPF. There is better representation for tenants' and residents' groups via The London Housing Panel – a body that brings together several tenant and resident organisations and is chaired by the London Trust (which has a place on the Mayor's Homes for Londoners Board – and meets with the GLA four times a year. The London Tenants Federation speaks at Examinations in Public of the London Plan, and attends London Assembly Housing and Planning committee meetings.

Strategies to influence public discourse

Institutional investors are pushing at an open door given the government's favourable disposition. Much of the policy-influencing work is done via the BPF, a prolific and influential lobbyist with briefings, research reports and policy consultation responses covering all aspects of real estate. In June 2021, the BPF launched an affordable-housing committee to "provide leadership" in promoting institutional investment in this area, led by Trowers & Hamlins and Legal & General, so as "to maximise the real estate industry's investment in affordable housing, and ensure better understanding within central and regional governments of the opportunities that the industry can offer to expand its provision of affordable homes" (Lowe, 2021). The main strategy appears to be the constant pushing of institutional investment as the 'solution' to the housing supply crisis, to problems of rogue landlords in the private rental sector, and to the crisis of affordable housing, especially in London. This is done via frequent research reports and briefings that frame the housing crisis in ways that support the case for institutional investors to be given a special role, arguing that "the undersupply of affordable homes will continue without investment from institutional investors to fill the gap in funding" (Bloom, 2023, p. 68). At the same time, intermediaries like Savills, BPF, JLL and CBRE periodically write research papers and policy briefings that are clearly aimed at attracting institutional investors into the UK housing sector, by setting out the various long-term financial benefits for such investments, the favourable policy and regulatory context, and educating government on the current challenges and barriers to institutional investment. These regular reports, which are press released and feature in influential newspapers and industry magazines, have set out a clear and consistent blueprint for government policy over the past twenty years and it is possible to see governments generally moving in that direction over time.

Forms of collaboration

There have been several different kinds of collaboration over the past two decades to push institutional investment into housing. One approach has been the creation of public-private partnerships pursuing the intellectual and policy case. In 2008, the GLA and the BPF commissioned research by Savills on how to increase private institutional investment in residential property in order to increase the supply of new housing in London; nationally, in 2013, the government created a PRS Taskforce to identify further policies and boost interest; and in 2021, the GLA appointed BNP Paribas Real Estate to report on the UK and London BTR markets and to cultivate a dataset of relevant London BTR Transaction Information. A second form of partnership has been specific developments and projects involving local authorities, housing associations and institutional capital. For example, in 2019, the London Borough of Croydon signed an income strip lease with L&G for the provision of homes for residents previously residing in emergency accommodation, and the London Boroughs of Bromley and Newham signed similar deals with insurance company Pension Insurance Corporation plc (PIC) in 2021 and 2022, respectively. These income strips involve councils using their cheaper borrowing rates to purchase open market properties that they, then, sell to an institutional investor, who in turn leases them back to the council who eventually recovers ownership of the asset for a peppercorn sum (Bloom, 2023). Another example is the Connected Living London joint venture between Grainger PLC, one of Britain's largest professional landlords has entered into a Joint Venture, and London's public transport body, Transport for London, to build and manage around 3000 BTR homes in various developments beginning in 2023, with TFL selling land, Grainger raising finance through share issues, and CLL financing the scheme through loans.

Challenges and contradictions

In terms of national politics, it is possible to argue that there is a cross-party political consensus on the desirability of "patient capital" investing in housing and almost no political contestation from grassroots housing movements. Unlike cities like Barcelona and Berlin, where corporate landlords linked to private equity firms like Blackstone are associated with poor services, repairs, drastic rent increases, and evictions, most of the political attention in London is on the general crisis of affordability in the small landlord-dominated PRS and the poor performance of social landlords, especially housing associations.

There are currently no outright political challenges to institutional investment in housing in London or the UK. That said, there are political constraints that need to be considered. Street protests greeted London's hosting of the 2014 international property fair, MIPIM, under then Mayor of London, Boris Johnson. While this wave of radical housing activism has retreated, partly due to the election of a Labour Mayor in 2016 who is more focused on boosting social housing, it is worth noting that London has a strong housing movement that mobilises to defend public housing when threatened. This opposition can obviously pose risks to institutional investors, and can translate into electoral defeat for local councils pushing any form of privatisation, which means that elected politicians can be influenced to oppose certain housing developments or joint-ventures. This is believed to be a factor behind the recent failure of Lambeth Council's joint-venture with institutional capital to regenerate six council estates.

There are also clear contradictions at play between, on the one hand, the stated desire of government and the Mayor of London to attract institutional investors into housing delivery, and public policy on the other. First and foremost is the recent chaotic history of government intervention in both the welfare system and social rent regulation, which has undermined a previously stable and predictable rental income stream from social rental housing. Cuts and freezes to housing benefit, new controls restricting social rent rises to 7% while inflation runs at close to 14%, and greater conditionality for welfare claimants poses risks to yields and implies increased tenancy management and rent collection costs, making social housing tenures less attractive than a few years ago. Second, while ruling out rent controls in the PRS, the government has promised new legislation to abolish no-fault evictions and only allow rent increases once a year. Refusing to let homes to tenants on benefits will also be outlawed and a new national register of landlords will be created. While these proposals imply fresh impetus to professionalise the PRS and will favour the larger landlords and institutional investors, the rebalancing of power relations between landlords and tenants in favour of the latter could inhibit investment. Third, as part of monetary policy to combat the UK's high inflation rate, the central bank base rate of interest has been increased from 0.1% in 2020 to 4.5% - the highest rate in almost 15 years. In addition, the government recently increased corporation tax from 19% to 25% in April 2023. These policies have increased the cost of raising investment capital and have reduced the overall profit take from real estate investment. Finally, there is a perfect storm facing the construction and real estate sectors, with costly post-Grenfell fire safety standards and carbon reduction requirements meeting the general skills and supply shortages and construction material inflation to make the costs of new development and refurbishment increasingly expensive.

Conclusion

The intensity of London's housing crisis is strongly rooted in four decades of neoliberalisation and its global city status as a key destination for flows of international capital and employment. Institutional investment is clearly on a growth path in the residential sector, but its presence and growth are shaped and constrained by the path dependency of London's housing system. Institutional investors are primarily interested in the booming private rental sector, and is divided between acquiring existing portfolios of housing and forward funding a significant development pipeline of PBSA, BTR and Co-Living. Given the very high rent levels in London, far from expanding the supply of affordable housing, they are mainly profiting from the provision of unaffordable housing. There is far less institutional investment in the social and affordable housing sectors but there are clear plans for growth here as well, although institutional investors can be best understood as primarily acquiring already-constructed or planned units, and filling financial holes left by government austerity cuts and the contraction of high street bank finance for development.

7. Malmö: From Universalism to Renovictions

a. Analysis of Housing Provision and Affordability

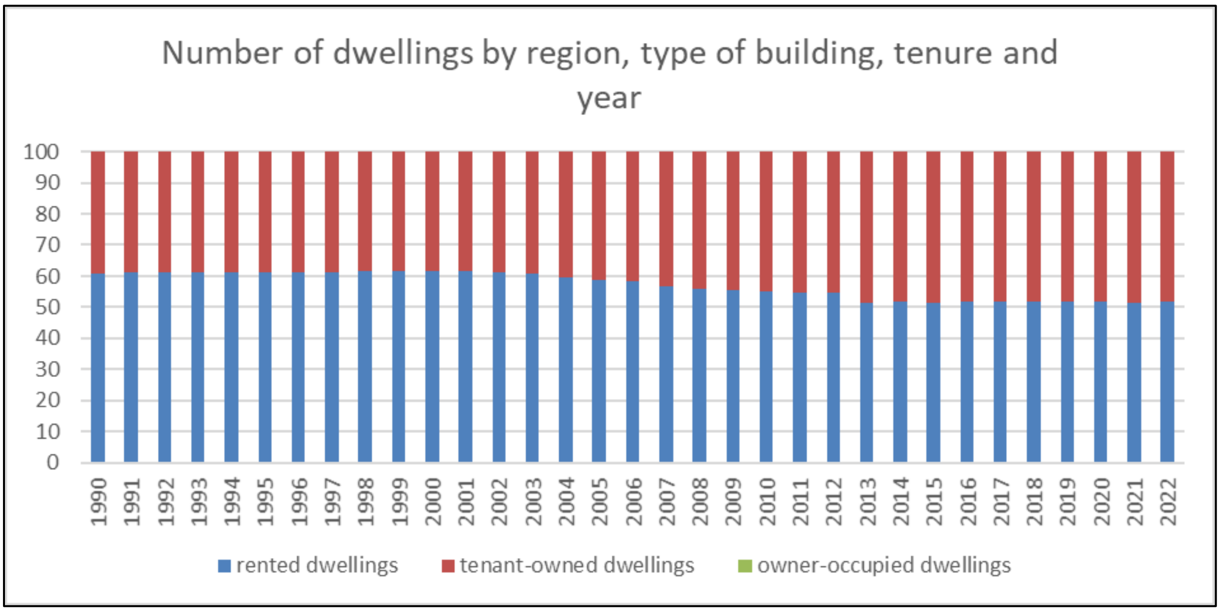
Malmö is Sweden's third-largest city (after Stockholm and Gothenburg) with around 350,000 inhabitants and located in the south of the country, in the county of Skåne and directly opposite of the Danish capital Copenhagen. Malmö is one of the fastest growing and diverse cities in Europe. The population grows approximately by 4,000 newcomers yearly, half of the population is under 35 years and a third of Malmö residents was born in another country. As of today, Malmö is governed by a social democratic, liberal and green coalition under the leadership of the social democrats (Malmö stad, 2022).

The Structure of the Housing Market

The housing situation in Sweden can be divided both by tenure type and ownership structure of the landlords. Three main types of tenure can be distinguished: rental tenancy, cooperative ownership and ownership. Co-operative ownership (*bostadsrätt*) denotes a form of collective ownership by a cooperative that rents or owns a property. Prospective tenants can then buy a share of that property and thus gain the right to usage of an apartment. While it is de jure not the same as regular ownership, this model grants the so-called tenant-owners, who make up a cooperative, de facto ownership rights. The rental housing sector is divided into public (municipal) and private rental. The municipal companies own and manage around half of the rental housing stock in the country. Sweden's rental housing system is unitary, meaning that public and private rental providers offer their stock on the same market, to the same populations and are subject to the same regulations (see further discussion below).

There are almost 168,000 households in Malmö, which roughly corresponds to the number of housing units. Vacancy rates are very low at around 0.3 % (0,8 % in Sweden, Statistics Sweden, 2021). The dominant two tenure types in Malmö are rental tenancy and cooperative ownership. The rental sector today makes up around 46 % of the total stock in Malmö (Sweden 38 %). The cooperative sector makes up close to 40 %, and ownership constitutes around 14 % (Hyregästföreningen, 2021; Statistics Sweden, 2022a). Owner-occupation is limited to detached housing, while multi-family housing stock is divided into rental and cooperative ownership (see Figure 1). Since the 1990s there has been a general tendency for rental stock to decrease in favor of cooperative ownership and owner-occupation.

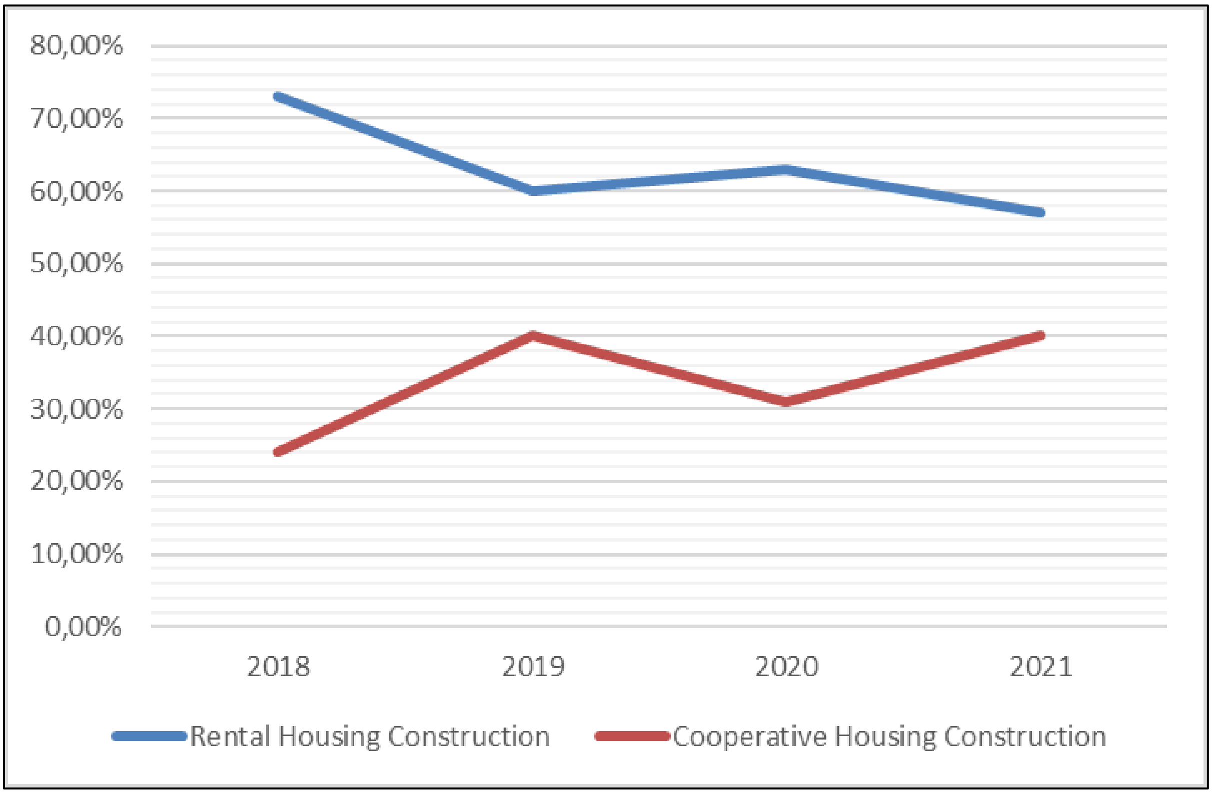
Figure 15: Tenant-owned dwellings denote cooperative ownership



Source: Statistics Sweden (SCB).

Another tendency is that the share of rental housing in new construction has gone down considerably over the last five years while the share of newly produced cooperative housing has increased (see Figure 16).

Figure 16: Housing construction in Malmö



Source: Malmö Housing Statistics, compiled by author.

Malmö's housing market is also characterised by a relatively low share publicly owned rental (Gustafsson 2019). This can, historically, be ascribed to the strong co-operative movement in Malmö as well as, more recently, to divestments to private housing companies (Billing & Stigendal, 1994; Grander & Westerdahl, 2019). Currently around a third of the rental housing stock is owned by the municipal housing company MKB (15 % of the total housing stock) (MKB Annual Report, 2021). Privatisation of public housing in Malmö has partly taken the form of condo-conversion (or in this context, conversion to cooperative ownership) and partly the form of selling to private landlords, particularly in the context of two short intermissions to social democratic rule in Malmö in the 1980s and 1990s.

In the last two decades and under social democratic rule, MKBs share in the housing market has remained fairly stable, but the composition of the housing stock owned by MKB has changed with a tendency to sell in less attractive areas of the city and buy in more attractive ones, which will be discussed further below (Gustafsson, 2019).

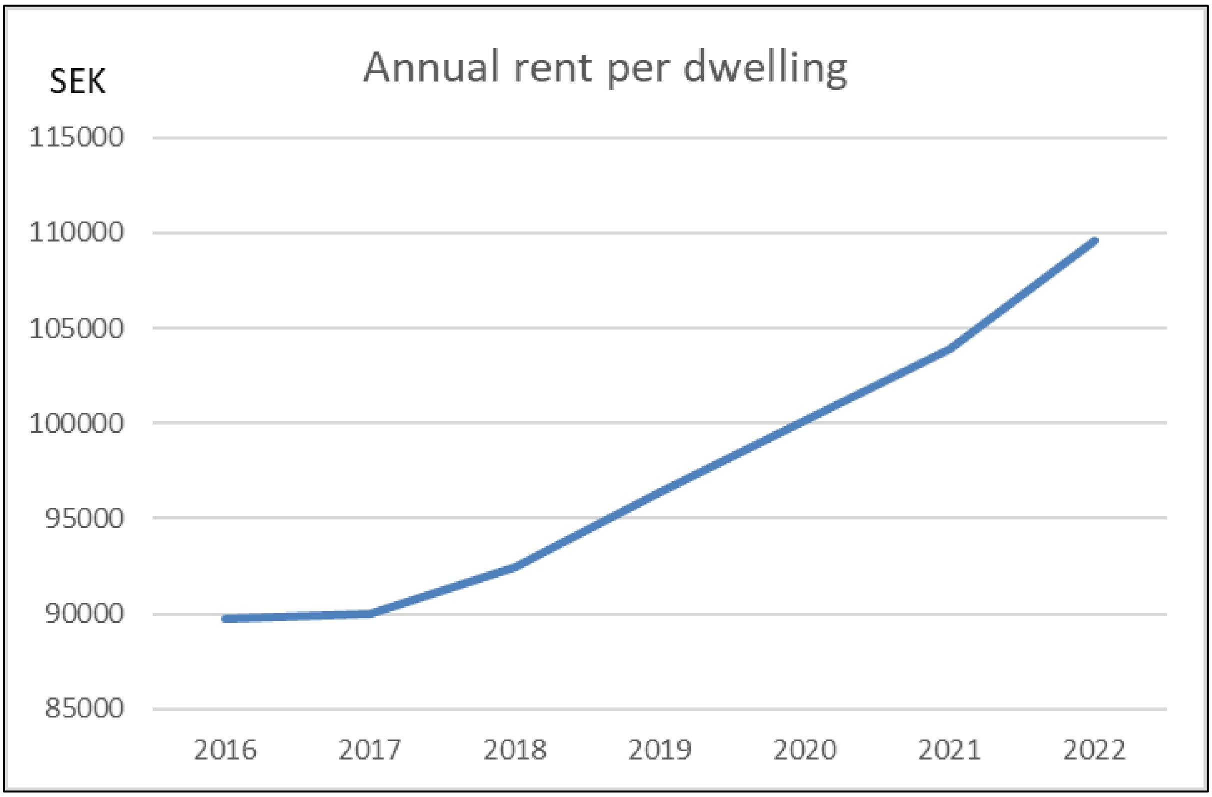
Allocation of rental housing apartments in Sweden is mostly organized through regional housing distribution platforms. All public housing companies and many private landlords (though not all, see chapter 4), register their vacant units on these platforms. An applicant in Stockholm may wait around a decade for an appropriate rental apartment. This has led to the development of a legal, nonetheless insufficiently regulated, secondary subletting rental market (1.8 % of the rental stock), which has increased housing precarity substantially, especially for young people and newcomers (Boverket, 2018; Listerborn, 2021; Grander, 2021). Malmö's housing market is less strained than Stockholm's, but still under considerable pressure with an average waiting time for a rental apartment of around three years depending on location, apartment size and rent, with larger apartments for more affordable rents having substantially longer queuing times (around seven years) (Boplats Syd, 2023).

Housing Costs

Housing costs in Sweden are very high with tenants in rental housing being severely disadvantaged: in 2021, tenants in rental housing spent 27 % of their disposable income on housing, tenant-owners in co-operative housing spent around 19 % and owners around 16 %, including mortgages. Lower-income households have to dispose around 40 % of their income for rent. On average, rental housing tenants' disposable income is around a third lower than that of residents in other tenure forms, all in all making Sweden the country in the OECD with the fourth highest burden on disposable income for rentals, but the second lowest burden on owners (OECD, 2021; Grander, 2018, p. 111).

The numbers are similar in Malmö, rent levels are lower than in Stockholm but the population is also significantly poorer. 14 % of households have a strained economy, meaning they are unable to cover basic consumption and housing costs (Sweden: 5,1 %). Around 26 % live in what is classified at low-economic standard and overcrowding stands at around 14 % (Sweden: 9,7 %) (Statistics Sweden, 2022b). Annual average rents in Malmö have increased around 22 % between 2016 and 2022 (Figure 12). As a comparison: average annual disposable income in the city has only increased around 9 % between 2016-2021.

Figure 17: Annual rent for a three-room apartment in Malmö 2016-2022



Source: SCB (Statistics Sweden 2022c).

Current Supply of Affordable Housing Stock

While there is no official definition of affordability, governmental agencies as well as private actors frequently refer to the commonly used rule that housing costs should not exceed 30 % of the disposable income (Boverket, 2016; Bostadskolan, 2022). Affordability in the cooperative and owner-occupied housing sector is largely dependent on demand (in conjunction with location, size and condition of the apartment) and interest rates. All in all, it can be said that cooperative ownership and regular ownership is mostly accessible to middle-and upper-class households.

In the rental housing sector affordability is difficult to denote given that there is no distinct segment set to cater to lower-income populations such as in the form of social housing. However, two developments stand out: firstly, a stark residualisation of the rental sector, making rental - public and private - increasingly into the tenure form of the socio-economically weak, and secondly, the general decrease of the rental stock due to a lack of new supply (see Figure 2) and the conversion of rental into cooperative housing (Grander & Frisch, 2022). These two developments, together with demographic changes and soaring construction costs have resulted in what can be described as national shortage of affordable housing. Accordingly, as of today, 204 out of 290 Swedish municipalities report a housing deficit for both the rental and co-operative sector (Savills, 2022).

Malmö is one of them. The problem in the city is less the supply itself and more the type of supply which does not match the demand of the population: the city reports that particularly the lowest income brackets are affected as well as young people and immigrants, both due to the inability to pay the rising rents as well as not being able to find appropriate housing on the primary rental market.

While MKB is still more likely to house lower-income tenants and manages more overcrowded apartments, the difference with the private providers is decreasing (Sandberg & Grander, 2021). This is connected to the rise in rent levels: today Malmö's MKB is the second-most expensive municipal housing company (MHC) in Sweden with a recorded rent increase of 50 % over the last decade (average increase among all MHCs: 31 %) (Thomasson & Fagerstörm, 2018; Gustafsson, 2019). Accordingly, one can argue that housing costs between MKB and private providers are approximating each other. The problem is exacerbated by the fact that new production is slow and mainly caters to higher-income groups. The rent of a 70 sqm, newly built apartment in Malmö corresponds to roughly 70 % of an average resident's disposable income (Malmö City: Housing Statistics, 2020).

The city of Malmö tries to counter this mismatch between demand and supply by experimenting with new supply models such as Mallbo. Mallbo can be described as a pilot project in which around 300 new apartments are to be built on municipal land in a newly developing area of the city. Three private developers have been awarded the land on which affordable rentals are to be offered (alongside cooperatives and office spaces). In return the city lowers its land fees. While it is not clear how the rentals will be allocated, they are intended to serve lower-income groups (Malmö Stad, 2021). Accordingly, Mallbo can be described as the production of a 'especially affordable' subset of housing or de facto social housing. Whether this approach can be successful remains to be seen, but it can be argued that these initiatives challenge the unitary character of the Swedish housing system and should thus be critically assessed.

Size and Characteristics of Affordable Housing Stock

Historically, housing shortages and inequality in Sweden have been solved through supply-oriented policies. The most significant instance of this is the so-called Million Homes Program (miljonprogrammet, 1965-1974, hereafter MP). Answering to housing shortage and bad housing conditions, the Social Democrats rolled out a massive housing reform which led to the construction of over one million dwellings (for a population of then eight million) within the span of a decade. About two-thirds of the units were multi-family and one third single-family housing. Sixty percent were built by the various municipal housing companies as rentals, around 20-25 % as cooperative and detached houses, another 15 % by private developers and a small percentage was directly built by the state or respective counties. The most commonly built housing types were low- to mid-rise, but the program is today mostly associated with the mid- to high-rises in the suburbs of larger cities (Lundberg, 2018). The MP was not directly financed through subsidies but through the newly established Swedish pension fund (AP-fonden) and government mortgages.

Twenty-one percent of the total multi-family housing stock in Malmö hails from the MP era. While not all of this stock can today be denoted as "affordable", a large part of the MP housing stock that is still on the rental market is located in more peripheral areas of the city, resulting in a geographical concentration of housing with relatively affordable rents, though the population in these areas is also considerably poorer, resulting in high housing costs for some. While, as mentioned, much of the multi-family housing built in the MP era was low-rise, housing in these more peripheral or suburban areas is often mid- to-high rise which has been contributing to the stigmatisation of the rental housing areas built during the MP era.

Housing Policy to Secure Affordable Housing

Due to the integrated and universalist character of its housing system, Sweden does not – neither on the national, nor on the local level - have a specific policy that directly secures the supply of affordable housing comparable to the social housing system in many other European countries.

Currently, the national rent-setting system serves the purpose of keeping rents in public and private housing in check. Rent levels are negotiated yearly between the Swedish Union of Tenants (SUT) and the housing companies. Rent setting applies to private and public rental housing stock, covering about 90 % of the rental stock, more than three million tenants and over one million apartments. This is the stock for which landlords have signed a negotiation agreement with SUT. Only a minority of landlords (less than 10 %) do not partake in the collective bargain. The negotiations apply to both sitting and new tenants. If landlords want to request a higher rent (higher than what has been negotiated for that year) from a new tenant, they have to initiate negotiations with SUT. Landlords can albeit give tenants options, such as a washing machine or other amnesties that are normally not included in the rent. The additional rent for these mutually agreed options is then not part of the negotiations. Moreover, tenants are free to negotiate rents themselves, even if their apartment falls under the negotiation agreement (Hyregästföreningen, 2023a; Sveriges riksdag, 1978).

The negotiation system is based on a so-called utility-value or value-in-use system, in which rents are based on the comparison of characteristics such as the standard, quality or size of the flat. This means that rents in one apartment are set in the negotiations in comparison with an apartment that has similar characteristics. For new productions so-called presumption rents are used, a clause that enables higher rents for these units: presumption rents indicate that the rent agreed on between the landlord and SUT is valid without further review (and without further comparison). The apartments then cannot be used for comparative purposes in the yearly negotiations to determine the utility value (and thus rent) for other apartments for ten years (Sveriges Allmännytta, 2013). For the rest of the housing stock, negotiations usually result in relatively moderate rent increases around 1.5 %, keeping average rent-levels under market value. This is also because factors such as location are less valued than they would presumably be on the free market (Global Property Guide, 2006). However, access to centrally located and more or less affordable apartments is, as described above, notoriously difficult.

Moreover, in 2005, Malmö, alongside some other cities, has set up its own rent-setting model, the so-called *Malmömodellen*: the goal was to have a more systematic approach to rent setting, introducing a complex system with 180 factors to calculate rent. Within this system location also gained more importance with adverse effects on tenants - the introduction of the Malmö model has coincided with a sharp rent increase, making, as previously mentioned, MKB the second-most expensive MHC in Sweden (Thomasson & Fagerström, 2018).

The municipalities are responsible for managing housing supply and allocation and can support the production and/or sustainment of affordable rents. The latter is mainly related to the conduct of the MHC. MHCs' roles today are ambiguous: on the one hand they are part of the 'public' that is to secure the right to housing in Sweden, on the other hand, reforms and austerity measures in the 1980s, 1990s and 2000s have brought their conduct much closer to that of private landlords. MKB reflects this ambiguous position: while the company holds properties in A- (central, waterfront etc.), B- (attractive location, lower yield) and C-locations (peripheral, mostly MP housing), the proportion of apartments in C-locations has decreased substantially after the legal reforms of the 1990s: between 1993 and 2017 C-location housing has decreased from 40 % to 29 % and A-location housing has increased from 16 %

to 25 % (Gustafsson, 2019). Part of the peripheral housing stock has been divested to large private housing companies (see chapter 2). Moreover, while MKB is one of the very few housing companies in Malmö that still accepts tenants who receive welfare benefits, the numbers they accept are low, particularly in new construction. This means that MKB today is much less likely to cater to the low-income population than it was on the past. As the threshold to enter public housing in Malmö (similar as to the rest of Sweden) is becoming higher, the secondary rental market is growing: the city has a cooperation with MKB, according to which it has to reserve 10 % of their stock for so-called social contracts (Rubin, 2020). Social contracts are an emergency response to the Swedish housing affordability crisis: social services act as intermediaries and enter into rental contracts with housing companies that are then allocated to welfare recipients or other groups that cannot find housing on the regular market (so-called "structurally homeless" populations). This mediation is done by the social services. The majority of social contracts in Sweden is with MHCs, while fewer private companies enter into this form of cooperation (Grander, 2015). 285 apartments were rented through social contracts in Malmö in 2020 and the city has around 1,700 apartments at its disposition for social contracts and other social purposes (Malmö Housing Statistics, 2020).

b. Impact of institutional Investors on affordable Housing Supply

The current phase of rental housing financialisation in Sweden may, similar to Germany, be described as a form of "financialisation 2.0", with stock-listed companies taking over stock from MHCs or more opportunistic, short-term institutional investors and other private landlords (Wijburg et al., 2018). This shift is connected to changes in regulation: in 2011 a new law, known as allbolagen and justified on grounds of EU competition law, commissioned MHCs to act according to 'business-like' principles, i.e. to become profitable. Since the cooperative housing sector was largely saturated by then, sales to private housing companies have increased. Grander and Westerdahl (2019) maintain that almost a fifth of sales to privatisations happened after 2011.

In Malmö, as stated before, the size of the public housing sector has remained fairly stable over the last decades. Nevertheless, financialised landlords have found two main entry points: first, since MKB currently has the tendency to sell housing in low-income areas of the city and instead invest in better-off areas (see section a), financialised landlords may expand into the affordable rental sector. This was the case in 2016, when MKB sold 7 % of its housing stock in a low-income area to a newly formed public-private consortium consisting of MKB itself and three institutional investors (Heimstaden, Victoriahem and Balder, see further below) (Gustafsson, 2019). However, another important entry point for financialised landlords in Malmö have been sales by often Nordic-based housing companies and investment vehicles: for example, the German listed company Vonovia first entered Malmö in 2018 by acquiring stock from Victoria Park, a company founded by a local businessman, who in turn had acquired the same housing stock from a Norwegian asset manager in 2012. For Sweden in general it can thus be said that institutional investors or institutionally backed companies either expand through privatisation or through real estate transfers between private actors.

Size and share of housing stock owned or managed by institutional investors

Malmö's rental housing stock amounts to around 81,000 dwellings. There is no direct account of how much of the housing stock is in the hands of institutional investors or stock-listed companies, though calculated on the basis of the total rental housing stock and considering the larger ones of these financialised companies, it can be derived that they own around 20 % of the total rental housing stock, around 30 % of the private rental stock and about 10 % of the total housing stock (see Table 19). Altough, it is important to note that while the landlords listed in Table 19 may be described as financialised in that they are listed on stock markets and/or backed by institutional capital, there are important differences among them regarding their scope, aggressiveness, source of financing structure and type of institutional backing (see Table 20). If we only consider investment vehicles that are international in scope (Heimstaden, Victoriahem, Balder), these own around 13 % of the rental housing stock and 6 % of the total housing stock in the city. To compare: MKB owns around 26,000 units (around a third of the rental stock) and the family-owned Swedish housing company Stena Fastigheter owns about 6,000 units.

The role of larger players is also reflected in the high transaction volume for Malmö's residential sector: in 2021 - together with Heimstaden's acquisition of the Akelius stock (4,107 apartments) - the transaction volume in the residential sector reached approximately 25 billion SEK (over 2.25 billion euros) (Savills, 2022).

Table 19: Largest stock listed or institutional landlords in Malmö

Name of company	Rental housing units in Malmö	Housing units overall
Heimstaden	ca. 8,200	ca.42,000
Trianon	ca. 3,700	ca. 3,900
Victoriahem/Vonovia SE	1,963	ca. 39,333
Wilhelm	ca. 1,600	ca.28,000
Rikshem	603	ca. 29,000
Balder	ca 500-1,000	Ca. 13,000

Sources: Vonovia Q1 earnings call, Trianon Press Release 2023; victoriahem.se, wilhelm.se; rikshem.se; balder.se

Structure of the Housing Stock

There is no uniformity regarding the housing stock that is in the hands of institutional investors in Malmö, however, a focus Victoriahem (Vonovia SE) and Heimstaden provides a good picture in terms of variety: while the investment strategies of Victoriahem and Heimstaden show similarities (see next section), their geographies of investment in the city are quite different:

Victoriahem-owned dwellings are mostly concentrated in the MP areas at the outskirts of Malmö. These are highly segregated areas that mostly cater to the low- to lowest-income population with a very high proportion of residents with migratory background. These multi-family dwellings are typically up to eight storeys high. Victoriahem mostly owns two- to three-room apartments from the MP era, which hail from the 1960s and 1970s and are renovation needy. The focus on MP areas reflects a wider trend in Sweden: while in 1980 MHCs still used to own and manage 60 % of the MP housing stock, that number has decreased to around 39 % today. In turn the share of private landlords has increased from 15 % to 24 % (victoriahem.se). The ten largest private landlords in Sweden - eight of which are either listed, owned by pension funds or private foundation properties and can thus be described as institutional - have around 62 % of their total multi-family housing investments in the MP areas, which amount to around 12 % of the total living area (Mangold et al., 2020). In Malmö the picture is similar: for example, in Rosengård, one of Sweden's most stigmatized housing areas, out of the 7,000 apartments hailing from the MP era 882 (12.6 %) are owned by Victoriahem, corresponding to the total MP living area owned by the ten largest (and mostly institutional) investors in Sweden. The stock owned by Victoriahem in Rosengård is, moreover, concentrated in one area of the whole neighborhood (Herrgården).

The Heimstaden stock, in contrast, is either located more centrally in the city in already more affluent neighborhoods or in neighborhoods that are gentrifying with the potential to attract young families and couples. For example, Heimstaden acquired Malmö's second highest building, the iconic Kronprinsen building, from the Swedish listed real estate company Akelius. Kronprinsen is located in the western inner city and mostly caters to middle-class residents. However, there is also renovation-need in Heimstaden's housing stock.

Heimstaden's investment geography is somewhat comparable to Rikshem and Wilhelm, who have housing stock relatively widespread throughout the city, including wealthy neighborhoods and areas that are gentrifying or expected to gentrify. Trianon, similar to Victoriahem, is particularly prominent in MP neighborhoods, though their investment strategies differ (see further below). Balder stock can be found in the touristified and expensive city center, the company is also involved in waterfront development. Some of the companies, such as Rikshem and Trianon, are also present in niche markets, developing and/or letting housing for students and youth.

Looking at the total stock of institutional investors, one can broadly observe that residential investments are fairly diversified but can either be found in the MP areas or gentrifying neighborhoods and to a lesser extent in the upscale city center.

Structure of the companies

Table 20: Structure of the largest stock listed or institutional landlords in Malmö

Name of company	Company Structure	Scope
Heimstaden	private property joint stock company (privately owned)	Europe
Trianon	listed on stock exchange (since 2017), main shareholder is the CEO who invests in the company through his own management company	Malmö and surrounding areas
Victoriahem/Vonovia SE	DAX listed, largely backed by institutional capital	Europe
Wilhelm	owned by national, public pension fund	Sweden
Rikshem	owned by private and public pension funds	Sweden
Balder	listed on stock exchange, majority controlled by its CEO, other major shareholder is a Swedish investment company	Nordics

Source: heimstaden.se, trianon.se, victoriahem.se, wilhelm.se, rikshem.se, balder.se

Management strategies

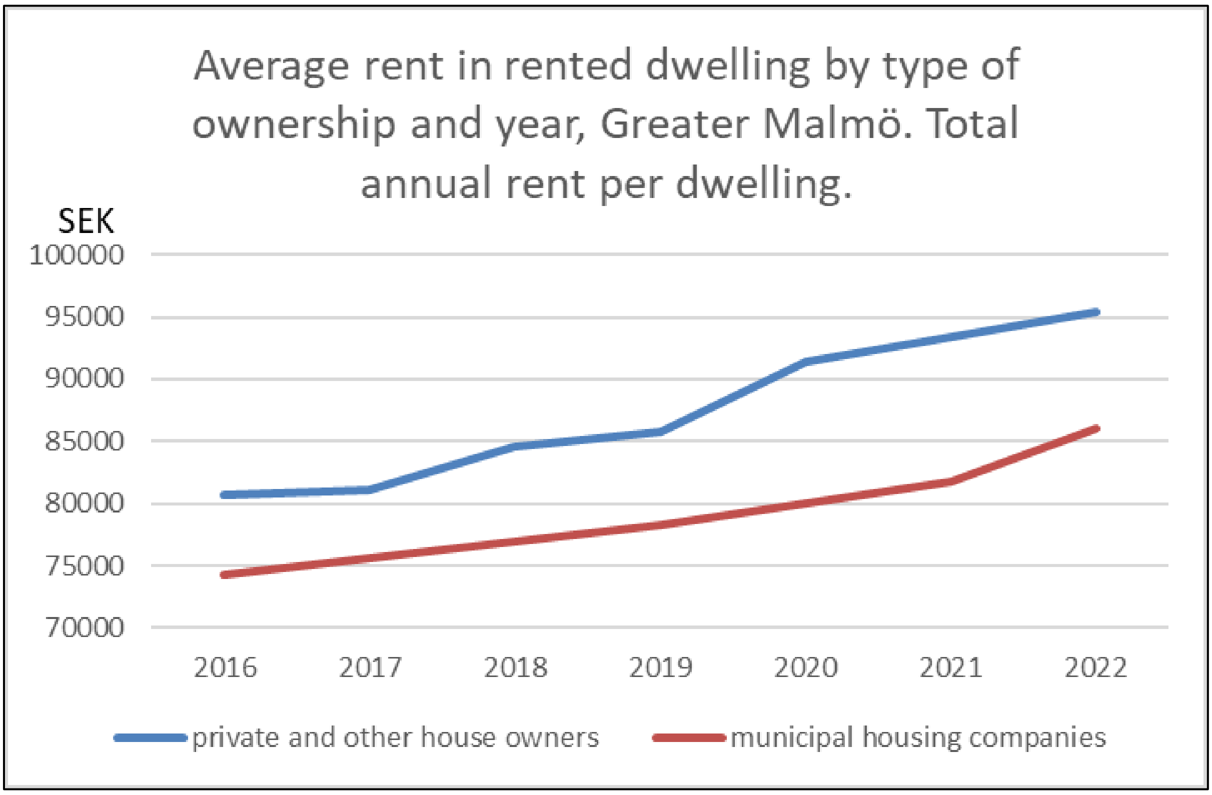
Apart from efficiency gains, so-called 'concept renovations' are institutional investors' main investment strategy in Sweden and Malmö (Gustafsson, 2021). Concept renovations enable both valuation gains and rent increase and are pursued by all actors discussed, except Trianon:

- **Efficiency Gains:** Particularly companies with large housing stocks, such as Vonovia, make considerable gains due to the economics of scale: costs are reduced through standardisation, automatisation and digitialisation. This often comes with reduced service quality. While in Germany, many complaints have been raised regarding the faulty billing of ancillary costs, in Sweden, where rents are mostly 'warm' (ancillary costs are not calculated separately), complaints frequently concern maintenance and repair as well as access to the landlord (also seen below). As these practices go at the expense of a long-term sustainability of residential arrangements, they can be described as "milking".

- **Concept Renovations**: Concept renovations refer to renovations that mostly focus on the interior of the apartments. Landlords typically conduct these when apartments are vacated within the span of around six weeks. This strategy is directly related to the Swedish utility-value system which does not allow for rent increase for maintenance or environmental measures, but for standard-increasing measures such as new appliances, floor heating, a new kitchen etc. These forms of renovations typically leave out trunk exchanges and other structural maintenance. Rents after concept renovations can increase between 30 % to 60 % (Polanska & Richard, 2021). Concept renovations are particularly prominent in MP neighborhoods due to past neglect and the age of the buildings. This is what makes the MP stock so attractive to institutional investors. Concept renovations are directly connected to valuation gains, issues around maintenance and rent increase.

- **Valuation gains:** As in other contexts, the potential market value of the companies is increased through a higher balance sheet valuation of the housing stock in the annual business reports. These balance sheet valuations create leverage for borrowing, which in turn enable further expansion. Heimstaden's acquisition of the Akelius stock, for example, was heavily debt-financed (Lindvall, 2021). Vonovia's forerunner, Victoria Park, increased its value by approximately 17 % within three weeks after the acquisition of housing stock in Rosengård (Westerdahl, 2021). This is not only due to the expansion of the portfolio but the expected increase in rents and property values after future renovations (Christophers, 2022).
- **Neglected Maintenance**: SUT suggests that concept renovations result in neglected or delayed maintenance: spending on maintenance per sqm by private providers is considerably lower than the spending of MHCs. 2015 data shows that MHCs spent around 222 Swedish Crowns (SEK) per suqaremteer (/sqm), while privates only spent 161 SEK/sqm, the average in Sweden being 180 SEK/sqm. SUT in an analysis of five large private providers finds that the numbers for these providers were even lower, with the average just having been over 70 SEK/sqm in 2018 (Olsén & Björkvald, 2019, p. 17). Notably all five companies under scrutiny in the report were listed companies or institutional investors, including the now Vonovia-owned Victoria Park, Heimstaden, Rikshem and Wilhelm. Moreover, all of them were employing concept renovations as their main investment strategy.
- **Rent increases:** Concept renovations can lead to sharp rent increases. MKB also engages in rent-increasing renovation, however, a comparison between private providers and MKB shows that overall rents in private rental are higher (see Figure 13). While there is no data that singles out institutional investors, given their share in the market, it can be inferred that listed and institutional investors play an important role in pushing rent-levels in the city up.

Figure 18: Rent price by type of ownership



Source: Statistics Sweden (SCB).

Among the listed companies, Trianon can be named as somewhat of an exception. Its main focus, so far, has been on the (re-)production of affordable housing. It has also become prominent through its attempt to renovate housing stock in MP areas without triggering too much rent increase. Nevertheless, since the company went public in 2017, it remains to be seen how its business model will evolve in the coming years (Westerdahl, 2018).

New Construction

Malmö is one of Europe's fastest growing cities, accordingly, demand for new production is high, however typically caters to middle- and upper-class tenants. In 2022, 2250 new dwellings were produced and construction for another 1300 units has started the same year. The majority is in urban growth areas of Malmö, sometimes in the context of larger urban transformation zones such as in Hyllie, a district located the southwestern edge of the city, connecting Malmö to Copenhagen. Often these projects are marked as projects with "high sustainability profiles", promoting climate and energy efficiency. MKB is currently involved in the construction of 959 new dwellings, 105 of which are student housing. Institutional investors have either recently produced or are planning around 967 units. This number also includes units for which construction has not started yet.

Victoriahem is only marginally involved in new housing production in Sweden, which is aligned with their strategy to renovate existing stock. While Heimstaden renovates too, new production is a more vital part of their business model, though the numbers in Malmö are relatively low, compared to the total housing stock owned by the company. All in all, the companies who have limited their operations either to Sweden or the Nordics are more involved in new supply and are particularly active in the before-mentioned urban development areas of the city.

Trianon's projects also include social purposes and target niche markets such as shared housing and housing catering to youth.

One of the most prolific planned productions in Malmö is the *Culture Casbah* tower in the stigmatized Rosengård neighborhood. *Culture Casbah* is a project by Rosengård fastigheter, a public-private partnership company owned in equal parts by MKB, Victoriahem, Heimstaden and Balder and founded in 2016. The tower is planned to be located between the residential areas of the neighborhood and the newly built train station. Rosengård fastigheter already operates around 1,680 rental units in the neighborhood, transferred from MKB in 2016 and marking one of the largest waves of privatisation in the city (7 % of MKB's total housing stock) (Gustafsson, 2022). The tower is supposed include around 200 apartments and 30 retail spaces. However, construction has been postponed several times and whether and in what form the project will be realized is still up for debate (Wahlstedt, 2022).

Table 21: Construction activities of the companies

Company	**Type of construction activity**	**Recent, current or planned construction**
Heimstaden	Development of new rental apartments in Kronprinsen building in the western inner city (total: 730 apartments);	72
Trianon	Development of rental apartments in two urban growth areas to be finished in 2023. The company also plans 391 new youth apartments to be sold to Wilhelm, the project is expected to finish in 2027.	138
Victoriahem	No construction planned in Malmö outside Rosengård fastigheter	0
Wilhelm	Recently finished projects in the centre of Malmö (22 units, 2021), Hyllie, a newly developing area (226 units, 2018) and	248
Rikshem	Development of rental apartments in Malmö's former industrial, now residential and growing, area of Sorgenfri, to be finished in 2024.	260
Balder	Planned rental apartments in one of Malmö's urban growth areas (104 units) and one finished project in Hyllie (70 units, 2019)	174
Rosengård Fastigheter	Rental units in Culture Casbah. Planned construction start: 2025.	ca. 200
Total		967

Source: heimstaden.se, trianon.se, victoriahem.se, wilhelm.se, rikshem.se, balder.se, rosengardfastigheter.se

All in all, one can observe that new production is mostly concentrated in new development areas, catering to better-off residents. The city together with private developers, on the other hand. is trying to create 'especially affordable' housing through initiatives such as Mallbo (see discussion in section a). These niche projects, albeit, are unlikely to alleviate the broader mismatch between demand and supply in the city.

c. Policies and Regulations directed at Institutional Investors

Similar to other contexts, housing market regulations in Sweden and Malmö have not been developed to target institutional owners. Be that as it may, the current influence of these landlords has put more attention on the (in)adequacy of the existing political and legal framework. While Sweden is characterized by strong local governance and autonomy in relation to the conduct of municipal housing companies, construction and planning, policy instruments in rental housing mostly work on the national scale. There are, however, a few interventions and regulations that have been initiated by Malmö municipality. Accordingly, both – the national and local context- will be discussed in this chapter.

Existing Instruments on the National Level

The following table gives an overview about major instruments on the national level, their effectivity as well as interventions and debates:

Table 22: Overview and Effectivity of major instruments on the national level

National Policy Instruments/ Regulation	Effectivity regarding institutional investors	Interventions regarding existing instruments
Rent setting	Little effect regarding renovated or partially renovated apartments where rent can be raised above the negotiated rent, see section b	Governmental proposal (Prop 2020/21: 201) to legislate stepwise rent-increase after renovation was rejected in 2021.
Rent Tribunal	No effect, tribunals mostly decide in favour of the landlord. Tenants must be motivated to enter legal conflict.	New regulation that enables rent tribunals to order landlords to remedy deficiencies, such as delayed or deficient maintenance (Sveriges Riksdag, Civilutskottets betänkande 2021/22:CU2)
Housing Administration Act: Administrative orders in case of mismanagement	No effect since hardly used	New regulation that enables rent tribunals to order landlords to remedy deficiencies, such as delayed or deficient maintenance (Civilutskottets betänkande 2021/22:CU2)
Expropriation law	Has not been used against institutional investors in rental housing.	None
Environmental Agency	Only relevant if the management of the housing stock poses a health or environmental risk and tenants complain, often extreme cases. Agency can check living environment and order landlord to remedy situation.	None
Social contracts between social services and landlords to provide housing for vulnerable groups	Larger institutional investors, such as e.g., Heimstaden, sometimes engage in social contract renting, also to signal collaboration with the municipality. Overall, however, few private landlords accept tenants via social contracts.	Increase of social contracts in some municipalities

Source: Own compilation of data

There are three main takeaways from existing national policies and regulations:

First, existing regulations and policies in Sweden, though often intentioned to protect tenants, are not only ineffective but sometimes further jeopardize tenants' *rights*. This has become apparent in the context of an increasingly privatised and financialised housing market. A case in point is the Swedish *rent-setting system* (see section a):

Particularly when it comes to the MP housing stock, where many institutional investors are active, negotiations sometimes come to a halt because owners ask for a too-high rent for renovated apartments - rents that SUT does not want to accept. SUT then has to engage in renegotiations for these 'stranded' apartments which requires additional resources as well as prolonged times of uncertainty (Interview with SUT head negotiator, September 7, 2022). In the meanwhile, SUT encourages tenants to not pay the higher rent and take recourse to one of the regional rent tribunals, if necessary. The Swedish *rent tribunals*, on the other hand, are another example of ineffective tenant protection:

There are eight regional rent tribunals, one of them located in Malmö, which are commissioned with handling disputes between tenants and landlords. The goal is mediation, but in cases where no agreement can be reached, the tribunal decides. It has been widely noted that the vast majority of the rent tribunals' decisions are in favor of the landlord. In cases in which the landlord wants to carry out renovations, decisions in favor of the landlord are around 90 % (Baeten et al., 2017). Moreover, Swedish researchers have also found that the tribunals tend to interpret existing law in ways that prioritize the economic interest of the landlord and future tenants over that of the sitting tenant (Polanska & Axen, 2021). The result is that tribunals have turned into tools that protect landlords and in specific institutional investors who more frequently engage in standard-increasing concept renovations. Tenants are thus discouraged from entering into these legal battles, even more so if they have less resources as is often the case in the MP neighborhood (Interview with SUT head negotiator, September 7, 2022).

Second, the tools that exist shift responsibility to tenants and are mostly reactive rather than preventive: for example, complaints around maintenance issues that lead to health and environmental risks such as mold, dampness or broken ventilation can be filed with the local *environmental agency* (*Miljöförvaltning*). The agency then follows up on these cases. One result is that only extreme cases of negligence come to the fore while more moderate issues remain unseen. This was for example the case in Malmö in 2008 when the Norwegian asset manager Acta made headlines for grossly mismanaging 867 rental apartments in the city's working-class, immigrant-dense and severely stigmatized Rosengård neighborhood. Tenants had to deal with issues such as cockroaches, before the environmental agency intervened. The stock was then sold to Victoria Park, Vonovia's (Victoriahem's) predecessor in 2013. On the other side other reactive, however, more 'last-resort' instruments such as *administrative orders or expropriation* are hardly used.

Similarly, *municipal social contracts* (see section a), which first emerged in the 1980s and have since grown in quantity, are a reaction to problems in the Swedish housing sector perpetuated by privatisation and financialisation: since compared to MHCs private landlords are less likely to let to economically weak tenants and often do not register with the regional rental allocation platforms (e.g. Heimstaden has its own queuing system), social contracts serve as a form of emergency response to avoid homelessness. But these tools do not aim to alter the underlying legal framework and ownership structure that causes the lack of housing for the most vulnerable groups in the first place (Grander & Frisch, 2022).

Third, despite ongoing debates around better tenant protection it can be observed that liberal political forces in Sweden are pushing for a further deregulation of the market or, at least, do not accept more regulation. One argument is that it is the Swedish rent-setting system which does not allow for landlords to raise rents for structural or regular maintenance that motivates landlords to excessively renovate. Accordingly, proposals to limit landlords' ability to raise the rent after renovation have been rejected in parliament (Prop 2020/21:201). Another example has been the 2021 governmental proposal to introduce 'market rents' for housing built after July 2022. Rents for these apartments would then not be subject to the yearly negotiations with SUT which would, according to proponents, motivate developers to build more rental housing. The Left Party, in opposal to this, stalled the proposal by threatening to withdraw their vote of confidence from the red-green minority government. The government, in fact, fell and reassembled with the proposal being withdrawn. Even so, under the current, 2022-elected conservative-liberal coalition, a similar suggestion could resurface.

Existing Instruments in Malmö

Tools to regulate the local housing market in Malmö are typically steered towards new production and allocation for vulnerable groups. Some officials in the social democratic municipality have suggested that the lack of means-tested social housing is a problem:

"*There is a mismatch between the market and the needs of the population. We will not be able to [serve lower-income populations] without social housing under the current circumstances. We need to target certain groups." (Interview with Representative for Housing Supply, Malmö Stad, 6 September 2022)*

While Sweden's legal framework and its unitary system do formally not allow for social housing as it exists in other European countries and the introduction of social housing is politically contested, municipalities do create de facto social housing either through social contracts (see previous section and section a) or through other initiatives. In Malmö, the *Mallbo* project is such an instrument (see section a). However, the goal here is not to regulate institutional landlords but to create additional channels of supply to counter the mismatch between expensive new production, rising rents in the existing stock and the need for affordable rental. This is then either done through agreements with private developers or with MKB.

Related to *Mallbo* is the city's more comprehensive 2020 decision to compel developers who want to build rental housing in the city on municipal land to allocate one-fifth of their stock (newly built or old) to vulnerable groups via social contracts or to allocate it for other social purposes. Part of this decision has also been to force developers of new rental to market at least half of their stock on the regional allocation platform *Boplats Syd.* Many private landlords, including the large institutional investors in the city such as Heimstaden and Balder, do not allocate housing through *Boplats Syd*, which leads to a concentration of better-off tenants in private rental. This is because the private housing companies' own allocation method is rather intransparent and seems to favor middle-class tenants (Wahlgren, 2020; Kadıoğlu, 2021). However, since companies such as Victoriahem are only marginally involved in new production, these interventions do not affect them.

d. Policymaking under the Conditions of Financialisation

Institutional investors in Malmö and Sweden, as in other cities and countries, while having no official say have increased their influence in public discourse, particularly when it comes discussions around how to (re-)organize the rental sector and motivate new production. The chapter will discuss the issue in three sections.

Interest representation

Like Germany, the Swedish housing regime has been categorized as corporatist and has historically been based on a strong alignment between the public housing sector, SUT and the country's social democratic legacy (Bengtsson, 2006; Lundqvist, 1988). Rent controls in Sweden were already abolished in 1957 and replaced by the rent-setting system and a supply-oriented housing policy, as exemplified by the MP (see section a). In the post-war period this system worked well in terms of providing affordable housing. Nontheless, under the neoliberal reforms since the 1980s the social democratic alignment has shifted, putting both the public housing sector and SUT under considerable pressure. The following organisations are important to understand the actor landscape:

- **Sveriges Allmännytta/Public Housing Sweden** (before 2019 know as SABO): an interest- and industry organisation representing the over 300 municipally owned companies across Sweden (almost one million apartments). Their goal is to support members, for example with information on maintenance costs and other issues.
- **Fastighetsägarna/Property Owners**: an interest- and industry organisation representing over 15,000 private landlords (of 45,000 in total). They support members in issues such as the rent-setting process, management or legal questions.
- **Hyregästföreningen/The Swedish Union of Tenants (SUT)**: while often referred to as union in English, SUT is the interest organisation of tenants in Sweden, both private and public. Members receive bureaucratic, legal and/or political support in issues such as rent, renovations and maintenance. While not all tenants are members of SUT (in fact, only about a fifth are), the rent-setting negotiations cover over 90 % of the total rental housing stock. SUT's historical role in the rent-setting process distinguishes it from its European counterparts.

Crucially, Sweden's largest institutional investor and private landlord, Heimstaden was among the first private landlords to become a so-called "associate member" of Public Housing Sweden (PHS) in 2019. Victoriahem (Vonovia) followed in 2021 and the Malmö-based Rosengårds Fastigheter, which is a merger between MKB, private and institutional landlords, became an associate member in 2022. This form of membership is new and indicative of the increased role and political ambition of institutional landlords on the Swedish housing market. From PHS's perspective the decision signalled an attempt to render private actors more accountable and socially responsible (Sveriges Allmännytta, 2021a).

Institutional landlords are also represented in Fastighetsägarna, although one could argue that PHS has a more dominant role in influencing the public discourse on housing. Moreover, PHS and Fastighetsägarna are not necessarily at odds with each other, particularly when it comes to rent negotiations and related issues.

Strategies to influence public discourse

The strategies of institutional landlords in Malmö are related to their geographies of investment. Victoriahem, for example, has most of its housing stock in the MP areas and here has mostly overtaken the discourse of its predecessor in Malmö, Victoria Park: it presents itself as sustainable, long-term landlord that not only owns and manages housing but “uplifts” MP neighborhoods. The company has its own website titled “We lift Millionprogram Neighborhoods” in which it describes and promotes its engagement (https://vilyftermiljonprogrammet.victoriahem.se). It has also established a so-called tenant ombudsman, a contact person for tenants in case of unresolved complaints. In the market rent debate that erupted in 2021 (see section c), Victoriahem was rather passive, working mostly through press releases to clarify their position: in this case they emphasized their preference for a regulated rental market, which is also due to their marginal engagement in new production (Victoriahem, 2021). All in all, Victoriahem thus tries to promote itself as a reliable actor in the management of affordable housing, typically shying away from entering direct confrontation with political actors or tenants.

Together with other private landlords Heimstaden has recently - i.e., in the context of the cost-of-living crisis - been lobbying for the introduction of social housing in Sweden, arguing that this is the only possibility to serve lower-income groups effectively (Persson, 2022). Heimstaden’s chef of social policy has also urged municipalities to adopt other measures to encourage new development, such as to prioritize densification projects, lower land prices and streamline building permit processes (Persson, 2023). Heimstaden is arguably more vocal regarding issues around new production because the company is planning or is in the process of developing over 5,000 rental housing units across the country, while for example Victoriahem is only engaged in the development 380 units.

Other institutional investors and listed companies such as Sweden-based Rikshem, Wilhelm and Trianon, have, similarly to Victoriahem, emphasized their positive role in sustainably renovating ageing housing stock (particularly in MP areas but not only) and catering to niche markets for students, youth or the elderly. This has mostly been done through their websites.

While so far institutional investors had no uniform PR-strategy or demands, somewhat of a turning point emerged in 2022 and 2023: several private landlords requested a historically high rent increase of around 10% in the yearly negotiations. Normally rents after negotiations rise around 1-2 % (rent increases for renovations and extra amnesties excluded). On the forefront of this request were institutional landlords. Again Heimstaden has been most vocal, expressing that costs have risen more than rents, warranting such an increase (svt nyheter, 2022). This is likely to set a precedent for other private landlords since Fastighetsägarna has even argued that an increase of 20-25 % would be necessary.

In Malmö, after long months of negotiations an agreement was reached at 5 %. This was already one of the highest rent increases negotiated in the country. However, in April 2023, Heimstaden, Wilhem, Trianon, Rosengård Fastigheter, and Victoriahem as well as another private company and a real estate agent requested a renegotiation, suggesting that another 2 % should be added as of July 2023. SUT has started a campaign against the request calling on members and tenants to participate in public protests. While legally SUT is required to renegotiate, requests for renegotiation are extremely rare and have not occurred in the last two decades of rent-setting (Hyregästföreningen, 2023b).

Challenges to institutional investors

Since the 1980s the trend in Sweden has been towards deregulation of the housing market rather than re-regulation. Interventions that exist are mostly steered towards new production and, to some extent, allocation. However, particularly in the last years a fervent public debate has erupted within grassroots movements as well as in academic circles and SUT. A focus of this debate were /are the renovations, which have been criticized for public as well as private housing. Scholars have borrowed the term “renovictions” from Canadian activists to signal the devastating consequences renovation-induced rent-increases can have on individual tenants as well as the social geography of Swedish cities (Molina & Westin, 2012). In this context, a debate on the role of larger institutional landlords, specifically Victoriahem (Vonovia), has started. In a MP neighborhood in Stockholm tenants have, inspired by the campaign in Berlin, demanded the expropriation of Victoriahem due to negligence (Kellecioğlu, 2021). So far, these more radical debates have had little political support. In Malmö, activists have also demanded a rental freeze. However, compared to Berlin, these demands are less visible to the broader public.

All in all, one could argue that the relation between civil society, tenants and institutional landlords has become even more strained in the context of worldwide inflation and rising interest rates. As landlords have become more aggressive in their discourse and demands, it remains to be seen how interest organisations such as SUT as well as grassroots movements organize in response.

e. Summary

Despite the fact that Malmö is only Sweden’s third largest city, the affordable housing crisis is pertinent: tenants are affected by rising rent levels and long queuing times, often pushing them into the precarious secondary rental market while owners of cooperative housing more recently have started to suffer from increased interest rates and inflation. The effects of this on the tenure structure of the city remains to be seen. Malmö’s housing crisis is characterized by a mismatch between the - already slow and costly - new production and the demand for affordable rental for lower-income population. In Malmö this is particularly problematic given the economic vulnerability of its population. The city tries to intervene with measures such as social contracts or specific projects targeting these populations, yet these do not alleviate the general problem of access and affordability. Private actors play an ambiguous role within this setting:

Institutional investors have found ways into Malmö’s housing market either through public housing privatisation or other private landlords selling their stock. Transnationally active instiutional investors and listed companies are particulalry prominent in MP areas as well as in neighborhoods that are under gentrification pressure. The piled-up maintenance and renovation-needs of the MP housing stock coupled with demand for affordable rental provide opportunities for landlords such as Victoriahem to profit through organic and renovation-driven rent increases in conjunction with valuation gains. Landlords such as Heimstaden have also been prominent in gentrifying or middle-class areas of the city, having either bought from smaller landlords or, as was the case with Heimstaden, taking over portfolios from previous institutional investors. They engage in similar renovation strategies as landlords more active in the MP areas, but also are also active in ‘upscale’ neighborhoods through other interventions such as the redevelopment of the shopping area within Malmö’s iconic

Kronprinsen building. All in all, these strategies enable institutional investors to “game” (Wijburg et al., 2018) with Sweden’s rental system.

Lastly, as bigger and longer-term (though not necessarily long-term) players enter Malmö’s housing market, their impact on political discourse and possibly on housing policy becomes more pronounced: some institutional investors have been very vocal about lobbying for the introduction of social (instead of universal and public) housing to Sweden. Others, active in the MP areas, have asserted their role as ‘neighborhood developers’ with a mandate that goes beyond housing and includes issues such as increasing employment. The city, to some extent, tries to steer landlords and developers (institutional, public or private) into providing or constructing affordable rental housing, however, these efforts are unlikely to solve the deeply ingrained housing inequality and segregation in the city.

8. Milan: housing financialization amidts state retrenchment and planning liberalization

a. Milan's Housing Policy Context

Italy represents an instance of a Southern European housing system. The high homeownership rate largely depends on the strategic role of family networks in housing provision and, even if less so in recent decades, on informal mechanisms of housing production and distribution (Arbaci, 2019; Chiodelli et al., 2021) which compensate for the reduced accessibility of a comparatively more regulated credit system. Due to the dualist structure of the rental system, private rental housing is a secondary option mostly under the control of small private landlords, which has traditionally coexisted with a residual and separated fully state-subsidized and fully de-commodified social rental housing stock that is owned and managed by public entities (public housing, hereinafter). Housing policy in recent decades has strengthened these trends following a peculiar yet radical path of neo-liberalisation (Coppola, 2012). A variety of incentives and fiscal policies have continued to provide support for homeownership, while the setting of rents has been completely liberalised. Public housing has been partly privatized through the promotion of right-to-buy programs. State withdrawal from public housing production and funding went hand in hand with a transfer of responsibilities to the regional governments (See figure 1 in the annex). Within this framework, in Lombardy, the regional government has tried to attract private investments to compensate for the national government's financial retrenchment through the shifting away from traditional public housing and the partial marketisation of social housing production and provision, favoring both an unprecedented involvement of private and corporate actors and the proliferation of new quasi-market social housing solutions.

As these changes have strengthened the dualist structure of the rental housing system, housing hardship and exclusion have become significant issues, especially within the lowest income quintile of the population and in large metropolitan areas. Increases in the rent prices have made market rents hardly affordable for low-income households while turning mortgage loans into a competitive alternative to the private rental market. However, the relatively strictly regulated structure of the credit system keeps mortgage loans out of the reach of low-income households. Given the increased residualism of public housing, market rents have thus become a forced yet unaffordable choice for the lowest income quintile of the population, where Italy shows one of the highest percentages of households living in market rental housing accommodations among European countries with dualist rental systems (28.3 %; OECD, 2020). High incidences of housing costs on income, long waiting lists for public housing, high numbers of evictions, and significant overcrowding rates among particularly deprived groups, such as immigrants, are thus the most visible features of a housing crisis that is increasingly gripping large metropolitan areas.

An increasingly unaffordable housing city

Milan is the poster child of this metropolitan housing crisis. As the second largest Italian metropolitan city, differently from many others, Milan is characterized by stable population growth and housing demand. Rising real-estate and rent prices in recent years (see table in annex) have attracted increasing attention and are becoming a significant source of public controversy. However, collective action by social movements and institutions remains quite limited. Claims that the new housing question involves growing swaths of the middle class are also becoming common among politicians, policymakers, and media outlets. The recent reversal of a decade-long demographic expansion due to internal migrations is mainly seen as the outcome of unsustainable housing costs. Since 2004, new rents have risen from an average of 8.5 € per sqm to 12.5 € per sqm/month in 2022, and average prices have risen from 2,700 € per sqm/month to 3,800 € per sqm/month in 2020 (Agenzia delle Entrate, 2022). While there is no reliable assessment of the affordability of current rents and mortgages for households living in the city, data on the waiting lists for public housing - 25,000 households in 2019 - and the incidence of evictions confirm the existence of a cohort of severe housing deprivation. Eviction orders issued in Milan were at 1,706 in 2021 years (Ministero dell'Interno, 2018), after having shown a slight reduction during the pandemic (see Figure 24 in the annex).

A city of homeowners, with a liberalised (and evermore dualist) rental housing market

The housing crisis largely depends on the scarcity and increase in price of rental housing supply. Most residents in Milan own their dwellings, with a steep growth in the last decades. In 2019, about 70 % of households lived in over 500,000 owner-occupied dwellings and only 25 % in the nearly 185,000 rented housing flats (see table 23). The rented property ownership structure is fragmented (see table 24). In 2011, the year of the last national census on dwellings, 87,741 rented dwellings were owned by individuals, 54,215 by public housing entities and 27,679 by private collective entities, including firms and cooperatives (Istat, 2011) (see table 24). Besides public housing entities, large housing stocks under management are an exception which generally belong to health institutions, social security organisations and real estate funds (For Rent, 2016). Over 30,000 dwellings are intended for uses that differ from rent, including (mostly family-provided) rent-free housing.

Table 23: Rented properties ownership patterns

Census year		Individuals	Firms	Housing cooperatives	State, Regione, Municipality and Social Security Entities	Other	Total
1991	%	43	5	4	32	16	255,231
	N	108,593	12,617	9,415	82,343	42,263	
2001	%	42	16	4	36	2	203,419
	N	85,632	32,639	7,953	70,759	6,436	
2011	%	50	12	4	31	3	174,542
	N	87,741	20,467	7,212	54,215	4,906	

Source: Own compilation of data

Rental housing market regulation in Italy is less strict than in other European contexts due to the strengthening dualist structure of the rental housing system. Rents were progressively liberalized between 1992 and 1998. The 1998 Rental Housing Reform (Law 431/1998) abolished rent-control mechanisms and established two main contract types for the private rental market, the free-market and the agreed rental contracts. New short- and mid-term rental contracts were also envisaged only for specific circumstances (i.e. students and workers requiring short-time accommodations). The free-market rental contract sets rents based on market dynamics and has a fixed duration of four years, renewable once for four more years. Agreed contracts are aimed at mitigating rent levels, especially in large urban areas, and have a duration of three years, being renewable once for two more years. Landlords can opt for agreed rental contracts on a voluntary basis, thanks to periodically renewed agreements between tenants' unions and landlords' associations at both national and city levels. In the case of Milan, the local agreement sets minimum and maximum rents per square meter according to 12 geographical areas identified based on market rent price variations. For each area and for different dwelling typologies, three rent brackets – maximum, medium, and minimum - are identified. An ad-hoc local agency provides landlords that recur to the agreed contracts with a range of national and local incentives, such as a 10 % tax on rental income as opposed to the 21 % standard rate, plus a 50 % rebate on the local real estate tax (IMU) and a reduction in the registration tax. Besides tax breaks, the city government's agency can grant landlords a 2,000 € incentive when opting for an agreed rental contract, plus a 4,000 € retrofitting contribution, and support from an insurance fund that can cover up to 18 months of unpaid rent. Despite these incentives, however, the voluntary adoption of agreed rents still represents a very marginal portion - roughly 5 % - of the overall contracts currently existing in the local rental housing market (see Table 25). Just a few large professional landlords - including one important foundation, Fondazione Policlinico, and one large private entity – have indeed opted for the agreed contract until today. Unfortunately, given the lack of aggregated data on the levels of all registered rents, it is not possible to have any idea of how many "free market" rent contracts could be considered relatively affordable because at a price level equal or below that of the "agreed rent" ("de facto social housing", i.e. dwellings that are not part of the social housing institutional supply but that, for whatever reason, are at or below the price level of social housing).

Table 24: Tenure distribution in Milan

Census year	**Homeownership**		**Rent**		**Other**		**Totale**
	N	**%**	**N**	**%**	**Altro titolo**	**%**	
1991	294,982	51	255,231	44	26,564	5	576,777
2001	347,353	60	203,419	35	32,563	6	583,335
2011	387,710	64	174,542	29	42,255	7	604,507
2019	504,563	70	183,227	25	32,734	5	720,524

Source: Own compilation

Increasing residualism of public housing and the partial marketisation of social housing supply

As mentioned, the dualist structure of the rental housing system in Italy and Milan entails that the liberalised private rental market coexists with a separated and increasingly residualised public housing supply which is the only option for but only marginally provides answers to the share of low-income households excluded from both mortgaged homeownership and private rental housing.

The public housing stock in Milan is a historical legacy of the expansionary phase of the Italian social housing sector which, despite its increasing residualism due to the partial privatisation process that has taken place since the late 1990s, still represents a critical alternative for low-income households to the private rental market. It comprises dwellings that are either owned and managed by ALER, Azienda Lombarda Edilizia Residenziale (a regional public housing company) or owned by the city government and managed by the municipal property manager MM, Metropolitana Milanese. In 2023, ALER and MM owned a total of 62,057 dwellings, 8,012 of which were empty because of lack of upkeep and investment (Comune di Milano, 2023). The average monthly rent in public housing was 153 € in 2020, that is 27.52 € a year per square meter (2020, ALER website). However, according to their socio-economic conditions tenants are subdivided into four rent brackets with significant variations in the rent/income ratio and minimum rental value threshold, ranging from a minimum of 20 € per month to quasi-market prices for tenants with the highest incomes. Due to the its residual nature, the public housing stock houses a substantial share of tenants in severe deprivation who largely cannot afford the entire amount of housing costs – including utility bills and heating. This has led a portion of the most deprived tenants to massive indebtment making ALER unable to provide maintenance services and support for tenants in rent and utilities arrears. Since 2001, ALER thus eroded about 12 % of its residential stock to handle budgetary shortfalls while a vacancy problem has worsened due to the lack of upkeep and renovation. Alongside this public housing stock, social housing cooperatives represent a marginal segment in Milano, which includes only 7,000 dwellings.

In this context, based on policy innovations that have been put in place at the regional level - especially in Lombardy - a new generic legal umbrella concept of 'social housing' was introduced at the national level in 2008. According to the national legislation (DM 22/04/2008 MIT), Edilizia Residenziale Sociale (ERS) – i.e. the new umbrella definition of social housing - includes a wide variety of fully de-commodified and quasi-market social rental housing solutions that are eligible for state incentives and co-funding schemes. Therefore, it comprises a plurality of tenure models ranging from traditional public housing which is under the management of public entities to quasi-market social housing solutions which can be equally provided by public, private or non-profit actors. Quasi-market social housing solutions that have been introduced by the regional government include a variety of tenure models which can be summarized as in Table 26.

Table 25: Social Housing categories (Edilizia Residenziale Sociale, ERS)

Category (Italian)	Description
Edilizia Convenzionata in vendita di tipo agevolato	Dwellings to be sold at below market price
Edilizia Convenzionata in locazione con patto di futura vendita	Rented-to-buy dwellings
Co-abitazioni con servizi condivisi	Co-housing
Edilizia in locazione a canone convenzionato/moderato/concordato	Dwellings to be rented at below market prices
Residenze convenzionate per studenti universitari	Student accommodations at below market prices

Source: Own compilation

Social housing is defined as a “residential unit used in permanent or long lease” (for a minimum of 8 years) and is aimed at enhancing "social cohesion" by reducing the housing costs for households unable to access rental housing at market prices. As mentioned, it includes both new quasi-market social housing and already existing public housing estates, but also temporary housing solutions (such as accommodations for evicted households and for students). Quasi-market social rental housing differs from Public Housing based on the targeted population. Quasi-market social rental housing, in fact, addresses households who cannot afford rents or mortgages on the private market but, at the same time, are not eligible for public housing. Due to the aforementioned national legislative changes, the new regional legal framework made public, private, and non-profit providers equally able to provide social rental housing thanks to the introduction of a “limited-profit regime”, entailing a combination of public incentives, co-funding and private investments. New quasi-market social rental contracts were thus introduced as alternatives to traditional public housing. They were conceived as new social housing solutions that could enable housing providers to get yields on social housing production, thus creating viable conditions to replace state funding with quasi-market investments.

The Regional Law 27/2009 and the Regional Regulation 4/2004 introduced the so-called “moderate rent” which provides an example of the shift towards a limited-profit regime in social housing production. This new rental housing supply clarifies the difference between traditional public housing which is still the major share of the social rental housing stock in Milan, and quasi-market housing solutions which represent the large majority of new social housing production. While public housing contracts are permanent rents intended for tenants with incomes below 16,000 € per year and are calculated based on household income, moderate rental housing has an eligibility income bracket ranging between 14,000 and 40,000 € per year. Being quasi-market solutions, rents are calculated based on the dwellings' attributes and location and contracts have a duration of four years, renewable once for a maximum of four years.

Quasi-market social rental housing contracts were generally designed as rents able to not only cover the providers' construction and managing costs but also create a limited-profit return for landlords and investors (Belotti, 2017). At the same time, the whole spectrum of social housing solutions has been turned into a planning standard by the new regional land-use planning framework (RL 12/2005). Planning gains and free transfer or lease of public land as incentives have thus also become the local government's main tools to boost the private or non-profit production of social housing (Belotti & Arbaci, 2021).

Table 26: Canone Moderato Rent levels

	Peripheral area			Semi-peripheral area			Central area		
Floor	**ground**	**middle**	**top**	**ground**	**middle**	**top**	**ground**	**middle**	**top**
€/mq/year	60	63.27	66.6	63.27	66.79	70.3	66.6	70.3	74

Source: SICET, a Tenants' Union

The minimal impact of supply-side measures for private rental housing tenants

One of the key components of the 1998 housing market reform was the introduction of a rent subsidy scheme aimed at supporting households in accessing a liberalised rental market. However, such a scheme never became a consolidated component of Italy’s housing policy. It was ill funded at best, if not completely defunded as it also happened in the last budget law. In this lack of a national policy, the regional and city governments over time have put in place a range of limited housing subsidies to support specific social categories. However, in the long run their funding and reach are minimal and unstable. City subsidies are granted following open calls based on eligibility criteria and, in recent years, they have included categories ranging from under 35-year-old-headed households to households at immediate risk of eviction or low-income pensioners (Comune di Milano, 2023). Aids are aimed at supporting households in paying rents, arrears and deposits to start new rental contracts. One of these aids, targeting social housing tenants in arrears, is the "Contributo di solidarietà", which was introduced by a regional law in 2009 and since then has gone through several changes. The aid can be up to 2,700 € per household. Nevertheless, resources were greatly scarce to cover the need. Another aid, “Misura unica per l'affitto”, was established in 2016 for renters in the private market or tenants in new quasi-market rental housing solutions: it provides up to 10 months of rent and no more than 3,600 € per contract. Lastly, the city introduced a new rent subsidy aimed at supporting young couples with children. Currently, the total number of recipients of such aids in Milan is hard to determine.

b. Policy and Regulative Drivers of Social Housing Financialisation

The state-led financialisation of social housing production

Since the late 2000s, Lombardy and especially Milan became a testing ground for capital investment in affordable rental housing production in Italy whereas the expansion of a finance-driven built-to-rent sector unfolded due to an initial boost of Banking foundations. Banking Foundations originated in the 1990s from the privatisation of the Italian public saving banks which led each saving bank to split into separate entities, i.e. a listed bank and a banking foundation. Banking foundations assumed a dual function as local non-profit actors and key shareholders of the new listed banks which, due to mergers and acquisitions with former state-owned banks, gave rise to the largest Italian banks, Intesa-Sanpaolo and Unicredit (Cardinale & Belotti, 2022). Within this framework, major capital injections by the state-controlled bank Cassa Depositi Prestiti (CDP) and forms of state co-funding or transfer or free lease of public land and other incentives by the regional and local governments were key drivers for encouraging Real Estate Investment Mutual Funds (REIMF) to direct investments towards quasi-market social housing. Thanks to the creation of a new limited-profit regime of social rental housing production, investors started to address new quasi-market rental housing solutions (such as the moderate rent) as a viable asset for investment. Since 2011, 17 new construction projects have taken place in Milan. Ten new construction projects with 1,909 dwellings were already completed in 2020, while the other five, which consist of additional 1,637 dwellings, were completed from 2021 onwards. The new development projects also included five student housings. This enabled them to influence policymaking and connect the domestic banking system with the welfare-related non-profit sector.

Fondazione Cariplo – one of the largest banking foundations and a key shareholder of Intesa-Sanpaolo – was the first one to set up an arms-length entity to act for promoting the first experiments of finance-driven affordable housing construction projects in Lombardy, where it operated as both a developer and a property manager. In 2006, it also set up the first REIMF specialised in affordable housing in Milan, which raised around 85 million euro. This inspired the creation of other REIMFs for affordable housing over the country due to the initiative of the state-controlled CDP which launched the Fondo Investimenti Abitare (FIA) in 2009 as a fund of REIMFs for affordable housing. The FIA was placed under the management of an ad-hoc asset manager named CDP Real Asset SGR with a 30 % stake held by the Italian associations of banks and banking foundations (ABI). It raised 2.28 billion € from the national government, CDP and other institutional investors (including Allianz Bank, Generali, Intesa-Sanpaolo and Unicredit) to deliver over 20.000 units and 8.500 bedsits in temporary accommodations (FHS, 2016), with an internal rate of return of 3 % above inflation. The FIA was thus allowed to invest up to 80 % of equity in 31 REIMFs for affordable housing under the management of a dozen asset managers. As both the controlling shareholder of CDP and a key investor of the FIA, the national government employed financial means and operated as a financial actor itself to steer urban development towards the production of this new financialised kind of quasi-market housing (Belotti, 2021).

Banking foundations not only lobbied the national government to enact the legal framework (Decree Law 112/2008; Ministerial Decree, July 16, 2009) underlying indirect investment in affordable housing but also had an active part in the creation of CDP Real Asset while controlling over 15% of and thus affecting strategic decisions regarding CDP itself. Fondazione Cariplo played a key role in shaping the infrastructure of the FIA. It pursued the merger of the asset manager under its control (i.e. Polaris Investment SGR), Beni Stabili (now merged into the fourth largest European Real Estate Investment Trust, i.e. Covivio) and Investire Immobiliare into InvestiRE SGR in 2014, with also the involvement of Regia (i.e. a subsidiary of Benetton's family holding Edizione) and Banca Finnat. InvestiRE thus formed the second-largest asset manager in Italy with about 7 billion € of assets under management in 2016 and 45 REIMFs, including 13 of the REIMFs financed by the FIA. InvestiRE, which together with Fondazione Cariplo launched a spinoff asset manager specialized in affordable housing in 2019 (i.e. Redo SGR), became the main actor investing in affordable housing in Milan.

The institutional investors’ production and management strategies

REIMFs’ equity investments in quasi-market social housing in Milan was supported by property management strategies that made use of mixes of (1) distinct quasi-market rental contracts, (2) selected social groups, and (3) different tenures, to minimise the tenants’ defaulting risks and secure financial revenues. Within this framework, asset managers like InvestiRE included shares of quasi-market social housing solutions in new development projects to access substantial public financial support, while targeting quasi-market rents as a low-risk asset class to increase their portfolio diversification. Quasi-market rental contracts that were established by the mentioned new regional legal framework – the “moderate rent” in particular - became crucial tools for ensuring the financial viability of social rental housing supply financed by REIMFs. Their ability to meet limited internal rates of return was a driver for the penetration of capital into social housing provision in Milan.

InvestiRE has made an extensive use of quasi-market rental contracts, while minimizing the use of the fully de-commodified social rental contracts employed traditionally for public housing. Within this framework, non-profit actors recruited by InvestiRE as “social property managers” relied on “social-engineering” arrangements that mainly aggregated low-middle-class groups and services/functions with different solvency capacities aimed to minimise tenants’ defaulting risks at source (Belotti & Arbaci, 2021) as well as community engagement practices mobilised as an integral part of financial valorisation processes (Belotti, 2021b). In particular, evidence suggest a regular employment of tenant selection criteria (Belotti, 2021a) which allowed InvestiRE to combine housing affordability goals supported by public incentives with financial-risk-management techniques. The possibility to integrate rent-to-buy options and units on sale at quasi-market prices with social rental housing solutions while including shares of residential and non-residential stocks on sale or lease at market prices allowed the fund managers to further minimise financial risks while increasing returns. Moreover, the time-limited use restriction on the new social rental housing supply granted the asset managers the prerogative to also liquidate social rental housing units after an eight-to-thirty-year timeframe should revenues be below the expected target. The rhetorical mobilization of the notion of “social housing” as a tool for social-mixing policy (Bricocoli & Coppola, 2013; Bricocoli & Cucca, 2016) and its loose legal umbrella definition offered institutional investors the opportunity to enter (and legitimise their presence) the social rental-housing segment as a frontier for financialisation while benefitting from public supports in exchange for weak obligations. The FIA’s investments in quasi-market social housing served the state’s objective to stimulate the Italian construction sector in crisis as a driver for industrial growth, but this did not also lead to an appreciable expansion of the residual social rental housing supply in Milan. Mainstream financial actors invested in quasi-market social rental housing as a low-risk asset class to increase investment diversification and reduce the volatility of their asset portfolios within classical financial strategies.

Local public housing entities only employed quasi-market rental contracts within small portions of their stock to self-financing the refurbishment of their properties or increasing the financial sustainability of their supply. Quasi-market social rental housing solutions account for about 1% of the overall housing stock owned by ALER in Milan (Regione Lombardia, 2014). However, such an approach has been recently relaunched by the city government (Comune di Milano, 2023) and the share of quasi-market rental housing solutions is expected to increase in the following years.

Financialised quasi-market social housing projects implemented in Milan

Fondazione Cariplo's arms-length entity launched the first two pilot social housing development projects financed through an experimental REIMF in Milan and the free 90-year land lease of plots owned by the local government. After the creation of the FIA and the mergers that led to InvestiRE, the experimental REIMF was re-named Fondo Immobiliare Lombardia (FIL). FIL is now articulated into Comparto 1 and Comparto 2 and under the management of the new spinoff Redo. Comparto 1 incorporated the first two pilot projects under construction and started the implementation of other 15 projects. In addition to three new student housing residences, InvestiRE invested in Milan almost 263 million € from Comparto 1 in the new provision of 1,416 temporary quasi-market social rental-housing units - including some allocated as rent-to-buy units - and 10 units to be sold at below market prices. Other 483 units had already gone on sale or for commercial and service purposes at the end of 2020. Acquisition and renovation of already existing properties only covered 17.5 % of 185,965 square metres of new development projects, whereas the major share of Comparto 1 investments targeted new housing production (i.e. 1,573 dwellings out of 1,909) on brownfield or green land (Table 28).

Table 27: FIL1 investments in Milan on 31.12.2020. Housing developments (completed)

Projects	Start	Land	Units	Resting	%			Mq.	Investment
					Rent	Rent-to-buy	Sale		
Abit@giovani	2013	Refurbishment	204	126	6	33	0	9.921	24,3
Cenni di Cambiamento	2011	Greenfield	122	117	63	37	0	11.707	24,7
Via Padova 36	2011	Refurbishment	43	22	100	0	0	1.774	11,4
Figino Borgo Sostenibile	2012	Greenfield	321	320	85	15	0	35.189	54,4
Via Breda	2015	Brownfield	66	15	100	0	0	1.285	11,9
Campus Certosa	2014	Refurbishment	0	0				7.700	9,9
Campus Monneret	2016	Refurbishment	0	0				6.144	11
Via Innovazione	2015	Brownfield	0	0				12.030	17,4
Urbana New Living	2016	Greenfield	137	92	95	0	5	7.700	17,6
Quintiliano District	2015	Refurbishment	89	89	100	0	0	6.938	10
Moneta	2015	Brownfield	312	224	99	0	1	28.327	26,7
Merezzate	2015	Greenfield	615	421	96	0	4	57.250	43,6
Total			1.909	1.426	744	85	10	185.965	262,9

Source: Regione Lombardia, 2021

Comparto 1 investments amounted to over 279 million € and targeted five housing projects including 1.031 temporary quasi-market social rental-housing units and 606 units to be sold at below-market prices. No information is available about the portion of residential units to be rented or sold for commercial and service purposes, although it is likely that InvestiRE will also allocate a share of the stock to these ends. Acquisition and renovation of already existing properties, in this case, only covered one of the new development projects and 28.6 % of the 1,637 dwellings (Table 28).

Table 28: FIL1 investments in Milan on 31.12.2020. Housing developments (completed)

Projects	Start	Land	Units	%			Mq.	Investment
				Rent	Rent-to-buy	Sale		
Residenze Visconti	2017	Refurbishment	468	65%	0	35%	48.622	65,8
Via Novate	2015	Greenfield	354	100%	0	0	34.018	45,7
L'Innesto	2020	Brownfield	350	60%	0	40%	30.450	76
Amidani	2020	Brownfield	232	0	0	100%	21.106	38,4
Rogoredo	2020	Brownfield	233	70%	0	30%	35.086	53,4
Total			1.637	1.031	0	606	169.282	279,3

Source: Regione Lombardia, 2021.

InvestiRE mobilised 28.3 million € from Comparto 2 for three additional student-housing residences with a number of bedsits between 118 and 582 beds.

Table 29: FIL2 investments in Milan on 31.12.2020. Student-housing development projects

Projects	Start	Land	Bedsits	Comparto	Status	Investment
Campus Certosa	2014	Refurbishment	275	1	Implemented	
Monneret de Villard	2016	Refurbishment	266	1	Implemented	
Via Innovazione	2015	Brownfield	450	1	Implemented	
Via Pompeo Leoni	2012	Refurbishment	36-188	2	Implemented	9,6
Via Cosenz	2014	Brownfield	26-114	2	Implemented	7,5
BSC Bicocca	2018	Refurbishment	56-280	2	Under construction	11,2
Total			1.109-1.573			(Com.2) 28,3

Source: Regione Lombardia, 2021.

Moreover, in 2014, InvestiRE launched a REIMF dedicated to the valorisation of real-estate assets owned by the public Polyclinic Hospital of Milan. in the 20-year-duration of Ca' Granda REIMF which aimed to finance the development of the new building of the Polyclinic, it acquired its 1,400 (mostly residential) real-estate units in Milan and raised about 127 million € (of which over 17 came from Fondazione Cariplo and the others from the FIA). InvestiRE invested in the refurbishment of this stock and raised additional capital through the sale of 43 % of the real-estate units. It then rented the remaining residential units offering agreed rental contracts at affordable prices below 30 % of households' income to tenants with yearly incomes up to 40,000 €.

Policy tools for the financialisation and privatisation of state real-estate assets

The end of the state's direct intervention in housing provision coincided with the unfolding of a broader process of divestiture, leasing, and financial valuation of public property/land assets (Artioli, 2016; Ponzini & Vani, 2012), triggered by complex and discontinuous law-making processes that started in the 1980s (Gastaldi, 2015) and involved the creation of the state's Asset Management Agency (Agenzia del Demanio) in 1999. Such a process accelerated under EU's increasing austerity pressure on the Italian state. In this context, the role of state land and real estate properties was reframed as potential sources of income streams functional to public-debt reduction policies. The creation of new instruments for the financialisation of such assets, such as REIMFs (Law 86/1994; Law 503/1995; Decree Law 58/1998) and "special purpose vehicles" for the securitization of public property/land assets (Decree Law 351/2001; Law 296/2006), was key. Early initiatives included the securitisation of 100,000 dwellings belonging to quasi-governmental social security agencies such as Inps and Inail (Caudo, 2004). Despite only partial successes, financialisation efforts increased in the aftermath of the 2008 financial crisis with the launch of new valuation and sale plans aimed at the selling of public property/land assets by local governments to meet budgetary constraints. These policies were intertwined with the so-called "federalismo demaniale", the transfer of state-owned property assets — especially from the defense sector — to local governments (Decree Law 86/2010; National Law 98/2013), thus furthering the sale of local public property/land assets to meet budgetary constraints and attract capital into local real estate (including SRH) to promote urban growth. In Milan, among the public areas that have been financialised over the last decades either through sales, leases or sale & lease-backs, are the renewal projects of "Ex Macello", the "Green Between – Tessiture Urbane" initiative in Crescenzago, the former railyard area of “Scalo Greco”, and the regeneration of decommissioned military barracks in the west of the city, representing some major examples. Within the framework of this large scale financialisation of public land properties, for the first time social housing has been used as a driver to pursue urban development and capital accumulation through the intervention of state, state-controlled or state-funded actors such as FS/RFI, the Ministry of Defense and InvestiRE/Redo Sgr. Particularly, several authors (Ponzini & Vani, 2012; Gastaldi & Baiocco, 2014; Gastaldi & Camerin, 2015; Artioli, 2016) argue that such financialisation of public assets (barracks, yards) is due to changes in strategic and logistical frameworks within these sectors as well as to a lack of state capacity in the planning of large brownfields. The austerity characterising the provision of public assets taken on by local governments, particularly in treating land renovation projects, is given by the complex bundle of reforms and bills which made the institutional settings particularly fuzzy and fragmented. This situation pushed local governments to mostly pursue land sales through financialisation and alienation techniques (Artioli, 2016) despite the great value of Italian public real estate assets, which have been broadly estimated at around 450 billion € (Gastaldi & Camerin, 2015). Redo Sgr (which is a 30 % subsidiarity of CDP primarily devoted to social housing production) has played a key role in the large-scale regeneration project of Scalo Greco as it finalised the acquisition of the area from the state-controlled Rete Ferroviaria Italiana (RFI). Another example of the ‘oligopoly’ affecting the Milanese real estate market, characterised by a small number of large operators pushing for the de-pricing of brownfields, is represented by the renewal of barracks brownfields (Ponzini & Vani, 2012; Artioli, 2016). Particularly in the case of ‘Piazza d’Armi’ brownfield, the public management company Invimit (i.e. a 100 % subsidiarity of MEF) tried to manage and sell the area several times. After the selling of a barrack portion in 2018, Invimit announced an attempt to sell also the majority of the area which is targeted as “key urban function”, also comprising social housing provisions and with a predicted estimated profit in the land sale for the Italian Government of more than 500 million euro[16].

Policy tools for the neo-liberalisation of spatial planning

Since the early 1990s, spatial planning regulations have been intensively liberalised with the overall aim of making urban regeneration possible through an enhanced role of private investors. Most important in this regard was the introduction of new policy and governance tools and institutional reforms, regardless of the lack of an overarching national reform of planning legislation. In the 1990s, two key instruments aimed at achieving more flexibility in decision-making processes while strengthening the role of local authorities, the “Accordo di Programma” (Agreed Program) and the “Conferenza dei Servizi” (Services’ conference) (Laws no. 59/97 and no. 27/97), were introduced. These tools laid the basis for a partnership, negotiation-based approach to urban development that will be fully formalised through the launch of “Integrated programs” for local development and urban redevelopment (Servillo & Lingua, 2014). These changes went hand in hand with decentralisation reforms. In 2001, a constitutional reform gave significant legislative powers to regions in the field of spatial planning. The region of Lombardy used such powers to push a deep neo-liberalisation of spatial planning with the establishment of a negotiation-based planning system, a market of development rights and a linked perequation regime. As mentioned, in the context of the end of direct state intervention in social housing production, regional legislation oriented local governments towards the

[16] For further information check Agenzia ANSA
https://www.ansa.it/sito/notizie/economia/real_estate/2023/01/31/invimit-al-via-la-pre-vendita-di-piazza-darmi-a-milano_f74cb210-2b75-4c6d-91a3-fc4edad64f2d.html

use of discretionary tools for social housing production, such as the negotiation of social housing quotas in new private developments to be transferred to local governments, and the free transfer or free lease of public land as incentives to support the provision of social housing. The neoliberalisation of planning has been further facilitated by state fiscal restructuring. The decline in state transfers pushed local governments to actively look for new fiscal and funding opportunities. Development fees became a critical financial source for local governments, especially after their disposal was liberalised and their use to finance current expenditures was made possible (Anselmi & Vicari, 2020). This would encourage local governments to align their actions even more closely with economic considerations and further facilitate new real estate investments. All these regulative changes and new tool-making activities in spatial planning both at the national and regional levels can be considered to have facilitated the role of institutional investors as they legitimised and formalised their role in the design and implementation of urban transformations. Milan's planning largely recurred to these opportunities to launch large-scale urban redevelopment projects in the 2000s by using integrated action plans named “Programmi Integrati di Intervento” (PII). These public-private partnership devices succeeded for the first time to attract international institutional investments in urban transformations (see the case of Porta Nuova, Anselmi & Vicari, 2020).

Furthermore, as we have seen, the 2019 introduction of affordable housing quotas in large-scale urban development projects - over 10,000 sqm - has pushed institutional investors to embark on social housing production as a necessary step to promote large plans. The presence of such quotas is not completely new in Milan's planning; some 1990s and 2000s urban regeneration initiatives already encompassed quotas of social housing units for sale. What is new is the involvement of institutional investors as key actors in social housing provision. The current city plan, based on the regional law 12/2005, put in place a series of mechanisms for social housing production including the identification of specific areas of public land to build about 1,300 social housing dwellings; the obligation for developers to include a minimum 30 % social housing quota within developments exceeding 10,000 sqm; the possibility of exceeding the maximum building indexes in areas characterised by high transport accessibility by reserving such excess share to social housing. Developers can also recur to the so-called "monetisation" of social housing, meaning they can pay a lump sum instead of producing the established quota. Guidelines for calculating the lump sum amount were approved in 2022 by the local government. Regarding the eligibility to this new social housing supply, regional legislation prescribes a range of criteria including income thresholds. The income threshold to access the mentioned “moderate rent” supply included in the regional legislation is augmented by 25 %, considering the higher living costs in Milan. Between 2010 and February 2023, 6,996 social housing/quasi-market dwellings (Nomisma, 2022), which is roughly 30% of all the dwellings produced in that period (Comune di Milano, 2023). Among these, 4,807 dwellings, which is 68,7% of the total social housing/quasi-market dwellings, were on sale, and most belonged to the less affordable variety – i.e. subsidized dwellings to be sold – while the rest was made of various quasi-market rental housing solutions (Nomisma, 2022). However, the city does not publish any complete account of the costs - price and rents - associated with this supply.

c. A case of emerging, spatial planning-related social housing financialisation: the Porta Romana Redevelopment Project

The making of a grand planning operation among the financialized state and private actors

The case of the reclaim of the decommissioned railyards already mentioned in section 2.3 well represents emerging trends in social housing financialisation in Milan. The city, then led by a center-right majority, started a negotiation process with Ferrovie dello Stato (FS) – the Italian State Railways – in 2007 for the redevelopment of the decommissioned rail yards. The negotiation involved seven brownfields, mostly located next to areas undergoing major transformations for a total 1,290,384 square meters. The City, FS and the regional government opted for a "Program Agreement" (Accordo di Programma AdP) as a governance tool to orchestrate the decisional process. The city then incorporated these provisions in the city's new structural plan (Piano di Governo del Territorio, PGT), based on the new regional planning legislation, which was later approved by the following center-left administration in 2012. The latter, having confirmed what was previously set by the center-right administration, sought to legitimise the contents of the AdP by promoting a participative process whose outcomes were gathered in a strategic document containing guidelines for the master planning of the seven sites published in 2013. However, the reach of this participative exercise was limited as it was mostly aimed at consensus building. In 2015, an early version of the AdP failed to be approved by the city council and was later approved in 2016 in a slightly revised version. Right after, Savills – a fund connected to Coima, a major institutional investor (see following section) – bought part of the Farini railyard, one of the seven sites from Sistemi Urbani, entering in the de facto governance arena that until then had been limited to state and state-controlled actors. In its final form, the Program Agreement was stipulated by the City of Milano, Lombardy Region - due its involvement in the Circle Line mobility project, see below - FS, two more FS-controlled companies (FS Sistemi Urbani, focusing on real estate, and RFI, focusing on the rail network) and Savills. The final agreement planned for a building index of 0.65 sqm/sqm with a functional split of 65 % green areas to 35 % urban development (see AdP). In parallel to the AdP's approval, FS Sistemi Urbani called for an open design competition for the granting of development rights based on masterplan proposals in 2017, participated by five well-known architecture firms[17]. Later, a new participative process was organized in 2021 by the City and FS Sistemi Urbani with the aim "to foster citizen involvement", although the essential dimensions of the masterplans had already been set.

Along the entire process, a variety of conflicts arouse with four distinct lawsuits promoted by residents, environmental associations, and FS itself, against the city for the mentioned failed approval of the AdP in 2015. Major controversies involved the recognition of FS as the legitimate owners of the land and recipient of development rights, as it had been granted to it in the early 20th Century for the performance of railyard services with no building rights attached; the legitimacy of the use of a governance tool – the AdP – originally reserved to state actors for organising what was essentially a public-private partnership; the level of the development fees to be paid by FS to the city and the applicability in particular of national legislation on "extraordinary development rights"; and the

[17] For further information please check https://www.abitare.it/it/habitat/urban-design/2017/05/21/milano-scali-ferroviari-architetti/

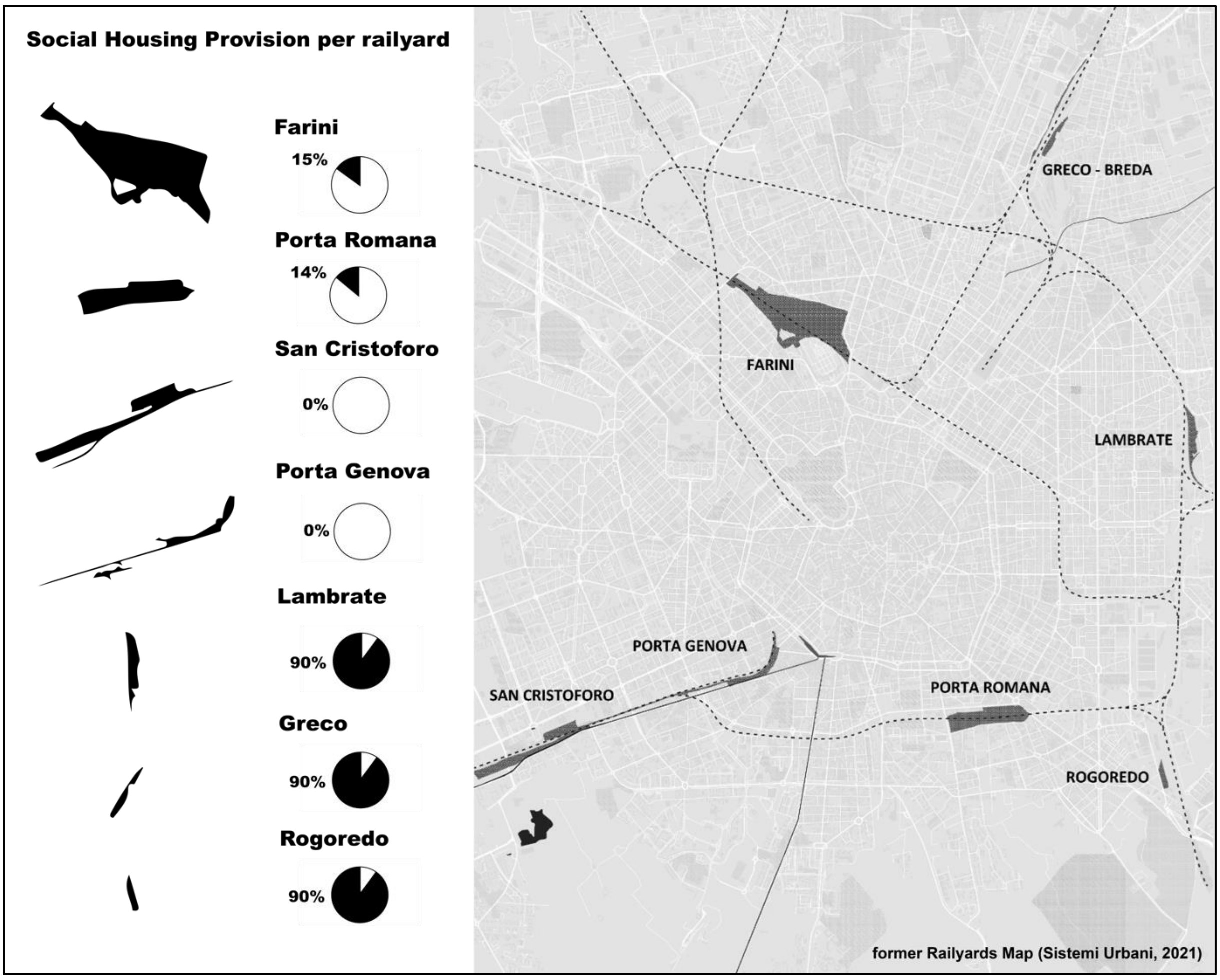
quantity of green areas in the overall functional mix. However, lawsuits ended up in favor of FS and the city while the one promoted by the former was resolved with the new AdP's approval.

Table 30: Planned functions and types of housing supply for the seven rail yards involved in redevelopment

Railyard	Surface	Surface to built	Build. index (UT)	Functions	Total social housing (ERS)			Subsidized sale (tip. A)		Moderate rent (tip. B)		Social housing rent (tip. C)	
	squaremeters(sm)	sm	sm/sm		sm	residentia	%	sm	%	sm	%	sm	%
Farini	618,733	**402,460**	0,86	mixed urban functions	**60,705**	***1,013***	**15%**	43,712	**11%**	2,925	**1%**	14,068	**3,5%**
Greco-Breda	73,526	**28,000**	0,65	social housing	**25,200**	***420***	**90%**	10,028	**36%**	14,186	**51%**	986	**3,5%**
Lambrate	70,187	**34,000**	0,45	social housing	**30,600**	***510***	**90%**	12,177	**35%**	17,226	**51%**	1,197	**3,5%**
Rogoredo	21,132	**20,000**	0,80	social housing	**18,000**	***300***	**90%**	7,163	**36%**	10,133	**51%**	704	**3,5%**
Porta Romana	216,614	**150,000**	0,48	mixed urban functions	**21,140**	***352***	**14%**	15,859	**11%**	0	**0,0%**	5,280	**3,5%**
Porta Genova	89,137	**40,000**	0,95	fashion retail functions and residentials	**0**	***0***	**0%**	0	**0,0%**	0	**0,0%**	0	**0,0%**
San Cristoforo	158,276	**0**	0,45	park	**0**	***0***	**0%**	0	**0,0%**	0	**0,0%**	0	**0,0%**
Total Program Agreement (AdP)	**1.247.605**	**674,460**	0,65		**155,645**	***2,595***	**23%**	**88,940**	**13,2%**	**44.470 6,6%**		**22.235**	**3,3%**

Source: Alessandro Balducci's elaboration.

Figure 19: Social Housing Provision per railyward (higher in areas with low property prices)



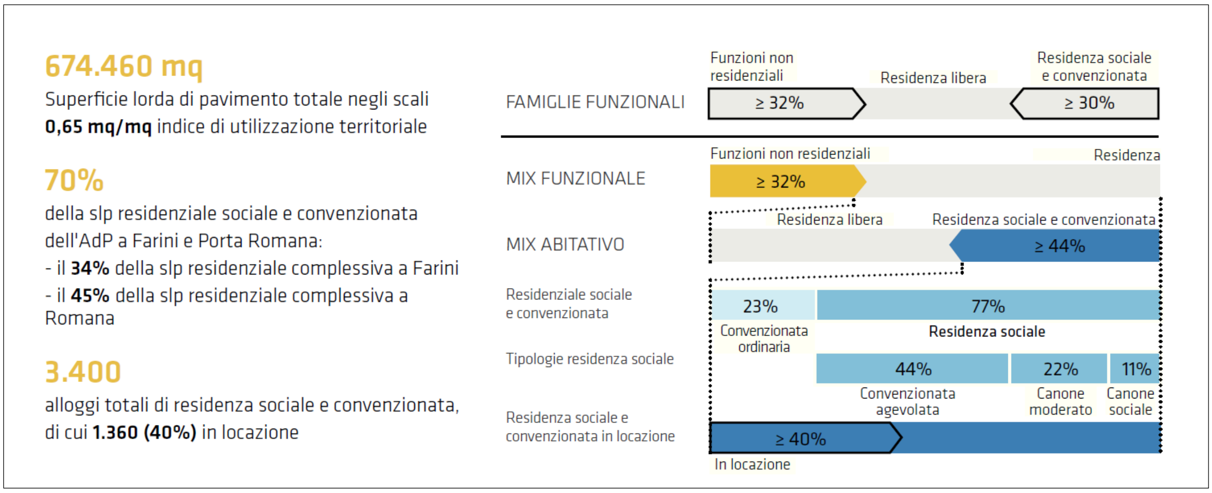
Source: Authors based on Sistemi Urbani elaboration

The governance and development packaging of the Porta Romana's development and its SRH component

Following the procedures set by the AdP, in November 2020 the "Porta Romana" real estate investment Fund – promoted and managed by Coima SGR and subscribed by Covivio, Prada Holding and the COIMA ESG City Impact fund – purchased the former Scalo di Porta Romana for 180 million euro. The city agreed on obtaining development fees for 50 million € plus a range of planning gains including SRH provision. Coima is a financialised property development company owned by the Milanese entrepreneur Manfredi Catella, former head of Hines Italy, and currently one of the largest development firms in Italy. In its capacity as owner of the site and based on the AdP's provisions, COIMA directly promoted and managed a competitive bid for the design of the masterplan that was won by Citterio and partners. According to the structural plan (PGT), the area is defined as a 'special zone' (Zona Speciale Scalo Romana) developed through a specific action-integrated plan (Programma Integrato d'Intervento, PII) implementing the mentioned masterplan approved by the city in May 2022. The PII sets 112,150 sqm for urban functions (retail, productive, hospitality, private non-residential services), 53,575 sqm for residences (commercial, social and public housing) and 95,397 sqm of green areas[18]. Overall, 68 % of the development is reserved for housing, 44 % of which will be SRH. Among these, a share of 11 % must be dedicated to public housing and a share of 22 % to moderate rent (See Figure 2). After Milan & Cortina's winning bid for hosting the 2026 Winter Olympics, the project acquired renewed importance, because the Porta Romana was identified as the site of the Olympic village[19]. Three functional areas were identified, each of them corresponding to specific development actors: the western quadrant is a mix-used area with the Olympic Village and housing managed and developed by Coima; the eastearn quadrant as a new office and housing district developed and managed by Covivio; the central quadrant as a system of connections conceived as an expansion of the existing Prada Foundation managed by Prada. Coima SGR will develop both the market rate and social housing supply and the Olympic Village, which after the games will be transformed into student housing with 1,000 beds. As recently as March 2023, Coima signed an agreement with CLL – a consortium of housing cooperatives generally engaged in the production of quasi-market housing/social housing and other public and private entities. Coima also created the COIMA Housing Fund (COIMA Housing), a new closed-end real estate fund focusing on the development of several typologies of social housing. COIMA Housing has a target size of more than 400 million € with an initially scheduled closing of around 300 million euro. The primary investor and sponsor of COIMA Housing are the COIMA ESG City Impact Fund (CECIF), Italy's largest "dedicated urban regeneration fund" which is backed by a range of professional social security organizations and funds as well as banks and banking foundations (ENPAM Foundation, Cassa Forense, Cassa Dottori Commercialisti, Inarcassa, BCC Credito Cooperativo, Foundation CARIPARO, Compagnia di San Paolo and Coima SGR). Intesa Sanpaolo, the banking group, will also enter COIMA Housing as part of its mission to support the development of 8,000 social housing dwellings for young people and seniors. COIMA Housing Fund, in addition, participated in the first call of a newly closed fund promoted by CDP, the "Fondo Nazionale Abitare Sostenibile" (National Fund for Sustainable Housing) that is aimed at funding new senior, student and social housing projects with a logic and organization not so different from that of FIA (see previous section). According to Coima, "*partnership between CCL and COIMA, that represents absolute news in the Italian scenario, is aimed at providing a new model for the development of social and subsidized housing, a sector which has long been mainly managed by the public sector* (…) *COIMA Housing could deliver up the 25 % of the current need for social housing in the City of Milan, meaning roughly 40,000 homes. The final scope is creating a national investment platform for social housing initiative with a multiplier effect*".

[18] For further information please check https://www.comune.milano.it/aree-tematiche/rigenerazione-urbana-e-urbanistica/attuazione-pgt/zona-speciale-romana-piano-attuativo
[19] For further information please check https://www.c40reinventingcities.org/ and https://milanocortina2026.olympics.com/

Figure 20: Distribution of functions and types of housing supply in the Scalo di Porta Romana redevelopment plan



Source: Comune di Milano

New frontiers for social housing financialisation: the significance of the Porta Romana initiative

The Porta Romana site redevelopment is key to understanding the policy processes currently enabling the financialisation of SRH in several regards as it both confirms some key characteristics of real estate financialisation processes and signals emerging trends. Firstly, it confirms the strategic role of state actors in making financialisation possible (see section b), enabling a “parastate” (Raco & Brill, 2022) formed by private actors to provide public services on behalf of the local government in urban development policy. Across the whole process, FS acted as a state-controlled ‘real estate entrepreneur’ by claiming ownership of the land, advocating for the recognition of development rights on that land and pursuing the maximum possible land rent extraction. This has justified and enabled the involvement of private actors in the urban transformation of its land assets, the only ones being able to engage in such a large-scale redevelopment. Also, CDP’s role is relevant in this regard, as it consolidated its role in lowering the development costs for private financialised development actors by providing capital based on public policy rationales (in this case, the provision of student housing via the production of the Olympic village). Secondly, it also confirms the role of highly financialised actors in urban development. Such role has been emerging in the early 2000s, then consolidating in the 2010s and now seems to have come to full maturity. In this occasion, such actors have shown their ability to steer an entire development process from the beginning to the end by buying-up property from state actors, directly entering governance schemes and tools once reserved to state and state-controlled actors, promoting competitive bids for projects, developing the masterplan and supplying a full range of products, including SRH. The role of Coima in the formulation and implementation phases of such a large-scale development project is in fact crucial, since it acted as both an enabler and manager of the site’s financialisation. Coima’s rise in the Milanese property development business is underpinned by political and financial connections with national and international institutional funds (e.g., Cassa Depositi e Prestiti and Qatar Investment Authority) and its role in the Milanese urban policy with the large-scale redevelopment project of Porta Nuova. Thirdly, and here we move to emerging trend, as seen in the very recent case of the Cascina Merlata initiative managed by Landlease, social housing is not the product of the financial and organisational logic of the FIA model (see section b), but it relies upon the intervention of “mainstream” financialised actors in the context of governance agreements with state actors. The recent launch of the mentioned COIMA Housing Fund and the agreement between Coima and the CCL cooperatives signal their will to enter the Social Residential Housing (SRH)[20] market by raising capital and acquiring skills in this area directly and through agreements with existing actors. This is a major change in the governance of the SRH production in Milan (see section b), apparently welcomed by the city's political elites, whose implications are to be further enquired. This evolution also signals the consolidation of the city's support to urban development models based on the "privatisation" of governance tools earlier reserved to inter-governmental relations, a support that is fully consistent with the neo-liberalised approach to spatial planning that emerged and consolidated in Milan in the 2000s. In this context, aside from its long-standing support for "urban regeneration" of decommissioned spaces and for the attraction of real estate investments, the city pursued a variety of public goals in the form of planning gains, including the creation of new green areas, bicycle, and pedestrian lanes, (a long-standing framing of the "public interest" in planning processes in Milan) and the funding of new reuse rail projects (the circle line, in particular)[21]. Also, the provision of SRH is to be understood as a planning gain that acquired increased relevance, at least in the discourse of city elites on the project, considering the looming housing crisis. At the same time, it is key to underline that the SRH component confirms the marginalisation of traditional public housing in favor of more middle-class-oriented forms of SRH provision. The obtaining of these "planning gains" goes hand in hand with the persistently low level of development fees that are requested by the City of Milan which also applies to the redevelopment of yards[22]. Such a way of handling large-scale development in Milano shows a convergence with urban mega-projects spread all over Europe and the USA. On the one hand, they are instances of 'state strategies' through the opportunity of the Olympics and, on the other hand, they are based on the placement of public anchors - in the form of sports venues, parks, and social housing - which enable private initiative and financialisation through the investment of pension, insurance, and institutional funds.

[20] According to the Milanese planning system, SRH acronymous indicates quotas of affordable housing to be provided in the new urban development projects.

[21] For further information please check Pasqui G., 2017. *Raccontare Milano*. Milano: Franco Angeli.

[22] For further information please check https://www.arcipelagomilano.org/archives/46278

Figure 21: The Porta Romana railyard redevelopment plan

Source: Comune di Milano

d. Summary and conclusions

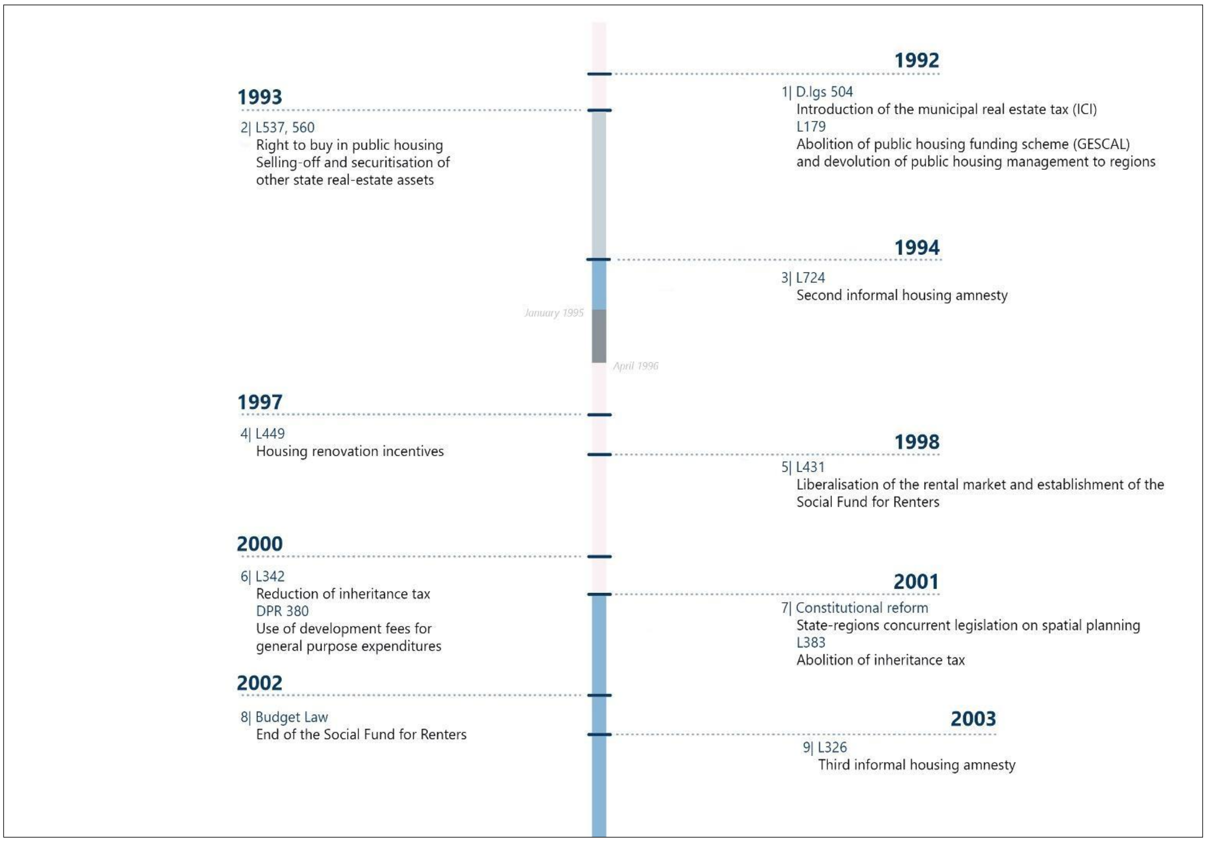
In the case of Milan, the permeation of institutional investors in social housing production has been an incremental process. This has been facilitated by some key decisions in a variety of policy realms in the context of an overall process of state-led financialisation. Budget policies, financial regulations, fiscal policies, institutional reforms, and spatial planning re-tooling have been among the most critical realms in this regard. Such decisions have been taken mostly at the national level and were often in connection with higher-scale decisions taken at the EU level. These changes came to create an increasingly receptive environment for the role of institutional investors in urban development, particularly in social housing provision. The need to address social problems – such as access to housing for certain social groups – in a context of state retrenchment has been mobilised as a source of legitimisation for the involvement of these actors. In so doing, state intervention has changed its focus, moving from the housing needs of the ones who would traditionally be eligible to public housing to the ones – lower and lower-middle classes – who would be eligible to emerging, quasi-market solutions. At the same time, especially in the case of Milan and Lombardy, boarders between public housing and quasi-market solutions have been increasingly blurring with the penetration of some of the latter in the management of the public housing stock itself. The role of institutional investors and the way in which developments involving them were packaged varied. However, state involvement was very important and at times fundamental. In the mentioned case of the Porta Roman initiative, state involvement has been critical not only in attracting a mix of national and regional institutional investors by providing public anchors, but by enabling the financialisation of state assets also through planning operations. In other cases, the role of the state was limited to its participation to national institutional investors also participated by state-controlled entities (e.g., FIA, F2I).

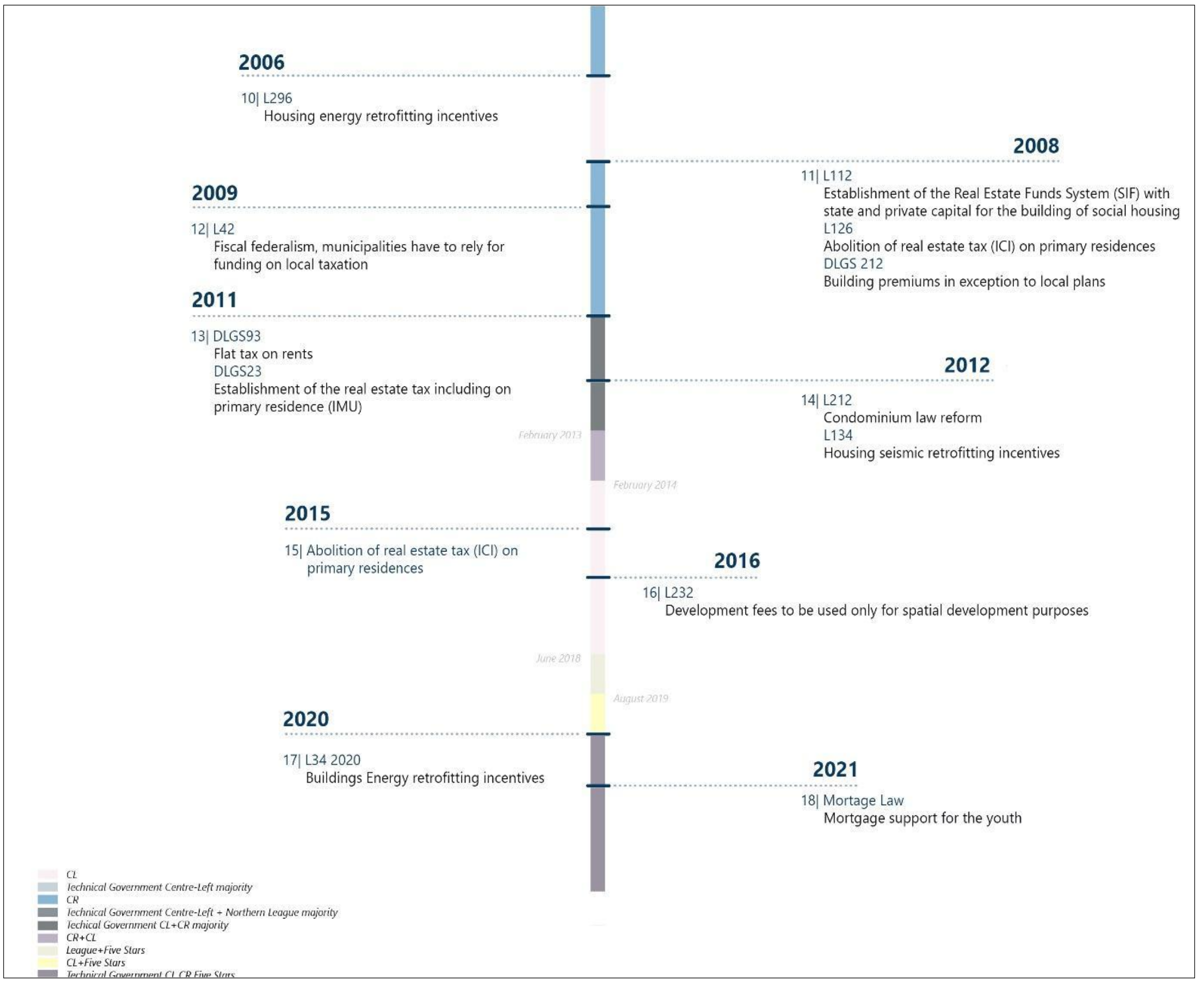
This process seems to have enjoyed a large, enduring consensus among different political parties at the national level and among the other levels of government involved in the governance of Milan at the region and city levels. In the last three decades, Lombardy's regional government has arguably been the most consistent and effective political actor in implementing an agenda of deep neo-liberalisation in Italy: this has created further opportunities, also in the realm of planning tools and of housing supply regulation, for the growth in importance of institutional investors.

The role of institutional investors in urban development has not been the object of significant contestations besides some specific although relevant projects (Anselmi & Vicari, 2022). Recent policy changes at the city level are oriented towards increasing the production of social housing through quasi-market solutions, mostly by strengthening social housing production requirements in spatial planning that inevitably point to the role of such actors. Furthermore, current discussions between the city and regional governments on a new public-private partnership for the management and retrofitting of the public housing stock signal the potential of a new, possible financialisation frontier.

e. Annex

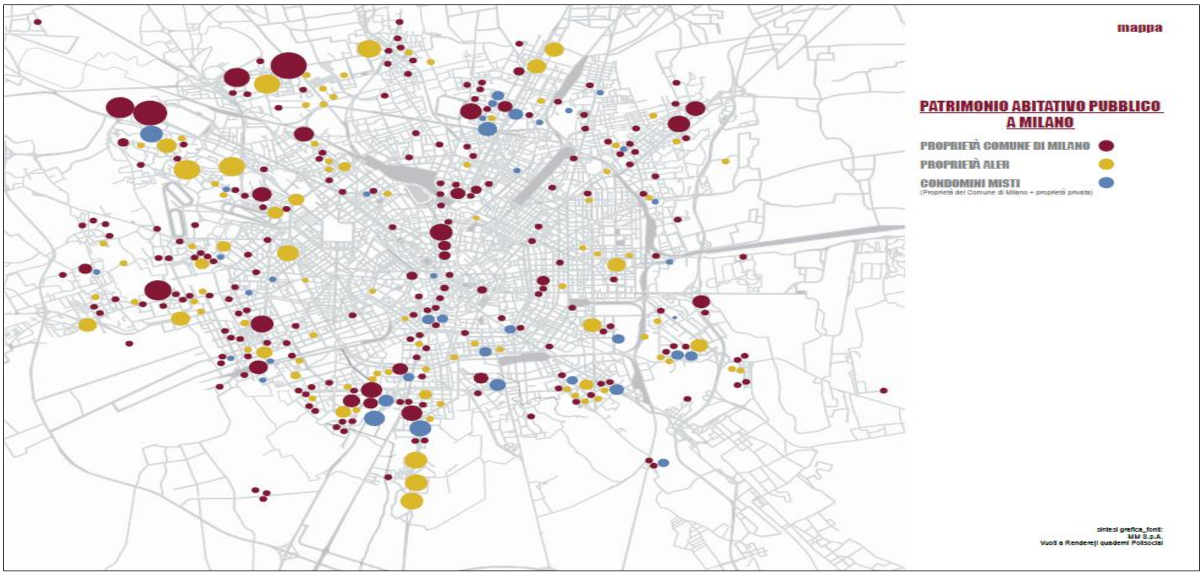
Figure 22: Housing policy timeline





Source: Coppola A. & N.K. Guevara Aramburu, 2022

Figure 23: Public housing in Milano



Source: Report Milano n. 6. *La Casa Popolare. L' edilizia residenziale pubblica del Comune di Milano (based on MM Spa elaboration)*

Table 31: Relevant supra-local policy frameworks and local adaptations

Policy Instrument	Supra-local policy frameworks	Recent and upcoming local policy and planning innovations
General rent regulations	The Italian national law deploys 3 main rent contract typologyes associate to a flat tax named ‘cedolare secca’ (Dlgs 23/2011): free lease (‘locazione a canone libero’) agreed-rate lease (‘locazione a canone concordato’) temporary lease (‘locazione transitoria’)	Regarding agreed-rate leases on affordable housing the Municipality of Milan is attempting to push for their expansion through (Una nuova strategia per la casa, Comune di Milano, 2023): The establishment of a new Agency, “Milano Abitare” aimed at promoting these voluntarily contracts among landlords; Supply of a range of tax and financial incentives to landlords. Leasing agreements with private companies on public housing;
Structural planning	By national legislation each municipality has to adopt a structural plan (‘piano regolatore generale’). After the 2001 Constitutional Reform Regions have legislative powers in the area of spatial planning	Milan’s structural plan (PGT) is based on genera rules established by regional legislation. The current structural plan pursues the production of SRH, assigning to strategic plans and integrated action plans the task the definition of quantities and typologies of SRH supply. Since 2020, the compulsory provision of affordable housing in new urban development projects is defined in % based on the scale of the intervention. For projects of 10.000 square meters of buildings, 40% has to be to affordable housing + 5% for public housing (Comune di Milano, 2018). The city has recently proposedto lower this threshold (Una nuova strategia per la casa, Comune di Milano, 2023).
Integrated, negotiated action planning	National legislation has introduced a range of negotiation-based, public-private partnerhip planning and policy tools. Integrated action plans, in Milano and Lombardy Region, regulate quantitative and qualitative aspects of social and public housing on specific sites after public-private negotiation (Regional Law 12/1999, Regional Law 17/1992).	The city has made large use os integrated, negotiation-based planning tools (e.g. Program Agreements, ‘Accordi di Programma’) together with other state and private actors. Agreements between the city, private and semipublic funds have aimed at providing social housing on new large-scale and medium-scale urban projects. The agreement on the transformation of the former railyards is the most important instance of this approach.
Land taxation	National legislation regulates real-estate taxation. Taxation affects housing at the municipal level via development fees (Oneri di Urbanizzazione) and TARI (Garbage Tax), and via IMU (Imposta Municipale Unica, only for secondary homes).	Development fees are low in Milan as compared to European standard and are estimated to be around 8% of overall development costs (Camagni, 2016). Although there is no ultimate data in this regard it is common opinion that the Municipality of Milan has pursued over the last twenty and more years an aggressive low-development fees policy aimed at attracting real-estate investments. Only recently the city has increased value-capture of about 20% in 2023 only for central areas.
Financial law on the alienation of state-assets	The Ministry of Economics and Finance, local/regional/national governments may sell public goods to the large semipublic company Cassa Depositi e Prestiti (CDP) and to its affiliated funds/holdings.	69 million € worth fifteen defense sites in Milan were transferred to the city by the Ministry of Finance’s REIMF in 2018. They were later re-acquired by asset management companies and investment funds co-led by the national government and included in integrated action plans
Financial law on investment funds	Real Estate Investment Funds (REIFs) were introduced in the 1990s. Legally named as ‘Fondi Chiusi’ they are subjected to annual 26% flat tax on their yield (TUIR legislation). Extra taxation is affecting the movement of capitals from REIFs proportionally to IRAP declaration (TUF legislation)	The city has no regulative power in this field. However, it is common opinion that its planning policies have greatly enhanced the role of REIFs in urban transformations.

Source: Authors

Table 32: Timeline of relevant policy and regulative changes

Date	Policy tool	Level of government	Implications
1990	Accordi di Programma Conferenze dei servizi	National	New governance tools aimed at enhancing flexibility and negotiation in public actions
1992	Programmi Integrati di Intervento (Integrated Action Plans)	Regional	New policy and planning tools aimed at speeding up urban regeneration and public-private partnerships
1994	Real Estate Investment Funds (REIFs)	National	Specialization of the Italian real estate market towards financialization
1998	Programmi di Trasformazione Urbana	National	New policy and planning tools aimed at speeding up urban regeneration and public-private partnerships Further enhancement of REIF
1999	Agenzia del Demanio' establishment	National	Attempt to cluster and manage public properties
2003	Agenzia del Demanio becomes Ente Pubblico Economico	National	Enlargement and specialization of Agenzia del Demanio
2001	Law 59/1997 known as 'Bassanini Law' Law 410/2001	National National	Constitutional reform that gives regions legislative powers in the realm of spatial planning Securitization of public pensions funds' real estate assets through the launch of Scip 1
2002	Launch of Scip 2	National	Specialization of Scip 1
2004	Launch of FIP fund (Fondo Immobili Pubblici)	National	Rearrangement of public property assets and ownership
2005	Law 12/2005 known as Lombardy Regional Planning Law	Regional	Regional legislation in Lombardy with important implications (perequation, market of development rights)
2008	Closure of SCIP 1 and SCIP 2	National	Rearrangement of public property assets governance
2009	Launch of FIA fund	Regional/National	Semipublic management of affordable assets
2015	Launch of the i3Core fund	National	Establishment of a financialized fund underpinning infrastructure asset class
2020	New structural plan of Milan (Piano di Governo del Territorio - PGT)	Local	Compulsory SRH quotas in large-scale urban development projects

Source: Authors

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Source: Authors

9. Warsaw: PRS Growth in the City of Homeowners

Warsaw is the capital of Poland and one of the leading cities in the CEE region. Both the population and GDP grow dynamically, which sets the city and its inhabitants apart from the rest of the country. Administratively, Warsaw is divided into 18 districts which differ in terms of the type of housing stock and the cityscape. The district administrations are involved in some tasks related to municipal housing stock, but the main responsibility for housing policy lies at the city level.

The labour market in Warsaw attracts internal migrants and increases the demand for housing: affordability is decreasing as the cost of mortgages and private rents are prohibitive and the supply of affordable housing remains limited. At the same time, institutional investors have recently entered Warsaw PRS through forward funding, purchases on the primary market and the acquisition of local developers. The total number of flats in the private rental sector is still low, but the pipeline of investors is very ambitious.

a. Characterisation of Housing Challenges

The structure of the housing market

The housing market structure in Warsaw largely reflects the historical development of the city and the region (Hegedüs et al., 1996). As Warsaw was heavily destroyed during World War II, only 8 % of the total stock dates back to the pre-war period; 50 % of the stock was built between 1945 and 1989 and 42 % between 1989 and 2020. The period of construction is generally reflected not only in the building type and location but also in the type of ownership: the pre-war tenements are predominantly owned either by the municipality or by tenants who became owners in the course of the give-away privatisation that started in the late 1980s; the post-war stock consists mainly of large-panel buildings constructed under the socialist cooperative model. After the political transformation residential units were mainly acquired by individual households from commercial developers.

After EU accession in 2004, Warsaw became a hub for foreign direct investment and a leading labour market in the region (Gorzelak & Smętkowski, 2012; Zdanowska, 2017). This led to a radical influx of internal migrants (40 % of current residents were not born in Warsaw) and resulted in a rapid increase in housing demand followed by growth in the residential construction sector. The number of new investments increased every year reaching 23,543 units built in 2020. The volume of residential investments in Warsaw amounts to 7 % of the total volume of the EU-CEE region and is equal to the volume of the entire Czech Republic (Mendel, 2021). As there were hardly any rental options and owner-occupation was strongly preferred, new housing was mostly acquired through mortgage-backed ownership (Muzioł-Węcławowicz & Habdas, 2018).

However, this trend has reversed in recent months due to the Russian invasion of Ukraine followed by the economic crisis and the sharp rise in interest rates. Currently, the number of units built has dropped to 15,465 in 2022 (GUS, n.d.). At the same time, demand for rental housing in Warsaw is increasing due to the influx of 300,000 Ukrainian refugees and the growing number of households that can no longer afford a mortgage. Both factors have the potential to boost institutional buy-to-let investments.

Currently, there are over one million (1,020,000) housing units in Warsaw, of which 67 % are privately owned (and in case of multi-family buildings managed by homeowners' associations), 25 % in cooperative and the remaining 8 % belong to the municipality (81,365 flats) or the state (5356 flats). 82% of this stock is owner-occupied, either by direct owners or by members of cooperatives, while the remaining part is rented, 10 % from private landlords and 8 % from public landlords (Bojec et al., 2020).

The level and development of housing costs

Since 1989, when the responsibility for meeting housing needs was privatised and home ownership seen as the default solution, the main challenge for households has been to access home ownership. This was initially facilitated by low market prices and high discounts on purchase for renters. Later, however, prices per square metre increased steadily. The fastest growth took place after EU accession, when prices more than doubled (in Warsaw from an average of 830 € in 2002 to 1,720 € in 2010) and currently stand at 2,500 € (NBP, 2022b). Despite the much higher salaries in the capital (EUR 1700 gross per month compared to the national average of 1,327 €), the discrepancy between housing prices and household income is increasing: as a result, Warsaw residents can buy less than 0.59 square meters of housing for their monthly net salary (Mendel, 2021). Home ownership is therefore often supported by a mortgage: in 2018, almost one in ten Warsaw residents had an outstanding housing loan to pay, the majority of which was subsidized by government support programs from 2007 - 2018.

The rise in housing prices is reflected in the increase in rental costs in the private rental sector, which are estimated (Otodom Analytics, 2023) to range from 13.5 € to 17.5 € per square metre per month depending on the district and the condition of the flat. As a rule, the rent paid to the landlord includes the costs of heating, water and management as they are part of the monthly payments to homeowner's associations but not energy and gas bills. According to statistics, renters spend the highest proportion of their income on housing. 20.7 % of households in the private rental sector and 8.2 % of households in the public sector suffer from housing costs overburden, i.e. they spend more than 40 % of their income on housing.

Housing maintenance has also become a significant burden, even for the outright owners. Currently, the annual central heating costs for a 60 sqm dwelling amount to 550 € (per 40 GJ) and other energy costs per household amount to 325 € (per 2000 kWh). Despite existing thermal modernisation and pollution control programs, Warsaw, like other major Polish cities, is affected by high rates of energy poverty (Sokołowski et al., 2023).

The situation of the supply of affordable housing

The issue of affordability is becoming increasingly important for Warsaw. On the one hand, the city is still struggling with a qualitative deficit, even if official statistics do not point to a quantitative deficit as is typical for Polish cities (City of Warsaw, 2017), and a high need for redevelopment. On the other hand, Warsaw is highly exposed to the risks associated with the internationalisation of the housing market, rising land prices and vulnerability to external factors (such as exchange rate fluctuations as in the case of the Swiss franc crisis). Nevertheless, the demand for affordable housing is not strongly articulated in the public debate, as it is assumed that households solve their housing problems individually. The term "affordable housing" is in fact equated with public (i.e. predominantly municipal) housing. The residualisation of this type of housing has led to it being perceived as destined for low-income, vulnerable and often stigmatized groups.

Low-income citizens are undoubtedly the most vulnerable in terms of housing affordability. Their options are limited to municipal rental housing, sometimes of very poor quality, for which they often have to queue for years. However, housing researchers have also identified other groups affected by the affordability crisis. First, representatives of the lower middle class often fall into the "affordability gap": on the one hand, they are unable to buy or rent a flat at market rates and on the other hand, their income is too high to qualify for social housing (Cyran, 2017). Secondly, in the case of Warsaw, migrant households are also much more vulnerable to affordability problems. While the majority of non-migrants benefited at some point from giveaway privatisation which guaranteed fundamental housing security and provided the basic capital for subsequent housing improvements, migrants were deprived of this support. Even if they have left some housing behind in their home towns, it is usually worth much less and they are forced to build their housing careers "from scratch" (Lewicki, 2019).

Less affluent households use a range of strategies to facilitate their access to housing both in the form of home ownership and rental housing. The most common strategies are "downsizing", i.e. living in smaller dwellings that are inconvenient for households but affordable in terms of mortgage, and moving to suburbs or neighbouring cities. The negative effects of these strategies include overcrowding (according to Eurostat, the overcrowding rate in Polish cities amounts to 36.5%) and urban sprawl (Lisowski, Mantey & Wilk, 2014).

Due to its scale, the municipal stock remains the main source of affordable housing in Warsaw. However, there are also some other affordable housing schemes targeting specific groups of tenants.

- Municipal housing: The municipal housing stock remains the main source of affordable housing in the city, but access to it is quite restricted. Eligibility for housing is based on the income criterion and a 5-year "commitment to the district" through residence or employment. The household's income is reviewed every 3 years, but if it rises above a certain threshold, a "pay-to-stay" mechanism is introduced. Municipal housing can be rented on the basis of two types of tenancy agreements: social contract (fixed-term and with very low rents) and regular contract (open-ended, low rents). There are no regulations for the maximum rent, yet it is kept very low: the average rent per square metre is 1.50 € (PLN 7.17, ten times less than in the private sector) for regular contracts and 0.34 € (PLN 1.62) for social contracts. The supply of housing is lower than the needs of citizens: despite strict admission criteria, 8,192 households (of which 5,386 under social contract) were on the waiting list for municipal housing in 2021.

- Social Building Associations (TBS): Social Building Associations (TBS, renamed to Social Housing Initiatives in recent years) are local public housing companies, usually wholly or partly owned by the local authority. Their aim is to build affordable rental housing for lower middle-class citizens. These organisations cover the role of both developer, institutional landlord and manager. Their investment model is based on low-interest loans from the Polish Development Bank (with installments added to the rent), government subsidies and a required contribution from future tenants. Tenants are required to cover up to 30 % of the construction costs in the initial payment; in return, they receive a strong, open-ended contract that can be assigned to family members; in case of ending the contract, they receive the initial payment back valorised. Warsaw owns two TBS companies that provide rental housing for low- to middle-income households; they currently own and manage 4205 units. The two companies used to operate in different parts of the city (TBS North and TBS South), but currently they are responsible for different housing projects: TBS South focuses on innovative and social projects, while TBS North continues the traditional investment model. All housing projects apply a maximum and a minimum income (based on 1.3 and 0.4 of the average income, respectively) for the selection of tenants as well as preference for people with disabilities, large families and young people in foster care.

- Supported housing: Supported housing is an instrument of social policy that serves to deinstitutionalise vulnerable households. Around 40 supported housing units are run by district social services departments or local NGOs, including the Housing First pilot program for 20 people overcoming a crisis of homelessness. This number is far below the need as there are 3700 homeless people in the city alone (City of Warsaw, 2022). Supported housing is treated as social assistance and payments are calculated depending on the residents' income.
- State housing: The state housing units generally serve two purposes: they are either rented out to employees of the state or its enterprises or they serve as temporary accommodation in emergencies, such as a fire that has caused the demolition of the house, or after expropriations. In the case of Warsaw, the main group of tenants consists of army personnel.
- Cooperative housing: the high proportion of cooperative housing in Warsaw is a remnant of the large socialist cooperatives that were established in the 1960s and were responsible for massive large- panel constructions. They served as a justification for including citizens' assets in the financing of the buildings: the participatory component and freedom of choice were hardly present, but social infrastructure was added or at least planned in the estates. At present, the post-socialist cooperatives do not differ much from homeowners' associations: the title of ownership resembles that of a condominium and the boards of cooperatives are professional housing managers rather than social activists or community builders. In some Polish cities, bottom-up movements are striving to restore the pre-war participatory model, but there is no example of such engagement in Warsaw (Twardoch, 2019).

It can be stated that there is a Chinese wall between public and private housing because capital is not involved in any social housing scheme, either as an operator or through bonds. Attempts to include private stock in social renting by copying the model of Belgian Social Rental Agencies did not reach a large scale, as no substantial subsidies or tax breaks were offered.

The size and characteristics of the affordable housing stock

Eighty percent of Warsaw's municipal stock consists of pre-war flats taken over after the death or emigration of the pre-war owners. Undermaintained for decades, many of them are mouldy, have no central heating and no gas; the general refurbishment must be carried out according to the conservator's specifications which increases expenses. Since 2016, large-scale renovations have been carried out as part of the revitalisation programme focusing on the Praga Północ district on the right bank, where over 30 % of the stock is owned by the municipality.

The case of Praga Północ is an exception, because in the other districts the number of housing units is much smaller and the units themselves are much more dispersed. The municipality either owns entire buildings or only some flats in a building that has been partially privatised. In the latter case, the chances for general renovations are much lower due to the limited resources of other tenants-turned-owners and limited external funding. The share of municipal housing stock varies from 16 % in the Wola district to 0.1 % (25 units) in the middle-class district of Wilanów. As the distribution of municipal housing takes place at the district level, it is practically impossible for residents or employees of some districts to obtain a municipal flat.

The flats of TBS were built during the period of highest government support for the program, i.e. 1995-2009, either by densifying central districts or in more peripheral locations; the buildings are modest but still quite new and in good technical condition. The state-owned flats are usually located in the multifamily buildings that were built in the 1950s and 1960s and are mostly managed by homeowners' associations.

Description of major policy and spatial planning instruments directed on affordable housing

Tenancies in both private and public (state, municipal and TBS) housing stock are regulated at the national level by the Tenant Rights Act. Most of the regulations (including renovations, rent increases and evictions) are the same for all landlords. However, municipalities have some additional obligations towards their tenants such as the use of open-ended contracts (except for social housing) and the provision of social housing for families in case of eviction. Municipalities are also required to prepare a detailed 5-year plan for the management and renovation of their stock. In the area of spatial planning, they are responsible for preparing spatial development studies and local plans that are binding for all housing investments, but none of these documents contain specific regulations on affordable housing.

In 2017, Warsaw developed a housing policy strategy that goes beyond the management of municipal housing stock and examines the entire affordable housing sector (City of Warsaw, 2017). The strategy refers to the demographic challenges related to immigration and the ageing society but does not address the situation on the private market or the risks of its institutionalisation. In the following years, it has also become apparent that Warsaw has not achieved the target set in the strategy of building 1500 affordable housing units per year. The total number of flats in the municipality's stock actually decreased between 2018 and 2022 (from 81,474 to 81,365), as only 829 new flats were built and a similar number were privatised or reprivatised (GUS, n.d.).

The municipality is also responsible for distributing housing allowance which can be granted to both tenants and poor homeowners, provided they meet the criteria of income and maximum living space. Although housing allowance is the most common form of housing assistance, the allowance itself is low (on average 58 € per month for Warsaw) and can only cover a small part of housing costs.

Conclusion

Warsaws housing market is undergoing a profound transformation: after several decades of dominance of owner-occupation initiated by give-away privatisations in the 1980s, we can now see a turn towards rental housing as the cost of homeownership exceeds the purchasing power of most residents. International PRS investors have only been present in the Warsaw market for a few years and do not own more than 1 % of the total stock, but currently they seem to be expanding their investments to respond to the growing demand.

The supply of affordable housing in Warsaw, as in other Polish cities, consists mainly of the municipal housing stock which serves the needs of low-income households. The municipality renovates the most dilapidated pre-war buildings but does not invest much in new construction, neither in social housing nor in the TBS formula. At the same time, the affordability crisis reaches the representatives of the middle class, especially internal migrants and middle-income households in a "housing affordability gap".

b. Capturing the Impact of institutional Investors on affordable Housing

Size and share of the housing stock owned or managed by institutional investors

Currently, the private rental sector in Warsaw, which is estimated[23] for 100,000 units, is dominated by small landlords consisting of long-time Warsaw citizens who rent out one or a few flats they have inherited or bought from savings. Since 2014, they have been joined by a growing number of mortgage-backed investors encouraged by low interest rates (NBP, 2022a). Only a small proportion of approximately 9,000 flats are in the hands of institutional investors (CMS, 2022). This means that less than 1 % of Warsaw's housing stock is rented in the institutional private rental sector.

The prevalence of dispersed individual home ownerships in Warsaw (and in other Polish cities) limits the opportunities for institutional investors to buy entire existing buildings. At the same time, the purchase of individual flats or detached houses would be a 'no-go' proposition for a large investor as clarified by the JLL expert (Mendel, 2021). Therefore, institutional landlords invest mainly in new-built flats in order to secure ownership of the whole tenement and facilitate its future management or in a few cases, they participate in the refurbishment of tenements.

The following table provides a comprehensive list of institutional investments that are already built or in the late stages of construction as of January 2023. However, the changes are dynamic as new units come on the market almost every month. In addition to the address of the investment, the name of the district has also been added as location has a major influence on rental costs.

[23] There are no official statistics on the number of dwellings that are privately rented out, nor can the number be obtained from tax information. Therefore, estimates are based on the number of listings on specific websites.

Table 34: List of institutional PRS investments in Warsaw as of February 2023

Investor/Platform	Company type	Stock location	District	No of units
Rental Housing Fund (Fundusz Mieszkan na Wynajem)	Public	Przy Agorze 26 Ficowskiego 8 Samochodowa 2 Powązkowska 17 Terespolska	Bielany Żoliborz Mokotów Żoliborz Praga Płd.	Total: ca. 1000
Griffin Capital Partners / Resi4Rent	Private	Tasmowa Suwak Browary Warszawskie Woronicza 82	Mokotów Mokotów Wola Mokotów	Total: ca. 2100
Heimstaden	Listed on stock exchange	Bokserska KOR Grzybowska Jutrzenki	Mokotów Wola Wola Włochy	Total: ca. 2600
NREP / Lett	Private	Kłobucka Postępu Lazurowa	Mokotów Mokotów Bemowo	Total: ca. 1000
Aurec Capital / LivUp	Private	Puławska 186 Jagiellonska 36 Targowa 17	Mokotów Praga Północ Praga Północ	206 83 150
Van der Vorm Vastgoed	Private	Pereca 11 Szwedzka 4 Rakowiecka	Wola Praga Północ Mokotów	193 47 7
Livos Gruppe	Private	Złota 44	Śródmieście	63
Core Property	Private	Szczesliwicka	Ochota	39
White Star Real Estate Tristan Capital Partners	Private	Apartamenty Elektrownia	Śródmieście	90
Vonder Ltd. (co-living)	Private	Solec 24 Dubois 9	Śródmieście Śródmieście	175 113
Student Depot (student housing)	Private	Suwak 13	Mokotow	488 rooms

Source: Own research, based on the reports of the companies and articles in the industry press.

The structure of the housing stock (building age, location, building type, tenure) held by these companies

Investors focus on the multi-family buildings in the central districts of Warsaw. The majority of investments are located in the central, historic districts - Śródmieście, Mokotow, Zoliborz, Wola and Ochota. All the buildings, with the exception of the redevelopment projects in Praga Północ, lie on the left bank of the Vistula, which is better communicated and considered more prestigious. The majority of these investments consist of single buildings located on small plots of land available in the central locations. There are only two very recent cases where complex estates with more than 1000 inhabitants have been built: the Heimstaden estate in Bokserska and the planned mixed estate in

Woloska by Griffin. Both are located on the brownfield part of Mokotow which only recently became available for residential development.

Institutional investments are considered the "top end" of the entire private rental sector. As most of the investments were made only a few years ago, the buildings with rental flats are not older than 5-7 years and in good condition. The standard of the stock ranges from middle class (especially in the FMW investments) to "premium class" (Elektrownia, Jagiellonska) to luxury (Złota 44, an exclusive high-rise residential building) depending on the building materials and décor, balconies or loggias, the standard of internal common areas and flat furnishings. Elektrownia and Browary Warszawskie are examples of housing units located in the mixed-use complexes in the chic post-industrial space and aimed at young middle-class residents. Pre-war tenements are also being thoroughly renovated to attract middle-class clientele.

In all cases, however, the living space, which should be the main indicator of "premium", is quite limited. Most rental flats are either studios or one-bedroom flats with an average living space of no more than 40 sqm (Mendel, 2021) which makes them suitable for either single-person households or families in the early stages of their housing careers.

Characteristics of the companies

The first institutional investments have been held since 2015 by a public fund (Rental Housing Fund, currently part of the Polish Development Fund, a closed-end investment fund owned by the state) which has built and managed 5 residential buildings in Warsaw on commercial terms. It remained the largest investor in the PRS until 2019 when it was overtaken by Resi4Rent, a company backed by a mix of international investors.

In the following years, the market attracted international companies, a large part of which are based in the Scandinavian countries (Core Property, NREP, Heimstaden). Currently, the largest international residential portfolio is in the hands of the Swedish company Heimstaden, the only stock-listed investor operating in the Warsaw market. The company reports a portfolio value of 31.690 million € with the Polish portfolio accounting for 92 million € (Heimstaden, 2023). Heimstaden is also the first investor to acquire not just a single building but an entire estate on Bokserska Street (Rzeczpospolita, 2022).

Most investors have the status of Real Estate Private Equity (REPE) companies and operate under the general rules of real estate taxation. At the same time, many REPE are associated with listed investors. The companies present on the Warsaw market focus on the residential real estate sector, operating either in the build-to-sell or build-to-rent model. The exceptions are White Star, Aurec and Vonder, which describe themselves as technology or platform companies and focus on innovation in different sectors. To some extent, this is reflected in their investments which tend to focus on community living or mixed-use rather than regular residential units.

The management strategies of institutional investors (housing purchases and sales, renovation activities, maintenance, rent price structure, housing allocation)

As institutional investors have only just entered the Warsaw market and are currently managing the newly built stock, it is too early to say anything specific about their maintenance, modernisation and sales strategies. However, more can be said about the model of stock acquisition, leases and prices.

Institutional landlords invest in newly built stock and try to secure their investments at an early stage. They do this either through forward-funding arrangements and the massive purchase of entire flat buildings under construction, or by acquiring local developers who have considerable know-how and a large land portfolio. The latter serves several purposes: it allows to benefit from the developer's expertise, but also to be exempted from the VAT tax on land acquisition (CMS, 2022).

A different pattern can be observed in two redevelopment projects in Praga, currently in the portfolio of the LivUp platform. These projects were, however, very controversial and received wide criticism by architects and social activists. They include pre-war tenements in the Praga Północ district (Jagiellonska 36 and Targowa 17) which were restituted to their pre-war private landlord and then sold to Fenix Group, a company specializing in the acquisition and renovation of pre-war tenements, often preceded by a dubious reprivatisation process and a brutal "cleansing" of the flats from the tenants (Kusiak, 2019). In the case of Targowa, the developer also demolished the outbuildings that had remained under the care of the conservator (Wesolowska, n.d.).

Rents in units let by institutional landlords do not deviate from the market average of 13.5-17.5 € per square metre per month, depending on the standard and location of the unit. Compared to rents in the municipal (average 1.4 € per square metre), and the TBS housing (average 2.9 € per square metre), this stock proves to be significantly more expensive (GUS, n.d.). Still, according to the investors' official data, the existing flats are usually 95-100 % rented (although it is not known whether they are also occupied).

Flexibility is the key word describing the management model in this sector. Institutional landlords strive to make contracts less binding and easy to terminate. Contracts are concluded for 12 months, with the prospect of renewal. Tenants can choose between a regular contract, which is subject to the Tenants' Rights Act, and an institutional contract introduced in 2017, which limits tenants' rights in relation to the eviction process (Audycka, submitted). The Resi4Rent platform goes even further and offers "subscription apartments", where the rented flat is treated as a service provided by a company and tenancy laws do not apply. In the promotional materials, the investors avoid equating the rented flats with homes and safe havens: the flexibility is presented as an advantage for the tenants, but the low level of regulations is mainly beneficial for the landlords' business model.

New construction activities

Many more investments are in the pipeline, both from existing players such as Heimstaden, NREP and Aurec and from other REPEs, new to the Warsaw market such as Wing (Hungary), Eiffage (France), Inspirentials and LRC (USA) (HRE, 2022). According to the experts (Interview: HRE, 5.06.2023), by 2025 the institutional investors will build around 70,000-80,000 units, and NREP alone has reported a pipeline for 10,000 units. It is likely that the new investments will not be limited to individual buildings but will encompass entire estates (as in the case of the planned estate in Woloska street, described in detail in chapter 4).

In the near future, one of the largest German stock-listed companies, TAG Immobilien, will start its first projects in Warsaw planning to build 20,000 flats in the next few years. TAG is present in other Polish cities (Wroclaw, Poznan and Gdansk) and has already established its investment model. Like other investors, the company will focus on the new constructions and the acquisition of new developments from local developers. After buying Vantage Development in 2020 and Robyg (previously controlled by Goldman Sachs Group) in 2021, the fund has secured the land and resources for 37,300 new units in Poland. The first corporate investment in Warsaw has now been launched in the Ursus district on a former industrial site. The business model, already practised in other Polish cities, is to build 50 % of the stock under a build-to-sell and 50 % under a build-to-let model, under TAG management (TAG Immobilien, 2022).

Many new investments are being built on Warsaw's brownfield sites, i.e. former industrial areas that belong either to the state or the municipality. These sites are already equipped with technical and social infrastructure, so flats can be provided with central heating and electricity and have easy access to public transport and social infrastructure. Moreover, developing housing on brownfield sites offers opportunities to circumvent spatial planning and construction law. According to the reports (CRIDO & Savills, 2022) 18 % of investments nationwide are made on land designated for commercial purposes according to local spatial plans (in Warsaw this is the case in Taśmowa, next to the railway line, and student housing in Suwak). These buildings have the legal status of "collective accommodation facilities" and as such are not subject to the residential construction law so they can be substandard in terms of living space or height and do not have to comply with the provisions of tenancy law. For investors, these units offer the advantage of flexibility in design and lower land acquisition costs, but in return higher VAT taxes and the risks associated with a possible exit strategy. For residents, they mean living in a location that is not suitable for regular housing and often in units that are considered substandard.

Conclusion

Recent years have witnessed an influx of international institutional investments (mostly by REPE companies but also by two stock-listed companies) into the Warsaw residential market. The investment schemes were based on forward financing, purchases of new buildings and the acquisition of local developers. The total number of flats on PRS is still small, but the pipeline of investors is very ambitious. While in the early years, companies invested in single buildings in the central districts with relatively high standards, they are now moving to build entire neighbourhoods in more remote areas, targeting less affluent households.

The PRS market benefits from the current political and economic situation in Poland, as rising interest rates are constraining household creditworthiness and the growing number of Ukrainian refugees exacerbates the undersupply of housing. The case of Resi4Rent which recently received a 50 million € EBRD loan under the Resilience and Livelihoods Framework to "broaden access to housing (...) among host and refugee communities" (EBRD, 2022) illustrates this trend.

While early attempts were constrained by regulations related to spatial planning and tenancy rules that institutional landlords tried to circumvent (by using the forms of "subscription apartments" and "collective accommodation facilities"), recent changes in spatial planning and Tenant Rights Act, described in the next sections, make the legal environment more favourable for investors.

c. Analysis of Policies directed to institutional Investors

The evaluation of the effectiveness of existing instruments

In Poland, housing policy is situated within the competence of state and local authorities. The state is responsible for legislation, general policy guidelines and state-funded programmes. The municipality prepares local spatial plans, issues building permits and is responsible for technical and social infrastructure. Municipalities have mostly an indirect impact on housing policies only which stems from handling of the municipal housing stock. Existing housing policies and instruments related to institutional investors are national rather than local, with regional authorities playing virtually no role in the process. Nevertheless, in many cases municipalities are responsible for their implementation, and large municipalities can be proactive in shaping the actual procedures. In the case of Warsaw, this can be observed in the area of spatial planning and building permits.

The areas of policy that have been identified as crucial for the institutional PRS are spatial planning, fiscal policy and tenancy law. Since spatial planning is directly related to the construction process, its regulations are aimed at developers and not at the final landlords. These regulations are still considered relevant as the majority of Warsaw's (and Poland's) PRS market consists of new buildings and as many developers are directly linked to institutional investors, either as subsidiaries or through inter-company arrangements (eg. TAG Immobilien buying developers Vantage and Robyg, Marvipol building directly for Heimstaden Bostad, and other cases described in Section 2).

Land and spatial planning policy: Most land in Warsaw is state-owned as the central parts of the city were nationalised to facilitate post-war reconstruction. At the same time, former agricultural land outside the historic boundaries of the city has remained in the hands of small farmers. After 1989, land in Warsaw, as in other cities, has been regularly sold with the aim to raise revenues for the strained municipal budget. Currently, approximately 34 % of the land within the administrative boundaries of the city is owned by the state and 23 % by the municipality; these figures are still slowly decreasing due to investment purchases.

The spatial planning system was thoroughly reformed after the political transformation: the withdrawal from central planning policies and the focus on ownership led to its decentralisation and deregulation. In 2003, all local plans drawn up before 1995 expired (since then, Warsaw has managed to create plans for 42 % of the area and is in the process of preparing for another 27 %). The responsibility for spatial planning has been delegated to the municipalities with only general guidance given in the regional and countrywide documents (Study on Development Conditions and Directions, abbreviated as Study). The cost allocation for the preparation of plans is extremely unfavourable for the municipalities as the compensation for land owners exceeds the benefit from the planning fee. Since the preparation of local spatial plans is not obligatory(!), municipalities often either do not initiate the planning process or do not complete it despite previous work and consultation. In the absence of plans, new constructions are based on individual building permits (*decyzja o warunkach zabudowy*, W-Z). The legal approach in the case of individual permits is much more lax and arbitrary, so the use of this form is often criticized by professionals (Juchniewicz-Piotrowska, 2015; Czekiel-Świtalska, 2017).

Even when plans are prepared, they do not have to be followed by immediate implementation, which separates the spatial planning phase from the construction phase. The consultation procedure is only obligatory for spatial development plans and thus the only binding document that investors must follow.

Taxes*:* Both developers and investors operate under general business regulations, regardless of the size of the company. However, many tax exemptions apply in the area of residential construction and rental housing. The VAT tax is levied on the three types of economic activities: land purchase, housing unit purchase and renting. In addition, the companies are subject to linear income tax and a property tax.
The following table summarises the tax rates for the different phases of housing investment. It shows the initial VAT costs associated with the purchase of a plot of land or a flat and the costs of the later, regular operating phase. Exempting rentals from VAT tax to avoid vacancies contributes to low level of taxation.

Table 35: Tax burden on institutional investors

	Tax rate
Land purchase for residential construction	
From individuals	2% (stamp tax)
From legal entities	23% VAT, deducible
Purchase of housing units	
New buildings	8% (23% in case of units over 150sqm)
Existing buildings	2% (stamp tax)
Renting by institutional landlord	
Residential units	exempt
Accomodation facilities (described in WP2)	8%
Income tax (CIT) Property tax	19% linear EUR 6,5 (PLN 28) per sqm

Source: Own research based on legal acts.

In 2016-2020, the Polish government planned to legally establish REIT type companies exclusively for investments in residential real estate, which would provide some investors with full exemption from income tax. To be classified as REIT, the company would have to invest at least 70 % of its assets in real estate and reinvest 90 % of the profit or distribute it as dividends. After a few rounds of consultations, the work was stopped in 2020 following criticism from the Poland's National Bank authorities.

Tenancy law

Polish tenancy laws are a kind of compromise between the primacy of property rights, characteristic of the post-transformation period, and the constitutional right to protection from homelessness. Consequently, the regulations are limited with regard to rent increases[24] and at the same time very strict on eviction procedures. Despite its inconsistencies, the system has been assessed as an effective balance between the rights of tenants and landlords (Panek et al., 2016) .

[24] This being a result of the ECHR Judgement on Hutten-Czapska v. Poland (2005) prohibiting top-down rent regulations in the private stock.

There is no strict rent limit and rents can be increased every 6 months with three months' notice; any increase above 3 % of replacement value[25] must only be justified in writing. Under the Tenants' Rights Act the landlords are entitled to a "reasonable profit", although the definition of "reasonable" is discretionary. At the same time every eviction is heard in court and municipalities are obliged to provide social housing to certain groups of households and temporary premises to all other tenants. In many cases, the proceeding take years and in the meantime tenants have the right to stay in their former home but have to pay rent and sometimes additional compensation costs.

The majority of private landlords, both individual and institutional, invented ways around the long eviction process. Short-term contracts are commonly used as the main means of risk mitigation, with leases usually concluded for 12 months, regardless of the actual duration of the households' stay. Some institutional landlords also use contracts that are formally not considered a lease (such as "subscription apartments" and "collective accommodation facilities" described in Section b).

The development of "new" housing policy and planning instruments and strategies

The recent influx of institutional investors coincided with the government's Home Plus rental housing programme dedicated to middle-income residents (*Uchwala nr 115/2016 Rady Ministrów z dnia 27 września 2016 r. w sprawie przyjęcia Narodowego Programu Mieszkaniowego*, 2016). This led to the creation of a new legal framework for leases in 2018-2021 which facilitated the operating conditions of the private rental sector. The solutions were primarily dedicated to the government program but can also be used by investors from the private rental sector.

Housing Investment Facilitation Act of 2018 (Lex Developer): To accelerate the procedures for new construction, in 2018 the government introduced the legal act that has been immediately dubbed Lex Developer by the public. It allowed the construction of a residential building or “accompanying investment” regardless of the local spatial plan, provided it does not conflict with the Study (this condition also does not have to be met, e.g. for former military areas). The implementation of a housing investment is based on a decision of the municipal council; application must be preceded by the preparation of an “urban planning and architectural concept”. The law sets the minimum requirements for the concept, e.g. in terms of technical and social infrastructure and maximum height. Paradoxically, Lex Developer is the first law to prescribe some standards related to the social infrastructure for new buildings such as maximum distances from bus stops, schools and preschools, recreational and sports areas, as these parameters are not included in local spatial plans.

The investments made under Lex Developer became more visible in the public debate which has already resulted in the height and cubature of several projects being reduced for reasons of spatial order (Kepinski, 2021). Nevertheless, the simplified procedure has become increasingly popular among investors: even the Warsaw public housing company (TBS) has adopted the Lex Developer procedure for its own investment in the Ochota district (Szumowska, 2022). At this stage, no major investment has been completed and the long-term consequences of the scheme are difficult to assess.

[25] Replacement value refers to the amount that an entity would have to pay to replace a dwelling at the present time, including the degree of wear and the land prices. It is 12 B. AUDYCKA the ratio of the usable area of the dwelling and the conversion rate that is set for 6 months on the basis of the current statistical data of the statistical office, ministry guidelines and regional level analyses (Tenant Rights Act, art. 9 point 8)

Government Support for Renting Act of 2018: The government also announced a special allowance for the first few years of renting. As with the regular housing allowance, eligibility is calculated based on average income and living area, but the income threshold is set much higher (100 % of average income for a single-person household and an additional 40 % for each additional member). The program is far from universal though, as it only applies to dwellings rented for the first time and within 24 months of the completion of the investment, preceded by an agreement with the municipality. It uses limited budgetary resources which currently cannot cover more than approx. 70,000 allowances per year.

The impact of the programme was marginal in the first years with only 845 tenants in the whole country benefiting from the subsidy. According to the Housing Policy Office of the City of Warsaw, there are no beneficiaries of the subsidy in Warsaw, neither in the public nor in the private sector (Public Information Request, March 30, 2023).

Institutional contracts in Tenant Rights Act: In 2017, Parliament voted to include a new type of contract between the tenant and the landlord institution in the Tenant Rights Act. This new type of contract, called the institutional contract, significantly restricts the rights of tenants as it allows to evict the tenant immediately if the rent is 3 months in arrears or in case of 'anti-social behaviour'. In this case and in case of a termination of the contract, the tenants have 14 days to leave the flat, after which landlords can evict them with the help of the police. Tenant households have no right to legal proceedings and are not entitled to social housing, even if they would qualify for it under the regular contract. Although the last sentence was immediately objected to by the National Ombudsman, it has not yet been challenged by any court.

The number of institutional contracts was still very low in the PRS as of 2022 due to their notarial form: according to Resi4Rent's communication department, they represent no more than 10 % of their contracts (email communication, May 18, 2022). However, it is expected to increase as it is already being touted by real estate consultants as a risk mitigation tool (CMS, 2022).

Conclusion

Until recently, Poland's policies and instruments for the rental sector were characterised *by a balance between the rights of tenants and landlords*; the tax system was centralised but designed to encourage investment in housing by reducing the tax burden. The spatial planning system was strict but inefficient and easy to circumvent.

The post-transition housing policy was geared towards deregulation and support for owners and investors as the tax and rent regulations analysed show. At the same time, some bulwarks of the welfare system remained, especially related to tenant protection and spatial planning procedures, which caused delays and contributed to the unpredictability of the business environment. Very often, it was not the regulations themselves but their slow and inefficient implementation (as in the case of local spatial plans or lengthy eviction procedures) that posed challenges to institutional investors. But instead of improving judicial procedures, public authorities tacitly accepted the circumvention of existing law by the private sector in line with the strategy of non-enforcement (Huisman, 2016).

New policy instruments created in the context of increasing institutional investment are oriented towards market developments. Although the government has failed to create a specific framework for institutional investors in the form of REITs, it has introduced legislative changes aimed at limiting the business risk for new investments through flexibility/deregulation of the spatial planning system, facilitation of the eviction process for rent arrears and a dedicated subsidy to market rents.

Although the institutional tenancy contract has yet had little impact on the rental market, this legal tool could ultimately become the game-changer in the regulation of rental housing. While the Lex Developer process can have some benefits, especially if municipalities take a proactive stance, and the impact of the rent subsidy will remain insignificant, the restriction of tenants' rights will result in permanently reduced security for households overburdened with housing costs and deprived of basic protection in the form of social housing.

d. Policymaking under the Conditions of Financialisation

Interest representations of institutional investors (both in national and local policy arenas)

The form of institutional investors' impact on policy-making depends to a large extent on the design of lobbying activities in the Polish law. The Lobbying Act of 2005 distinguishes between professional and non-professional lobbying with only the first type being regulated and reportable (Graniszewski, 2019). Professional lobbying activities are very limited: from the reports of the parliament, ministries and local governments we can learn that there has been no lobbying in the field of housing policy since 2019. This does not mean that there have been no interactions between the representatives of PRS or developers and the authorities but that they are carried out by non-professional bodies such as umbrella organisations or, in the case of large companies, directly by their representatives (Wenclewska, 2020).

There are a few formalized channels for stakeholder participation in housing policies and programmes in Poland. In the area of legislation, stakeholders can express their views during public consultations on government projects of legislative acts (consultation on parliamentary projects is not obligatory) or on municipal spatial plans. In Warsaw, public consultations are also held in the case of planned Lex Developer investments. The capital city also hosts regular meetings of the sectoral Social Dialogue Committees, which are composed of representatives of various stakeholders interested in the specific topic. However, in the two housing-related committees dealing with tenant protection and architecture and spatial planning there are no representatives of developers or landlords. On the other hand, stakeholders can communicate informally with national and local authorities at bilateral meetings, round tables or networking events such as the Economic Forums in Krynica and Karpacz. There are no regulations or reports for these types of activities.

The analysis of the results of the public consultations on selected legal acts related to housing investments has shown that there is no demonstrable participation of representatives of institutional investors in the public consultations or advisory committees. Their interests seem to be represented by developers both at the national level and at the local level when it comes to specific investments. At the national level the most active stakeholder is the Polish Association of Developers (Polski Związek Firm Deweloperskich, PZFD). PZFD was established in 2000, currently it has 300 members ranging from small family businesses to international companies. It represents both Polish property developers and the institutional rental sector in the media, at official meetings and conferences, gives opinions in public consultations, prepares reports and provides training to its members.

Strategies and interventions of institutional investors to influence public discourses

With regard to law-making and governmental subsidy schemes the perspective of institutional investors is often represented by developers and real estate consultants in the public and media debate. The communication of the investors themselves focuses on the new transactions and the presentation of the portfolio. According to one of the experts, the communication strategy of investors has changed in recent years: since 2022, they have tended to hold back, as the reception of investments has become less enthusiastic and more nuanced (Interview: HRE, June 05, 2023).

Arguments addressed to the public usually refer to the poor quality of the existing rental stock and the frequency of conflicts between tenants and individual landlords. Consequently, it is argued that the advantage of institutional PRS lies in the clear rules for renting, professional technical support, clear and transparent contracts and a certain freedom of choice in flat layout and furnishing.

Until recently, the attitude towards PRS investment in public debate was positive and in line with legislative changes to support the sector. However, the argument of mortgage-backed owner-occupiers crowded out by large-scale landlords became sound following the rapid increase of interest rates, which led to a curtailment of credit action. The alarming tone of some reports and the recent large-scale transactions led the Prime Minister to publicly express his concerns in January 2023 and announce work on new taxes and regulations on massive housing purchases.

Although the project was only announced in a radio interview as the result of "expert recommendations", the Polish Association of Developers reacted quickly. The association drafted a letter to the Prime Minister and to the government's Work Planning Team criticizing the project's fundamentals and demanding that the work be suspended. In addition to a detailed revision of the proposal, the association argued the need to support PRS due to the quantitative housing shortage exacerbated by the refugee crisis and warned that the activity will have a negative impact not only on the sale of housing but also on the construction and renovation materials sector. The statement was circulated through press agencies and became a popular release. This example shows that the association is able to attract public attention and act quickly to prevent the unfavourable changes.

Forms of direct collaboration of institutional investors with politicians and administrations

As mentioned above, some forms of direct interaction between institutional investors and politicians and administrations are not known to the public while others are subject to lobbying and public consultation rules. While it is hardly possible to detail the influence of the different stakeholders on legislation or budgeting, a study of a local case provides some insights. Thus, the following chapter includes a case study of a large residential investment in the Służewiec estate. Here, the interactions between the investor, the president and the City and District Councils are analysed and to show how the new legal framework and financial support are used to meet the needs of institutional investors.

The former industrial area of Służewiec, which was converted into an office centre in the early 2000s (Buedenbender and Aalbers, 2019), is now an area with a growing number of new residential constructions (favoured by the proximity to the centre and the relatively low building density). In 2020, Echo Investment company applied for a building permit for an estate of 1600 residential units, of which 400 would initially be rented out through the Resi4Rent platform co-owned by Echo. In this investment, the company uses a range of available financial and legal support instruments: (1) the rental part is co-financed by the EBRD Resilience and Livelihood Loan to improve access to housing for Polish and

Ukrainian citizens; (2) the institutional contract serves as an alternative to the regular lease; (3) and, most importantly, the building permit has been applied for under the Lex Developer procedure to circumvent the local spatial plans prepared in 2011 and 2012 as well as the Study that designated the area for services.

The Lex Developer procedure requires a very detailed submission from the outset and the city response must be very quick as required by law. The project was originally submitted in late 2020 and its revised version was subjected to a three-week public consultation. After that, the District Council and the Urban Planning Committee issued their opinions, but the final decision on acceptance belonged to the City Council. At the same time, the public administration was the main - though informal - partner for the investor and conducted negotiations based on the president's instructions. The original submission already contains the agreement with the City on the construction of the school which means that the submission was preceded by extensive communication with the president’s representatives.

According to the law, local governments can impose additional requirements under the Lex Developer procedure and the City of Warsaw has made use of this possibility. First, it restricted the spatial planning standards in terms of height and distances from social infrastructure (e.g. it requires a maximum distance of 800 metres from the school instead of 1,500 metres, as provided for in the national law) to ensure better quality of the buildings and neighbourhoods. The mayor of Warsaw issued a detailed instruction describing the procedure of public consultation and negotiations between investors and municipal authorities (Instrukcja Prezydenta m.st. Warszawy dot. zasad prowadzenia dialogu o inwestycjach, wnioskowanych na podstawie ustawy o ułatwieniach w przygotowaniu i realizacji inwestycji mieszkaniowych oraz inwestycji towarzyszących, 2022). Special attention was given to guaranteeing educational facilities: if there is no school or preschool, the municipality obliges the investors to build them and provide to the municipality free of charge (Instrukcja Prezydenta m. st. Warszawy dot. negocjacji z inwestorami prywatnymi dot. spełnienia standardu edukacyjnego zgodnie z ustawą o ułatwieniach w przygotowaniu i realizacji inwestycji mieszkaniowych oraz inwestycji towarzyszących, 2022).

The financing of the school construction by the investor was the main stake of the negotiations. The clear intention of the municipality was to “trade” the permit in return for the school which could accommodate not only the children from the built estate but from the entire neighbourhood. The investor's original proposal was reviewed negatively by the district authorities because of the too small school size. After Echo refused to cover the costs of the larger school building, the president's representatives agreed to co-finance the construction. However, this agreement was not approved by the City Council which rejected the investment by three votes in June 2021 despite the president's recommendation and the positive opinion of the Urban Planning Committee. The investor then resubmitted the project and went through the process again between July and September 2021. In this second attempt, Echo agreed to pay all the costs for the school.

Interestingly, no other major issues related to architecture or clashes with spatial plans were raised during the process. The investor made efforts to present the project as desirable in the area: it remained reasonable in terms of density and height and was advertised as bringing the multiple urban functions to the former office center (Echo). The developer also promised to replace parking spaces with a linear park, provide a good quality of green spaces and small architectures. The main point of contention, the school, was given special attention. The architects in charge of the school project had previously been involved in work on the municipal school standard; they designed the modern open school that would also serve as a community center and actively promoted their project in the media (eg. Nowa Warszawa, Murator Plus). All these measures served not only to convince the City Council to the investment but also to present the project to the public as progressive and of high quality.

At present, the results of these efforts are not yet known as the project is still under construction. However, the example shows that the municipality accepts the regulations of the Lex Developer and works directly with the investors based on the president's instructions. It also shows the City Council acting independently and rejecting the solution devised by the investor and the municipality which ultimately led to the outcome that is more beneficial for the public. At the same time, the municipal authorities proved to be strictly pragmatic and at no stage of the process was the involvement of a private developer or the purpose of a private rent questioned.

Conclusion

The analysis of institutional investor advocacy and its influence on housing-related policy can only be limited due to the specifics of Polish lobbying regulations. Currently, there is no professional lobbying in relation to the private rental sector in Poland, and it is difficult to track the interactions between policy makers and institutional investors. One can assume, however, that investors' representatives tend to hold back from consultation bodies and procedures and only become active in rare cases of a direct threat to their business model. When this happens, their reaction is usually very quick and severe.

Collaboration between investors, policy makers and administration can be pursued on the local level for specific investments involving, as in the case of Warsaw Sluzewiec, several actors with sometimes different goals. Although the president and the administration remain the investors' main negotiating partner, the City Council may sometimes not act in line with the president's approach, and the opinion of the district may also have a significant impact as detailed in the case study.

The case of the new housing estate built under the Lex Developer demonstrates that the city is generally positive towards new investments but at the same time takes a pragmatic approach to financial arrangements and can act effectively to achieve its goals despite a lack of consistency between the different bodies.

10. Comparison: Housing Policy under the Conditions of Financialisation

In this report we have studied the interrelation of housing policies, institutional investors and housing affordability in seven European urban agglomerations. The following chapter outlines some preliminary conclusions that can be drawn when the seven case studies are read in comparison.

a. Rationale for comparison

Before going into depth with the material, a few remarks on the potentials and limits of comparing cities are necessary. Thus, while cities are increasingly connected through global financial, economic, social and cultural networks, each city filters global processes distinctively. The main reason for this is the existence of place-specific historical and socio - political arrangements (Massey, 2007; Ward, 2010) which lead to a high degree of path dependency in urban change. Comparison is hence always confronted with the challenge to combine "global-relationality and territorial-embeddedness" (McCann et al., 2013, p. 584). This enables different comparative "tactics" (Robinson, 2022), ranging from conventional variation-finding comparison to a more open-ended "thinking cities through elsewhere" (Robinson, 2016). The approach we take here is somewhat in-between and focused on generating a more nuanced understanding of the different pathways of the entry of institutional investors into urban housing markets and carving out the relation of these different pathways to housing affordability and urban politics. The main goal of this chapter is therefore not rigorous and methodologically controlled comparison as such. Rather, the intention is to bring the cases studied into conversation. This, we argue, enables an analysis across variegated urban experiences and supports mutual learning.

The basis for the comparative discussion brought forward in this chapter is the concept of "housing systems" developed by Kemeny (1995, 2006). Although this theory does not take into consideration the role of financial investors or financial logics in housing markets (as it has been developed before financialisation become a prominent field of research and scholarship) it has developed very helpful tools for understanding fundamentally different pathways of housing and policy constellations across Europe which can be taken as a starting point for studying the trajectories of housing financialisation. In this sense, we aim at using Kemeny's theorisation in a very flexible and open way, as an orientation that helps understanding the role of different contexts when explaining the impact of institutional investors.

Kemeny (1995, 2006) suggested that there are primarily two kinds of housing systems across Europe which represent different housing ideologies, state and market arrangements. The first of these can be coined "dualist rental systems" which usually emerged in countries with an ideology of economic liberalism, where state involvement is limited to providing basic support for low-income groups and facilitate the market. As the state endeavours to steer competition, a residualised state-regulated housing provision is foreseen for households unable to buy welfare services on free markets. This acts as safety net that prevents competition with housing market actors. Therefore, such societies are characterised by a dualism between unregulated profit-driven housing markets on the one hand and a tightly controlled state sector on the other (Kemeny, 1995). In previous studies, the UK, Italy and Belgium were considered classic examples of such dualistic housing systems (Kemeny, 2006, p. 10)

Integrated, or unitary, rental systems aim at ameliorating the undesirable effects of the market and achieving a balance between social and economic priorities. Social market policies have resulted in a so-called integrated rental system in which housing policies are geared towards direct competition between the profit and the non-profit rental sectors. This implies that governments are actively involved in the development and regulation of rental markets, and non-profit social rent levels may have a dampening effect on the commercial rent levels in the private rental sector (Kemeny, 1995, p. 18). Additionally, integrated rental systems are often characterised by rent regulation regimes that put a limit on rent setting and increases. In previous studies from the 1990s, Sweden and Germany were considered classic examples of integrated housing systems (Kemeny, 2006, p. 10)

When using Kemeny's housing systems approach, it should be taken into account that it has also criticised, modified and advanced in recent decades. Kemeny's original theory has thus been questioned (Stephens, 2020) and updated, both with the aim to make it more open to "familistic" Souhern European (Arbaci, 2019) and Eastern European "transitional" realities (Hegedüs et al., 2018) but also with regard to the growing importance of financial markets for understanding the "varieties of residential capitalism" (Schwartz & Seabrooke, 2008). Notwithstanding these innovations, Kemeny's core ideas still provide a starting point for discussing the different ways in which institutional investors have entered the different national housing systems.

The financialisation of housing has introduced new opportunistic logics into the ways in which housing systems operate by changing the economic conditions for housing supply and distribution. The entry of financial investors into local housing markets has fostered the perception of housing as an asset class (Gabor & Kohl, 2022) able to continuously generate exchange values and yield capital returns equivalent to other financial assets. This has also been facilitated by innovative financing and asset management practices that promote rental housing as a secure, low-risk and high-gain asset for financial investors. Within this context, both integrated and dualist rental systems have been targeted by financial actors and are profoundly re-shaped by financial practices.

The existing literature on housing systems provides a good starting point to conceptualize the path-dependency of these changes. It therefore builds the framework against which we analyze the impact of institutional investors on housing markets.

b. The diversity of institutional investors and their impact on housing affordability

The background against which the different experiences with institutional investors need to be examined is a housing affordability crisis experienced in manifold cities around the globe. According to the UN-Habitat program, around 80 per cent of cities worldwide do not have affordable housing options for half of their population (UN-Habitat 2022). Consequently, the housing affordability crisis has been counted among the key challenges towards sustainable development, and UN-Habitat and other global organisations (e.g. Eurocities 2023) are demanding that all levels of government put affordable housing at the centre of their urban policies.

This situation is also reflected in our study: Throughout the cases, housing affordability pressures constitute a common denominator affecting broad parts of the urban populations but most severely vulnerable social groups. Since the mid-2010s, house prices and rents have increased at a higher rate than disposable incomes in all cities.

Regardless of the different characteristics of the former housing welfare in the cities studied, not only a crisis of affordable housing supply can be stated, but for the last few years also an escalation of the situations. Even in cities like Malmö and Berlin, which for a long time were characterised by a very large public and social housing segment, massive rent increases and a residualisation of social housing supply are reported. In London, Milan and Brussels - which have been characterised by a liberalised housing market for many decades - the shortage of affordable housing has been increasing in recent years. Similar developments can also be observed in Warsaw and Athens. While Warsaw has accelerated the already drastic transformation dynamics in recent years through a radicalised urban development policy, the liberalisation and marketisation in Athens has been intensified by the constraints of the austerity crisis.

At the same time, the pool of state supported housing options, such as social, municipal or public housing, has shrunk after successive waves of privatisation and commodification. While the loss of affordable housing options as such can be regarded as a general phenomenon, it resulted from rather different developments across the cases studied:

- Numerous cities have sold existing social housing. London had a significant social housing stock in the past which has been diminished through decades of privatisation, stock transfer and demolitions. Milan has also experienced a diminishing social housing stock, mostly due to sales and the same goes for Malmö and Berlin which both report mass privatisation of public housing in the past.
- In Warsaw and Athens, in contrast, the social housing stock has always been marginal. A sale of existing social housing units ergo hardly played much of a role. At the same time, new developments nearly exclusively focus on the owner-occupation and upmarket private rental sector. Thus, while the need for affordable housing options has increased, both cities remain underserviced in this respect.
- In addition, throughout the cases, we have seen the introduction of more market-oriented models of social housing provision. The introduction of less affordable types of social housing has watered down the impact of social housing on the actual housing costs in these cases.

In this situation, also the construction of new housing units in general lacks behind for all cities. All case studies have reported demographic growth, but nowhere are new construction activities able to keep the pace of rising housing demand and - more importantly – where housing supply is expanded it usually fails to address the groups most in need. As housing supply is outnumbered by excess demand, rents increase, especially in city centres, and this further accelerates displacement pressures. Reacting on the notorious lack of social housing, demand shifts towards the private rental housing sector – which in most countries is a precarious and insecure tenure.

The impact of institutional investors on affordable housing in a comparative perspective

What is the impact of institutional investors on alleviating, or worsening, this situation? When discussing this question, it is necessary to keep the differences between countries and cities in mind. In this sense, the study has clearly shown that financial investors have engaged in very different strategies in acquiring property rights and entering local housing markets. By looking at the strategies developed for grasping property rights in each case, we have identified three distinct ways in which financial investors have entered local housing markets. To facilitate analysis, we have grouped cities in ways that reflect similar financial strategies and defined entry points. Each grouping reflects, to some extent, different housing systems and local traditions in housing provision and supply.

Malmö and Berlin thus represent unitary rental systems with a strong history of state intervention into housing. In both cases financial investors entered local housing markets through mass-privatisation of state-owned or social housing. Usually, this privatisation was achieved by the sale of entire housing blocks to private investors. Especially in Berlin, the “en bloc” purchase provided easy access for financial investors who could make use of low interest rates and prices and gave way to opportunistic business models (see Fields & Uffer, 2016; Bernt et al., 2017). At the same time, “en bloc” takeovers were only possible exactly because of the very history of unitary rental systems in which the state has traditionally taken a considerable role in the housing provision. Ironically, this more centralised management structure has eased the acquisition of large packages of properties through financial investors when states decided to reduce their role in housing provision and sell their stocks. Put differently, the history of strong state intervention has made the take-over of large chunks of properties in traditionally more welfare-oriented systems easier compared to their liberal or familial counterparts. As the building blocks sold to financial investors are geographically concentrated in specific neighbourhoods, these transactions have transformed institutional investors into key real-estate actors in these areas and often even in the respective metropolitan housing markets (for example in Berlin financial investors are estimated to manage around 10 % of the housing stock - Trautvetter, 2020).

Brussels, London, Milan and Warsaw[26] in contrast, can be grouped as representative of dualist systems with relatively weak traditions of welfarist state interventions into the housing market or in the case of London with a strong privatisation in the last decades. In these cases, owner-occupation is of sheer size, social housing comprises merely a small part of the total housing stock, and private renting is only weakly regulated. In addition, the private rental sector is usually charactised by strong fragmentation

[26] Warsaw is to some degree an outlier in this group because socialist housing policies have resulted in a very affordable housing stock in the past. However, the transition from socialism to capitalism has been accompanied by mass privatisations here which left only a very marginal social housing stock.

with regard to ownership, so that a myriad of "amateur"-landlords is the norm rather than the exception. This fragmentation has made "en bloc" purchases of significant numbers of homes – as in Germany and Sweden – rather hard to achieve. Thus, contrary to the previous paradigm, financial investors have entered residential real-estate by developing alternative asset classes. They have thus predominantly invested in new constructions or niche markets that have developed at the margin of the existing housing market. These niche markets target the needs of very specific demand groups. Elderly homes, student accommodation, short-term-renting or co-living arrangements are typical examples here which have opened up new profitable investment opportunities in otherwise challenging markets. In these cases, institutional investors have not become dominant real-estate market actors, but they have introduced new products and new logics into existing local housing markets by developing new housing products, promoting new constructions and transforming their land use. In most of the cases the focus is on expensive units rather than on providing affordable stock. Athens is an example of a third route of housing financialisation. Being an extreme example of a dualist housing system, high homeownership rates and rather marginal social housing provision in the past, it recently stands for a debt-driven property acquisition by financial investors. Contrary to the other examples, the market entry of institutional investors is enabled by acquisition of private debt here. Thereby, securitisation projects in Athens are not necessarily related to mortgages per se, but also to broader debt obligations (like consumption or business loans, arrears in social security and utility bills) that developed as an outcome of extreme austerity politics with homes and primary residences acting as underlying assets. The entry point of institutional investors in this rental system is through debt acquisition, that is through the purchase of non-performing loan (NPL) portfolios from banks or purchase of distressed assets through the e-auctions platform. As the drop in homeownership rate is small, it suggests that the role of institutional investors in local real estate is still not dominant. However, thousands of properties are about to be auctioned or securitised, and it is expected that financial investors will play a more central role in local real-estate in future years (Agourides, 2023).

To sum it up, reflecting on the rental systems and tradition of housing provision, financial investors have entered local housing markets via three different routes: In integrated rental systems (Germany, Sweden), they have purchased large parts of the existing social (or state-owned) housing stock, thus becoming major landlords in the private rental sector. In dualist markets (Belgium, UK, Italy, Poland), institutional investors have focused on new real-estate products that developed at the margins of existing residential markets, mainly through the development of niche markets. As a consequence, their impact is limited to these specific markets. A third route for market entry can be found in the politics of debt management that allowed the transfer of property rights through securitisation projects in Greece.

The market entry of institutional investors has, in sum, hardly helped to ameliorate the affordability crisis described above. In this regard we define institutional investors as the financial entities that own or manage and make investments on behalf of clients and shareholders, like private equity and pension funds, insurance companies, real estate investment trusts and mutual funds. Most of them participate in local housing markets through subsidiaries, servicers or real-estate companies that are listed in the stock exchange. Nonetheless, they operate internationally and their activities are largely delocalised with a very small portion found in the same city or region.

In cases where institutional investors have taken over large chunks of the existing housing stock (as in Berlin and Malmö), they have often failed to aptly maintain buildings. Instead, they have increased rents and pushed forward "renovictions" (Baeten et al., 2017), i.e. renovation strategies which lead to evictions and displacement of vulnerable social groups. Where institutional investors have engaged in new constructions, they usually target the upper ends of the housing market or engage in niche segments in which high margins can be expected (like student homes, or short-term-rentals). These construction activities have intensified profit expectations, pushed general rent price increases and lead to additional pressures on tenants through gentrification and/or precarious housing arrangements. There is also evidence that institutional investors increasingly use the high demand for private rental apartments and engage in providing homes under overpriced and insecure circumstances. Summing up, it can be stated that institutional investors have hardly helped to reduce affordability pressures at the best. At the worst, they have contributed to growing housing costs and made profit from exploiting the existing housing shortage – although in different ways across our case studies.

The contribution to an affordable housing supply essentially depends on the concrete investment fields of the institutional investors. Different entry points facilitate different levels of influence on the rental market at large: marginal activities in niche markets or new construction projects thus have less influence on the overall housing supply than large-scale investment into existing housing stocks or a debt-driven property acquisition.

Investment focus on niche markets

In dualist rental systems with low percentages of social, municipal or cooperative housing, institutional investors have predominantly entered the market through investment into niche segments. Built-to-Rent developments, student and care homes and co-living developments are examples of these specialised sectors that add new segments in local housing and real-estate markets. Prime examples for this are to be found in Brussels where most institutional investment goes into student and elderly homes and co-living arrangements. Quite paradoxically, these niches develop due to a combination of factors that rely on the shortage of housing stock in relation to the affordability pressures faced by certain groups. Many households cannot afford to rent entire apartments, but can, nonetheless, rent shared accommodation. For example, the market of co-living, as well as student accommodation, has developed to especially target young professionals reluctant to rent apartments either because of lack of resources or because of the mobile nature of their professions. Additionally, Built-to-Rent developments target young families and households who are not willing (or don't have the ability) to become homeowners, offering in most cases good quality apartments with shared communal spaces such as playgrounds or fitness studios.

These niches develop through the change in the land use of existing buildings (e.g. co-living, student and care homes) or through the construction of new developments (e.g. Built-to-Rent). In the case of Built-to-Rent, institutional investors hold ownership of large apartment complexes which are treated as revenue generating assets. The Milan report provides a good example in this regard: notwithstanding the dominant role of owner-occupation in this city, Fondo Immobiliare Lombardia (FIL), predomaninantly invests in Built-to-Rent developments and "temporary quasi-market social rental-housing". Built-to-Rent schemes are also on the rise in London and Warsaw which are also predominantly homeownership markets. These new developments (or the conversion of commercial buildings) do, however, not necessarily contribute to the provision of affordable housing stock. In many cases, investors convert apartments into luxury or prime assets that return in the market in augmented rents. Warsaw is a prime example here: New developments nearly exclusively cater the upmarket

segment of housing, hardly contribute to solving affordability problems and are often planned and constructed in such a poor manner that Polish media have invented the term “developers pathology” to describe what is being built.
Moreover, as the number of new constructions is not significant enough to lead to higher housing supply, these niche markets do not lead to lower rents nor to the provision of a new kind of affordable housing. On the contrary, due to not only higher construction costs but also the profit-oriented financial logics of the investors, the housing stock provided through these real-estate niches is intensifying the current affordability crisis. Especially, Build-to-Rent developments often consist of premium housing that targets affluent middle-class households. These are often built in neighbourhoods with lower land values characterised as affordable areas. As such, new constructions refrain from being affordable or from contributing to the pool of affordable housing in cities. As a matter of fact, investments in high-priced constructions or impositions of rent increases tend to sharpen housing affordability pressures. In summary, institutional investors in niche markets and in commercial new construction projects do not contribute to the affordable housing supply and instead feed the overall dynamics of price inflation.

“Milking” and rent increases in existing stocks

As described above, a focus on existing stocks acquired through mass privatisations of former state-owned or non-profit properties is more central in countries with an integrated rental market like Germany or Sweden.

In this context, new construction and the development of niche markets are rather a side-show and most of the business of institutional investors is built on the valorisation of already existing properties. Thereby, the business models of institutional investors were rather "opportunistic" in the early years of their emergence and marked by resales, saving on maintenance costs and low rents. Today, the focus lies more on increasing the value of the acquired real estate portfolio, with a mix of different practices:

- Valuation gains: The potential market value of the companies is increased through a higher balance sheet valuation of the housing stock in the annual business reports which also creates increased collateral for borrowing.
- Efficiency gains: Companies are trying to reduce costs through standardisation, automation and digitalisation. As a rule, this works at the expense of service. Both in Germany and Sweden, institutional investors have raised public attention due to neglected repairs, lack of accessibility and faulty billing. As these practices go at the expense of a long-term sustainability of residential arrangements, they can be described as “milking”.
- Rent increases: While the legal mechanisms to achieve rent increases vary significantly across countries, what is common is that institutional investors make excessive use of them. This has led to rents often being above those of other (municipal or cooperative) landlords holding the same stocks.
- “Renovictions”: Modernisation activities are conducted in a way that enables rent increases, hence simultaneously increasing the value of their housing portfolio and pushing up rental

income. Since these modernisations are often connected to displacement, they have been characterised as renovicitions by Swedish housing reasearchers (Gaten et al., 2017).

Summing up, it can be said that the business strategies of institutional investors in existing stocks are marked by a (locally variegated) blend of undermaintenance, rent increases, and “renovictions”. Here, the impact on housing affordability can be seen as most problematic, since the contribution to new housing supply is negligible while the pressure on rents in the existing stock is significant. The problem of these management strategies is thus not only the non-contribution to affordable housing but rather the accelerated dismantling of previously affordable housing through the upgrading strategies pursued by institutional investors.

c. Institutional Investors and local Policy Actors

How is this situation governed? How do local policies deal with the situation and what are the obstacles to a more effective delivery of affordable housing?

When analysing the relations between investors and public policies, two perspectives are important: On the one hand, it is a matter of fact that the market entry of institutional investors has only been made possible through changes in public policies (see above). On the other hand, the above described lack of housing affordability has created a strong pressure on public policy actors.

At the same time, housing policies vary greatly across Europe, reflecting the tradition of housing within welfare provision, rental systems, and the state capacity to intervene in market interests. Housing policies are, moreover, embedded into multi-level governance systems in which competences and resources are dispersed in very different manners across state scales. Often local and regional state administrations are encumbered with social housing provision and planning policy implementation, and central states as well as High Courts with constitutional norms, overall planning regulations and financial resources. In many countries the national state is clearly the dominant actor in housing matters, as it defines subsidies for owners and tenants, rent regulation and tenant protection laws, taxation and financing regulations, housing construction and environmental and energy issues (BMWSB, 2022).

Within this framework, local state administrations are not autonomous entities, independent from national and supranational conditions or broader political contexts (Jessop, 2012), but rely on existing multi-level governance arrangements. Local governments are often constrained by budget cuts and reduction of state financing. Moreover, they might not have the discretionary power to develop or launch regulations for certain affairs such as the level of rent requested per neighbourhood or taxation from property which are often regulated by the central state.

In many cases, this is reflected in fragmented and often contradictory policy constellations which lead to ineffective response. Throughout our case studies, we have found numerous problematic interscalar coordinations with regard to housing policies. Far from being comprehensive, the following list provides a few examples (tbc):

- Metropolitan agglomerations are institutionally fragmented, so that the coordination of policies between different entities within the region becomes a difficult issues (Brussels)

- The centralisation of policies at the national level makes policy changes at the local level hard to achieve, even when there is political majority for them (London)
- Considerable powers granted to different state levels lead to a disorientation and inconsistency of policies implemented (Berlin)
- The devolution of responsibilities together with decisive austerity leaves municipalities with few options but to attract capital from private investors (Milan)
- Clientelist networks of politicians with business interests complicate the implementation of meaningful reforms (Athens)

Although there is great variety, it can be said that the power of cities to implement changes is severely limited in our cases. Local governments are often faced with restricted discretionary powers that constrain their capacity to effectively address issues such as rent increases, affordability and displacement pressures. Even where local governments set caps on rent increases or where residents have decided upon the expropriation of corporate landlords (e.g. Berlin), adequate policies are made impossible by national legislation or court decisions.

Against this background, it can hardly come as a surprise that local governments have searched for ways to collaborate with institutional investors, often with the aim to alleviate the housing affordability crisis faced. The will to find forms of cooperation with institutional investors can, however, be caused by a number of different considerations: Thus, being stripped of the resources necessary to provide adequate housing, governments are often trying to find ways to address housing shortage through private investments. Depending on the structure of the tax system, investors can also be welcome because they add to the local taxbase. This nexus has long been analysed by urban scholars and political scientists which have depicted cities as "growth machines" (Logan & Molotch, 1987) and this nexus has clearly been visible across the cases studied. Besides "systemic" pressures, the sale of public stocks and the will to cooperate with the housing business has also been driven by austerity. In cities like Berlin and Milan, the sale of public properties has clearly been motivated by the will to make up for budget cuts and deficits emerging from financial crisis and the devolution of responsibilities from upper state levels. Therefore, the sale of one municipal housing company to an institutional investor has been justified by the difficult budgetary situation in Berlin in the 2000s. Similarly, Milan has privatised properties which it received from the national defense authority to balance its budget.

A will for public-private cooperation can also be driven by non-economic causes. In some cases, most notably in Berlin, local politicians can also be under pressure by strong social movements and try to demonstrate a capacity to act in the face of public criticism and defeat in elections. Finally, most of the local governments in our cases are held by liberal governments, which may have ideological reasons for policies that strengthen market logics.

From the side of institutional investors, the need for cooperation with local politicians also varies greatly. It depends on whether or not decisions which are relevant to the business of these companies are taken at the local or the national level (e.g. on the multi-level-government arrangements), on the existence of legal and planning frameworks that need to be worked upon, as well as on the political and ideological cultures of the respective cities (e.g. pro-business political elites vs. populist governments). When collaborating with local governments, the main goal of institutional investors is to "de-risk" their investments and secure existing investments or open up new business opportunities. Our study provides telling examples for this too: from lobbying for public subsidies and state securities for housing investment via the involvement in planning committees, “behind the scenes” lobbying for/or against new planning regulations to “round tables” with public officials. The ways in which institutional investors try to influence public policies is, however, variegated and largely depends on local constellations. What is common, is that public-private cooperation with institutional investors has hardly ever led to solving affordability problems in any observable ways. At best, the concessions made by institutional investors were minimal (as in the case of Berlin). In sum, though, much remains hidden from view in this field and the local politics around institutional investors deserve a greater study on its own.

Nonetheless, it can be said that the role of the state varies in setting a financialised framework for housing affairs. Policies may be facilitating as they set the legal framework on property and tenancy rights that defines the standards of residential real estate markets. Policies may also perform a regulative role, in the form of land use regulation, planning and construction to modulate speculation; or a corporate role, such as the transfer of public land and assets to actors that prioritises rental yields supports financial logics (Christophers, 2017). Furthermore, the state absorbs financial and other potential operational risks financial investors may encounter when investing in local markets, subsidising the process of financialisation directly. In the context of changing macroeconomic conditions, as defined by changing interest rates and increasing energy costs, market actors increasingly require credentials from the state that investment risks are minimal and no market failure will be underway. Through networks and coalitions financial investors negotiate and require that state actors succeed policies that absorb the risk for investments in new housing developments. This way investors are in a strong position to negotiate planning and construction conditions.

In many cases they make use of the so-called planning gain. Planning gain is a concept mostly used in the UK which refers to developer obligations to obtain planning approval and require additional contributions provided to local planning authorities. These may come in the form of affordable housing, community infrastructure or other mitigation measures to counter-balance the local effects of the development. Although in principle affordable homes would be delivered in delegated areas, in practice there is ambivalence, as in many cases these constructions do not necessarily offer housing in affordable prices. As such, market return of these investments involves less affordable housing for neighbourhoods and communities. At the same time, it should be noted that in cities where institutional investors control significant parts of the housing stock in designated areas, they perform key roles as real-estate actors and they are in a strong position to influence place-based and local policies in favour of their interests.

The different constellations between institutional investors and local political actors in the cities we studied point to a dynamic situation characterised by constant change. While there is a general trend towards more collaboration with institutional investors, this trend is also contradicted by local initiatives to curtail the power of them, finding alternatives, even socialising their stock. This is most visible in Berlin where a referendum has called for the expropriation of major commercial landlords. But also other cities have implemented regulations on individual subjects that have complicated the business of institutional investors (e.g. on short term rentals). Moreover, as described above, local and national regulations are often not well coordinated. The relation between public actors and institutional investors is thus often contradictory and unstable.

d. Social Housing and financial Circuits

Looking across the different case studies, the use of financial circuits in social housing provision depends on the role of the state and the magnitude of the financial policies launched. In the cases that state funds for social housing provision are limited or cut and the institutional framework is amended to allow financial innovation, novel channels are created for social housing providers to engage with capital markets and issued bonds. This, though, is more straightforward in the cases of London and Milan where state policies anticipated either collaboration with the private sector or reduced resources for social housing. As exemplified in the case of London, the use of bond finance for housing associations is not new. However, in the aftermath of the financial crisis, state funding for social housing was cut, pushing social housing providers into the use of bond finance. Additionally, by making use of the PFI initiative launched since the 1990s, social associations could buy equity in SPVs that operate contracts for refurbishment and restoration. At the same time, for-profit providers of social housing were permitted to bid for governmental grants. These reforms had the effect of incentivising providers to seek greater private finance in terms of bond issues and joint-ventures. From a different perspective, the case of Milan drives attention to the central role of the state in the financialisation of social housing provision and the restructuring of the banking sector that made credit financing available for the provision of affordable housing. Additionally, as the national government employed financial means to steer the production of a new kind of financialised affordable housing, policy restructuring in a variety of policy realms from financial regulations, fiscal policies to institutional reforms and spatial planning supplemented the financial valuation of public property. Under austerity reforms, the securitisation of public property, land valuation and sales allowed local states to meet financial constraints, as public assets were reframed as potential sources of income streams functional to public-debt reduction policies. Nonetheless, it should be noted that evidence from other cities over the use of financial means in social housing provision is limited. This relies on the fact that social housing was privatised and sold to institutional investors as a lump sum transaction. At this point we should drive attention to the complexity in researching financial transactions on social housing provision by utilising a "follow-the-money" approach which is underlined by the opaqueness in stock exchange deals and the variety of bids and actions that may be involved. As such, the aim of this project was not to engage with the financial means used in the provision of social housing but to investigate the role of institutional investors as property owners, thus their activities as social housing providers where appropriate.

Conclusion

In this study, we have compared the impact of institutional investors on housing affordability across seven European cities. The major finding of this study is twofold: Firstly, we find that nowhere across our cases have institutional investors helped in alleviating the existing housing affordablitiy crisis. In some cases and sectors, they have even tended to worsen the situation. Secondly, we have worked out that the impact of institutional investors works in fundamentally different ways across different housing systems. We have analysed three "big divides" here which range from the mass privatisation of public housing stocks in Germany and Sweden, through the engagement in new construction and niche markets in Belgium, Poland, Italy and the UK to the acquisition of debt titles in Greece. These different ways of market entry have led to very different business models, investment strategies and, respectively governance constellations.

This study could only provide a first cut into the resulting problematique. There is an immense need for further research along these lines which combines case-specificity with an overarching conceptualisation. This is particularly the case for the realisation of public policies and the financialisation of real estate which appears to proceed in highly uneven, unstable and contradictory ways. Moreover, the conditions at the financial and real estate markets are changing rapidly as we write. As a consequence, it is not unlikely, that many of the investment models we have analysed will cease being financially viable in the near future. All this calls for future research.

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