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FROM CRISIS TO CATACLYSM:

HOUSING FINANCIALIZATION AND THE EU

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INTRODUCTION

Adequate housing was recognised as part of the right to an adequate standard of living in Article 25 of the 1948 Universal Declaration of Human Rights, and in Article 11.1 of the 1966 International Covenant on Economic, Social and Cultural Rights. A home is a place where one can feel safe and secure; it offers stability and predictability in an increasingly unstable and unpredictable world. In Europe for much of the twentieth century and in particularly after the First World War, states were centrally involved in provision of affordable housing and building social housing. The Irish state not only built social housing en masse during this period, but also facilitated low cost mortgages to subsidise home ownership. But since the rise of the neoliberal economic dogma in the 1970s and 80s across Europe, housing in Ireland, and in Europe generally, has been financialised and treated as a commodity to be traded rather than as a home for safe and secure, community-based living.

> ***"Ireland has the highest housing costs in the EU according to the latest Eurostat data for 2022, 112% above the EU average."***

With every month that currently passes, Ireland reaches another record high of homelessness. The latest number of individuals accessing emergency accommodation at the time of writing was 13,841. This includes more than 4,000 children. Between 2010 and the fourth quarter of 2023, rents in Ireland increased by 102% according to Eurostat. This represents the third highest increase in the EU for the period. The average rent price increase in the EU for the same period was 22.8%. House prices in Ireland between 2010 and the fourth quarter of 2023 increased by 55%. Across the EU for the same period house prices increased on average by 47.9%. Ireland has the highest housing costs in the EU according to the latest Eurostat data for 2022, 112% above the EU average. 68% of Irish adults aged between 25 and 29 were still living with their parents in 2022, in stark contrast to rates in Denmark (4.4%), Finland (5.7%) and Sweden (6.3%). The EU average is 42%.

So many indicators suggest the supply of housing is dysfunctional and failing in Ireland. At the heart of this dysfunctionality and failure, I contend, is the neoliberal housing policy of successive Irish governments. Successive Irish governments have relied on the private sector to deliver housing. The state has largely given up building social or affordable housing. By owning such stock directly, states can provide affordable housing solutions. In many EU member states, the state owns up to 25% of housing stock. Ireland once owned as much as 18% of the country's housing stock. That number is currently just 9% in Ireland and is not growing in any significant way as the state repeatedly fails to meet its own very weak social housing building targets. In 2021 Ireland had a target to build 9,500 new social housing units. It built just 5,196. In 2022 the target was to build 9,000 units, but 7,433 were built. In 2023, the target was 9,100. The total output for the first three quarters of the year was just 2,642.

Instead of increasing its own housing stock, Ireland massively subsidises the private sector. Examples of this include generous tax breaks for real estate investment trusts, the reduction of development levies, weakening of apartment building standards, the sale of National Asset Management Agency loans at huge discounts to vulture funds, the privatisation of public land by gifting to private developers for the development of mixed-tenure housing with 70% private units for sale and just 30% as social housing. Successive Irish governments have been entirely wedded to the notion that the market will fix the problem. The market has failed utterly.

The financialisation of housing in Ireland has been a central and defining feature of homeownership in terms of building and development, and mortgage markets and investment since the 1980s. But in recent decades Ireland has also suffered from a comprehensive financialisation and neoliberalisation of social housing. Since the 1980s social housing policy in Ireland has increasingly depended upon and supported the private market. One such example is the Housing Assistance Payment (HAP), which was introduced in 2014. Under this scheme, tenants who qualify for social housing source their own private rental accommodation, but the state pays most of their rent directly to private landlords up to certain maximum rent thresholds. HAP is a subsidy for low-income households, but it is also a massive transfer of public wealth to private landlords. In 2022, a total of €515.2 million was paid to landlords by the State through the scheme, a 45 per cent increase on the €354.6 million spent four years earlier in 2019. Instead of housing HAP tenants in state owned social houses, the HAP scheme drops them into the private market and pits them against other private renters for what is already extremely limited stock. While is it true that some kind of rent supplement will likely always be a necessary part of Ireland's housing system, the current scale of this massive transfer of public funds to private landlords is completely unsustainable and exacerbates the affordability problem. It is also the primary driver of inequality in Ireland, as less and less people have the opportunity of owning their own home and wealth is consolidated among a select few who reap the benefits of rentier capitalism.

Eniko and Eva's study is a very welcome and timely one ahead of the upcoming European Parliament elections. It encourages readers to look beyond neoliberalism to understand how capitalism inevitably created and continues to create the housing crisis due to housing's role in capital accumulation and exploitation. It is a thorough and comprehensive history and analysis of an issue that has plagued Europe for a number of decades and has recently manifested as a fully blown emergency across the continent.

//**Clare Daly,** MEP

//**Mick Wallace,** MEP

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PROLOGUE

In the past decades, neoliberalism has been criticized by politicians on the left and people affected by housing rights violations and decreased affordability of adequate homes. Its policies began to be implemented well before the middle of the 2000s when public housing was privatized, and everyone was encouraged to borrow mortgage loans to become homeowners, ultimately ensuring the ongoing profitability of the real estate and banking business. Housing market prices continuously grew, the cities were redeveloped to serve the interests and resources of the better-off, and the waiting lists for social housing became longer and longer. Our study offers a systemic critique of these interconnected phenomena. They are manifestations of the housing crisis, inequalities, and injustices that we address as constitutive pieces of the housing question in capitalism at the juncture of economy and politics, capital and state, and markets and policies.

We write at a moment of globalized poly-crises in a busy electoral year, when more and more political parties claim housing as a key political issue, and even international financial organizations declare the need for a fairer global economy. Therefore, while addressing the housing question, we cannot avoid interrogating what kind of a new political establishment and economic order could solve it as far as this "question" is a constitutive element and product of the current wave of disaster capitalism that brought together economic, environmental, and geopolitical crises.

1. HOW HAS THE PROBLEM EVOLVED, AND WHO IS ACCOUNTABLE?

The anti-neoliberal feeling amplified during the 2007/2008 global economic crisis when many indebted persons lost their homes because they could not afford to pay any more or as a result of foreclosures by banks, and the evictions of impoverished people by public or private homeowners became overwhelming. Throughout the austerity period, when people's insecurity in jobs, salaries, and housing heightened, and many resorted to informal settlements, politicians from the state apparatuses were blamed for being careless with whom they were supposed to represent, unable to solve the problems, or corrupt. There were very few radical voices warning about the systemic nature of housing problems or about the fact they were due to the basic rule of capital accumulation, i.e., profit maximization, and has been connected to how capitalism inevitably creates crises and overcomes them by rescuing the capital with the support of the state. It is time to fill this void. Our study contributes to this endeavor.

Housing insecurity strengthened when, especially after 2014, international landlords speculated the increase in demand for rental housing and quantitative easing measures and purchased thousands of dwellings across countries, contributing to the escalation of prices. Furthermore, the unafforadbility of housing increased during COVID-19 and the subsequent escalation in energy prices, whichinduced huge inflation, causing everything, including basics such as food, to become excessively costly. The situation for indebted people worsened because the central banks decided to raise interest rates to moderate inflation. There were very few radical voices who pinpointed that capitalism and not simply its neoliberal policies created all these problems, including in the housing sector, making the different labor class segments more and more precarious. We aim to strengthen them through our study.

The governments implemented measures during the pandemic and the energy crisis that offered state aid and subsidies to companies, ensuring the profits they have been extracting from the exorbitant living costs. We observed that old neoliberalism, claiming the non-interference of the state in the market, gave way to new policy trends that explicitly redirected public money to private companies or increased public debt for their benefit. Nowadays, capital continues to be invited and supported to move freely across country borders, and the European Union calls the Member States to derisk new investment opportunities for private companies. However, globally, barriers in international trade have started to be installed on the dividing lines between capitalist countries differentiated in the Western discourse by the dichotomy "liberal democracies" - "illiberal democracies." In parallel with this, the states' efforts to prevent people's free movement are increasing, even if this happens selectively depending on the origins of immigrants. The generalized strong anti-immigrant wave is fueled by the far right. Extremists drive the indigenous people of their countries to embrace the idea of national capitalism, where the national bourgeoisie makes the rule and directs popular unrest against foreigners, both ordinary people and global capital. There is an urgent need to stop their upsurge while making the critique of capitalism really work.

Additionally, with the outbreak of the war in Ukraine, we witnessed that neoliberalism and globalization, as we knew it since the 1980s, created a situation in which the dominant imperialist powers and capitalist states struggle against each other for domination over the global economy, employing militarization. People in Europe and worldwide are drawn into wars against their will. In these conditions, we hear how large international companies already speak about capital investments in the post-war recovery of countries, including their destroyed housing stock. Plus, refugees feeling wars are faced with housing shortages wherever they go. Housing continues to be a business for capital, as it always has been under capitalism. There is a need for the left to take a radical position to condemn this.

The above processes took place in Europe while the European Union, created as an economic union and single market, renewed its promises regarding an advanced social model several times. Diverse treaties and strategies pledged to promote employment, improve living and working conditions, guarantee proper social protection, combat poverty and exclusion, provide services of general interest, and promote economic and social cohesion. The envisioned European social model could not deliver these promises in the conditions of capitalism. In the past decades, it became evident that the EU wants to refrain from supporting public investments in public housing and regulating the housing markets and investors because it obliges itself to serve the profit-making interests of private developers and institutional landlords. We can see that there is always something more urgent to be done at the European Commission than responding to people's housing needs. This includes the recent militarization and related increase in military spending that, again, distracts the Member States from putting in place measures ensuring social welfare for all. There is now a political and economic need to rethink the whole European construction as a socioeconomic union framed by an internationalist perspective, assuring peace and equal access to adequate housing for all people whose productive and reproductive labor keeps the society and economy running. Our study aims to contribute to this.

2. PREAMBLE STATISTICS REGARDING THE HOUSING QUESTION

Simultaneously with the processes we described earlier, the role of housing financialization and property-related wealth in the current capitalist economy has become more significant. This is reflected in figures, which show that, globally, between 2019-2022, all the major residential asset classes have delivered positive growth (a rise of 18.7%). The total value of the world's real estate stood at $379.7 trillion at the end of 2022, with over 75% of it being tied up in residential property, 13% in commercial property, and 11% in agricultural land. Despite the economic turbulence caused first by the Covid-19 pandemic and then by rising inflation and interest rates, residential real estate ranked second in terms of its increase between 2019-2022 (with 21.1%), succeeding gold, which has seen the most significant growth in value (by 26.9%), and being followed by debt securities with a boost of 17.8%. Real estate-based wealth is distributed unevenly in the capitalist world. Among the top 10 countries by real estate value worldwide, led by China and followed by the United States, there are also three European countries (Germany, United Kingdom, and France). Property value in Europe and North America accounts for almost half (47%) of the total value worldwide despite being home to just 17% of the global population (Savills World Research, 2023).

Two sets of indicators best describe the housing question in capitalism: one related to housing quality and the other to financial affordability. In 2022, 16.8 % of the EU population lived in overcrowded households, while the share of the EU population unable to keep their homes adequately warm increased from 6.9 % (2021) to 9.3% (Living conditions in Europe, 2023). Moreover, the severe housing deprivation rate among the poor (population earning below 60% of median income living in an overcrowded dwelling while also exhibiting at least one of the housing deprivation measures) increased at the EU level from 9.5% in 2019 to 10.2% in 2020 (Eurostat, 2024a). This rate displayed a growth both in countries with lower levels of this indicator (for example, in Ireland from 2.3% to 5.3% and in Greece from 4.6% to 9.2%) and in the countries with already high levels of severe housing deprivation rate (e.g., in Hungary from 12% to 13%, and in Romania from 34.3% to 35.7%).

How expensive the the housing market has become is reflected in Eurostat (2024c) data showing that between 2010 and the third quarter of 2023, house prices increased by 48% and rents by 22%. Over this period, house prices more than tripled in Estonia (+210%) and more than doubled in Hungary (+185%), Lithuania (+158%), Latvia (+141%), Austria (+123%), Czechia (+122%) and Luxembourg (+107%). Decreases were observed in Greece (-14%, with data available for 2010 and 2022), Italy (-8%) and Cyprus (-2%). Rents increased in 26 EU countries, with the highest rises in Estonia (+218%), Lithuania (+170%) and Ireland (+100%). The only decrease in rent prices was recorded in Greece (-20%). These statistics only partially reflect the reality of people's lives in different countries. To give just one example, price rises in urban areas of Greece have been substantial despite not being reflected in national statistics. In 2021, the Bank of Greece estimated these price rises will be between 10 and 14 per cent in 2022. The same applies in other contexts as well. Regarding the house-price-to-income ratio (Statista, 2024), which is calculated by dividing nominal house price by nominal disposable income (with 2015 set as a base year when the index amounted to 100), in 2022, in the EU, it was the highest in Luxemburg (150.7%) followed by Portugal, the Netherlands, and Austria (above 141%), Czech Republic (134.2%), or Hungary, Spain and Germany (highest than 123%), and Ireland, Slovenia, and Greece (over 115%), and among the lowest in Poland (97.5%), Bulgaria (81.6%) and Romania (69.3%).

Furthermore, housing unaffordability is connected to the costs of mortgage loans. European Central Bank and Eurostat data show that in 2020, in the Euro area, the mortgage loans as a percentage of GDP were 40% in the case of households and 10% in the case of non-financial companies, with the highest rates (100% and 30%) in Finland (Martins et al., 2021). In 2022, the mortgage loans as a percentage of GDP on the European continent were the highest in the United Kingdom and Switzerland with over 120%, followed by Finland, the Netherlands, and Denmark between 80-85%, Spain and Norway around 65% and Belgium and France around 50% (Helgi Library, 2022). According to European Central Bank (2020), in 2010, the average debt-to-income ratio in the Euro area was 100.13%, with Spain displaying a higher rate (131.12%) and France a lower one (81.89%), while in 2022, for example, this rate decreased on average in the Euro area (to 93.97%) but increased in France (to 102.84%).

Living Conditions in Europe (2023) data reveal that, in 2022, 69.1% of the EU population lived in owner-occupied dwellings: 44.4 % owned their dwellings without being indebted to banks, whereas 24.7% were owners with a mortgage. The rest were living in rented housing. Nevertheless, the high figures for homeownership do not mean that all the homeowners are wealthy. In addition to the fact that not everybody from a household is the owner of the home in which they live, there is also the case that in some countries there is no proper evidence on private rentals, which can be higher than the official figures. Additionally, a comparative report (Hick et al., 2022) notes that 23 of the 28 European countries witnessed a decline in homeownership and a growth in private renting between 2005/2007 and 2016/2018. France, Malta, Czechia, Slovakia, and Poland are the only countries to experience an increase in homeownership, and

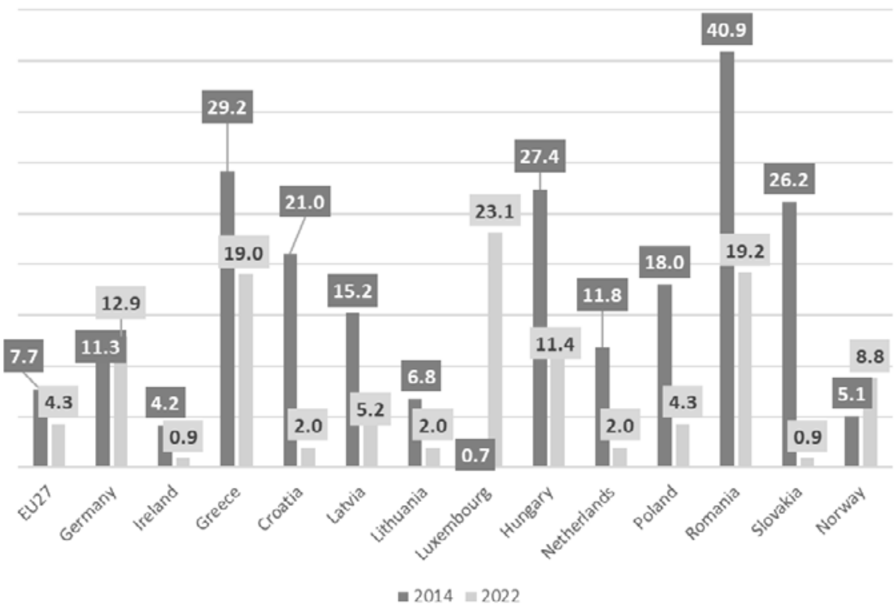

Figure 1. Housing cost overburden rate among homeowners with mortgages, 2014 and 2022, the author, source EU-SILK survey

in most cases, this is modest. It observes that Anglophone countries show a consistent pattern, with both the UK and Ireland seeing a decline in homeownership of more than 10% (the sharpest declines except for Slovenia); and Southern European countries showed a clear tendency of decline, but only Spain has witnessed a very significant fall (almost 10%), with Italy falling by around 5% and Portugal even smaller.

Housing costs, including mortgages or rents when applicable, and in all cases, the expenses with utilities, maintenance, taxes, and insurance, also mirror affordability. In 2022, 8.7% of the EU population spent 40% or more of their household disposable income on housing, Greece recording the highest rates in this sense (26.7%), while other countries reporting rates exceeding ten percent included the Netherlands (10.0%), Germany (11.8%), Denmark (14.7%), Bulgaria (15.1%), and Luxembourg (15.2%). The EU-SILK survey (2023) reflects that the housing cost overburden rate by tenure status, for example, among homeowners with mortgages, evolved unevenly across countries (Figure 1). This percentage is higher among tenants who rent at the market price: in 2022, it was over 35% in Greece, Bulgaria, and Spain, and grew higher than it was in 2014 in the case of France (to 21.9%), The Netherlands (to 41.4%) and Romania (to 42.6%), while the EU-27 average was 20.8%.

3. THE AIMS OF THE PRESENT STUDY

We acknowledge the housing-related issues exposed above and aim to reveal the economy and politics beyond statistics and beyond the personal stories through which they are experienced. Our study describes the trends, sectors, and actors of housing financialization that can be unveiled through empirically based knowledge in the section entitled MARKETS. The following section discusses POLICIES contributing to it and proposals to tackle the housing affordability crisis. Besides this, we advocate to see the housing question as it evolves in CAPITALISM and encourage the readers to look BEYOND it. Therefore, the study shows how the housing question is written into the fundamental contradictions of this system, how housing inequalities overlap with the class inequalities inherent in the capitalist political economy, and continue to be reproduced even if, nowadays, another stage of capitalism slowly replaces the neoliberal era.

The present study was prepared for The Left in the European Parliament by Enikő Vincze and Eva Betavatzi, co-authors (with others) of the brochure "Housing financialization. Trends, actors, and processes" (EAC, 2019). Without repeating the latter's findings, which were designed to support housing justice activists at the grassroots, the present study furthers the activist research on the topic with the potential to inform political decision-makers. In this paper, we use several studies as references, however, not with the usual scholarly aim to further elaborate on theories and engage in scholarly debates but to extract from them information about the trends of housing financialization in different phases of financialized capitalism and gain inspiration regarding the possibilities of de-financialization. We also employ statistical information to characterize the housing crisis and the current poly-crisis in which housing financialization advances. In describing European Union policies that impact housing (financialization), we appeal to documents of its institutions and briefly reconstruct how policy proposals evolved from the papers of various actors active in this field. Our final aim is to put knowledge about housing financialization in support of political action to create a non-profit financial system that facilitates the mass production of public housing. Eventually, we propose thinking about ways to do this as part of a socialist alternative.

However, before we get there, Section I of the study describes in detail and through concrete examples how housing markets and their financialization function. Chapter One presents general trends, as well as the shift from financialization through debt to financialization through wealth, the specific sectors of the private rental market, and the different financial actors that have transformed the housing market. Chapter Two discusses the economic context marked by the current global poly-crisis that reshapes the housing market trends. In addition, Section II focuses on policy-maker actors and processes. Chapter Three outlines the contribution of the neoliberal EU policies to housing financialization. Chapter Four invites the readers to learn about existing proposals to solve the housing crisis under financialized capitalism.

Furthermore, we dedicate Section III to broader discussions about the housing question endemic to capitalism. Chapter Five gives an overview of the central role of the housing question in the capitalist political economy. We encourage the readers to go beyond the usual talk about neoliberalism toward understanding how capitalism inevitably creates the housing affordability crisis. This chapter also synthesizes the advancement of housing financialization in different stages of capitalism, culminating with its current financialized epoch. In Chapter Six, in the spirit of these findings, we argue that the European left must consider conceiving and implementing radical changes in the housing regime as part of a socialist alternative to capitalism.

In the Epilogue, we eventually sustain that democratizing finance and the practices of a centrally planned non-profit financial system should inspire left-leaning politicians to contribute to overcoming housing financialization. Such initiatives cannot be imagined without economic democracy in workplaces and economic planning aimed at responding to people's needs in all territories. However, all-encompassing discussions, including all relevant aspects of the needed change, should be the subject of another paper.

SECTION I.

MARKETS

//Eva Betavatzi

01

TRENDS AND ACTORS OF HOUSING FINANCIALIZATION

In this chapter, through examples from several countries, we offer details about the current general trends in housing financialization; the evolution of the economic and political contexts that promoted a shift from financialization through debt to financialization through wealth;, some specific sectors of the private rental market and different financial actors that have transformed the residential real estate sector, and more.

1. GENERAL TRENDS

A. FROM DEBT-DRIVEN TO WEALTH-DRIVEN DYNAMICS

The political economy of housing has undergone significant changes in recent years. In a study published recently in the International Journal of Housing Policy, Cody Hochstendach and Manuel Aalbers (2023) set out to illustrate a transition towards housing market dynamics driven by wealth rather than mortgages.

Most researchers agree that the period of excessive mortgage debt reached a limit with the 2008 global financial crisis (GFC) and the following years. Surprisingly, the housing market has not been affected negatively; on the contrary, prices have continued to rise, yet debts have remained more or less stable. The mortgage-debt market expansion used to be the leading cause of rises in housing prices, but things have changed. After the GFC started a period of significant transformations, investment through credit was reinforced by investment through family and business assets (including international funds), pushing prices up. As a result, landlordism grew, and the wealth gap between tenants and homeowners increased. New trends in housing financialization orientated toward the private rental sector (PRS) took place everywhere in Europe. The PRS is still growing in many European economies, with an increasing number of financial actors investing in it. The soaring rents, especially in big cities, have deepened the housing affordability crisis, leading a growing part of the population into precarious living conditions.

B. HOUSING, A BATTLEGROUND FOR CLASS STRUGGLE

The main trends observed after 2014 are the rise in landlords, whether individuals or companies, including financial players, and wealth accumulation through housing. Investors and wealthy households invest in residential real estate for various reasons rooted in several economic factors, such as stagnating economic growth, low interest rates, fiscal policies, and multiple crises (see Chapter Three).

As a result, buy-to-let (BTL) purchases increased across Europe, as did build-to-let practices. At the same time, access to mortgage credit for young would-be homeowners has proven highly complicated in the past years, given the new regulations for mortgage credit since the 2008 crisis. Today, one needs to possess capital to access homeownership, and young lower- and middle-class households are increasingly excluded from it. For wealthier households, the transmission of wealth from generation to generation has become particularly important - and in some cases, governments have even supported it through tax exemptions. In this sense, upper-middle class and wealthy households have been privileged in residential ownership. Hence, the companies and financial actors investing in residential real estate benefited even more from advantageous fiscal privileges and other policies.

> ***“Today, one needs to possess capital to access homeownership, and young lower- and middle-class households are increasingly excluded from it.”***

The limitations imposed on mortgage credit pushed less-wealthy households toward the rental sector.

At the same time, social housing shrunk where it existed because of austerity measures and neoliberal policies, with households leaving the PRS as the only alternative to find a place to live. Consequently, the private rental sector boomed, especially in urban centers, where prices have risen faster. These trends have led to more profound social and spatial inequalities.

C. FROM THE MORTGAGE-DEBT MARKET TO THE PRIVATE RENTAL MARKET

There is a clear difference between the periods before and after the GFC. From the '80s until the 2000s, mortgage debt played an essential role in the financialization of housing through securitization. Indeed, mortgages were resold on the secondary market in packages, which is how the financialization of housing started to develop in neoliberal economies. This led to the subprime crisis, which resulted in the financial crisis.

To avoid repeating another crisis of a similar type, public authorities decided to limit the mortgage market. Nevertheless, this market is still going well today, and the ideology of homeownership, which is crucial to capitalism, continues to be promoted. However, the mortgage market is less accessible to all, and property owners and financial actors mainly benefit from it. Rents have become another primary source of profit, even for corporate landlords; that was not the case before. Financial actors no longer need risky mortgage markets with the liberalization of the rental sector, the shrinkage in social housing, and new legislation that benefits landlords over tenants. As a result, the process of financialization of housing still goes on but in a different way, with dangerous social and economic consequences. Homes are considered an asset more than ever before. Investors see in them the less risky place to invest today with a high benefits rate. Homes as an asset are increasingly promoted by governments, without whom all these transformations would not have been possible. The essential question of who will guarantee the right to housing, if not governments, is worrying.

D. UNDERMINING THE RIGHT TO HOUSING BY THE RIGHT TO OWNERSHIP

The increase in housing prices, the growth of the private rental housing market, and the introduction into this market of large institutional landlords have had and continue to have dramatic social consequences, with a housing crisis that can be seen in several ways. First, there is a housing affordability crisis, followed by an increase in housing insecurity, mainly due to shorter rental leases and soaring prices. Many households, from the most precarious to those of the middle class, are now forced to move to find an affordable house. Gentrification and touristification processes cause population displacements in many European urban areas. Homelessness has increased as well. Evictions have risen, whether they are legal or illegal, forced or so-called voluntary, collective or individual. The Kasbarian-Bergé law in France is an unprecedented legislative breakthrough, making it easier to evict squatters and tenants in precarious situations (Abbe Pierre, 2023).

2. ECONOMIC TRENDS

A. MORTGAGE DEBT BEFORE 2008

Until 2008, mortgage debt increased everywhere in Europe, which was considered an indicator of housing financialization (Figure 2). As the mortgage market expanded, it also transformed over the years into an increasingly liberalized market, and housing started to be considered an asset rather than a basic human need. Through securitization, it was integrated into the liquid and global financial markets. The rise in mortgage debt was one of the leading causes of

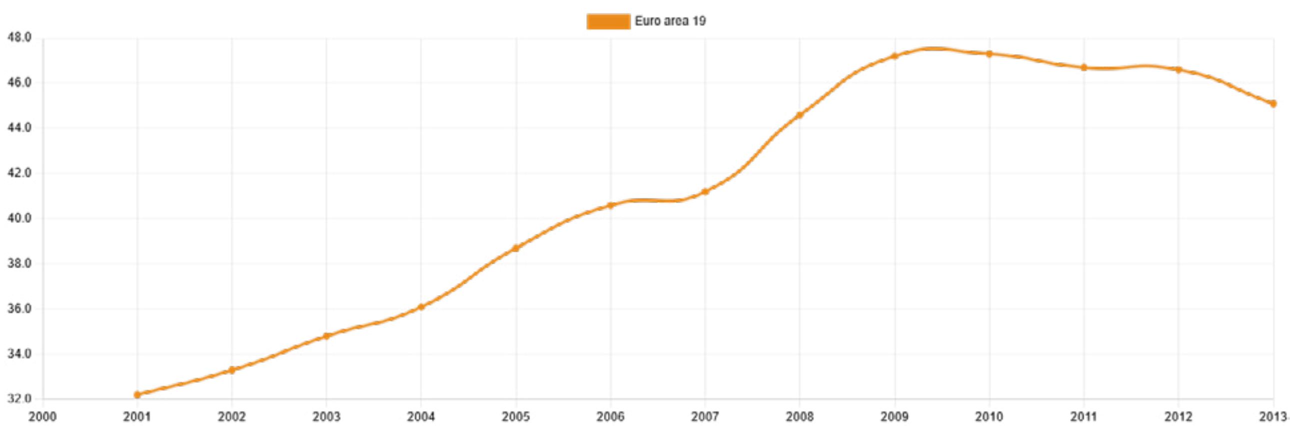

Figure 2. Total outstanding residential loan to GDP ratio (%) in Euro area 19 from 2001 to 2013, Source: European Mortgage Federation (EMF)

price increases, at least in most European countries and cities, with some exceptions.

The increase in housing prices, in turn, was pushing more and more households into debt, a way to self-regulate housing expenses and get a guarantee of a safe place to live in the long term and for future generations. In other words, as the mortgage-debt market grew, prices rose, and the mortgage market increased as prices rose. For many households, housing was also seen as a means of wealth accumulation. For banks, the increase in mortgage debt appeared to be very profitable. At some point, to grow further, the mortgage-debt market produced increasingly risky products with loan-to-value (LTV) rates higher than the actual price of the house and loan-to-income (LTI), surpassing a debtor's capacity to refund. For example, some mortgages were given by considering the second income within a household. Expanding the mortgage-debt market was so beneficial that banks would lend in illegitimate conditions without sufficient control from public authorities.

B. FINANCIALIZATION THROUGH THE RENTAL MARKET BEFORE 2008

The case of Berlin illustrates a different form of housing financialization that took place before the 2008 financial crisis, which is worth briefly commenting on. The rental market was predominant in Germany, with a significant social housing stock. After reunification, large public housing estates and plots of land were sold for a pittance to investment funds. In the early 2000s, Berlin faced a budget crisis that prompted it to sell more housing to private investors (Davies, 2021). As a result, financial players could buy large quantities of housing, with over 200,000 units sold at an average price of just €20,000 per unit (Aalbers & Holm, 2008). However, the revenue from these sales was not enough to cover Berlin's colossal debt, even though the privatization of a large part of the rental stock was supposed to help improve public finances (Davies, 2021). The case of Berlin is an early example of privatization and market liberalization justified by austerity. Its case shows a form of housing financialization that preceded the 2008 financial crisis, unrelated to the mortgage-debt market, which opened the door to private investors with substantial housing portfolios. Still, the most prominent investors came after 2008.

C. THE BURST OF THE MORTGAGE BUBBLE AND ITS AFTERMATH

While private equity funds were buying vast housing units in Berlin, the 2008 crisis triggered, and the European mortgage bubble burst with a double effect: the buyout of non-performing loans (NPLs) by investment funds and the restriction of mortgage lending for middle-class households.

For many households, homeownership is not a possibility anymore (Figure 3). After the 2008 crisis, the banking system imposed stricter income and property value lending criteria. Surprisingly, the mortgage debt market did not decrease in all countries: the Netherlands, Ireland, and Denmark had stable mortgage debt rates from 2013 to 2019 (Hochstendach & Aalbers, 2023). What happened is that the rates of mortgage debt per homeowner and of mortgage debt to GDP went down. Homeownership is concentrated in the hands of those already inside the game, the so-called "insiders." The countries that did not have high ratios of debt to GDP saw it going up. The general trend was that mortgage debt was more accessible to wealthier households or corporations, and the mortgage debt market became a smaller part of local economies' growth. As a result, a higher proportion of households entered the rental market.

In several European countries, investment funds - vulture funds – saw an opportunity in the 2008 financial crisis. They started buying up NPLs from banks, i.e., mortgages and other types of private

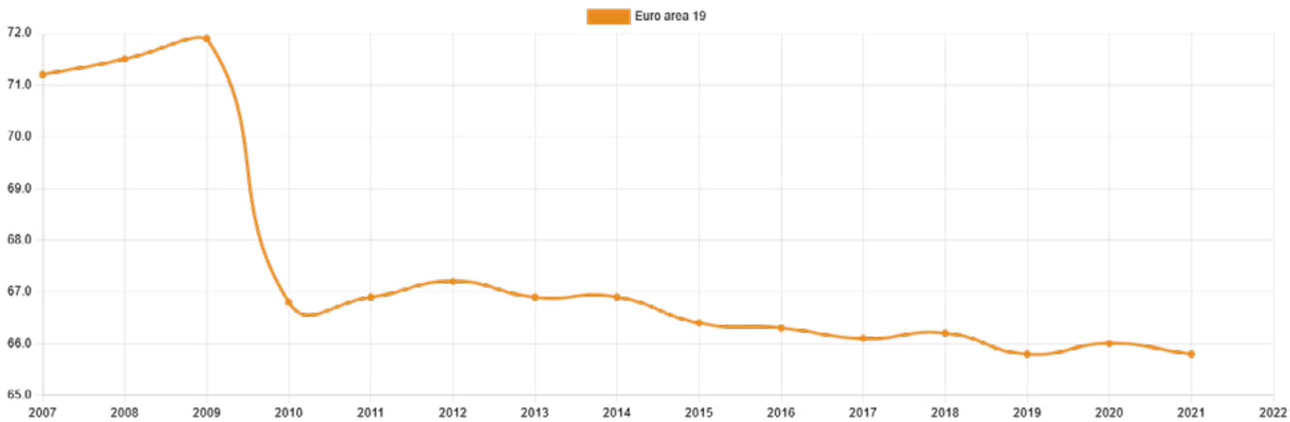

Figure 3. Owner occupation rates in Euro area 19. Source: EMF

debts that households were no longer able to repay for a variety of reasons, most often linked to the effects of the crisis: falling incomes, cuts in pensions, rising interest rates, and so on. On a macroeconomic level, purchasing these NPLs has been described as a way of cleaning up the banks' balance sheets. By getting rid of these so-called "rotten" loans, the banks could borrow again on the global financial markets, or at least hope to do so in the future.

> ***"From 2013 to 2020, housing prices in Ireland grew by 50% and rents by 60%, significantly increasing homelessness"***

The European Central Bank (ECB) carefully supervised this whole process. In some cases, the ECB exceeded its powers to force the banks to get rid of their non-performing loans as quickly as possible in favor of the funds that bought them. This was the case in Greece from 2018 to 2021 (Betavatzi & Toussaint, 2021). By buying up these rotten loans, the vulture funds turned into landlords of an astronomical quantity of housing across Europe, particularly in the Mediterranean countries of Cyprus, Greece, Spain, and Portugal, but also in other countries such as Ireland. Part of their business strategy had disastrous social effects: evictions of actual occupants and reselling or renting at higher prices of the acquired properties. The selling-off of NPLs also pushed households into the private rental market.

D. THE RISE OF PRICES DUE TO THE FINANCIALIZATION OF THE RENTAL MARKET AFTER 2014

Hochstendach and Aalbers (2023) observe that post-crisis housing financialization is about decoupling the rise in house prices and the increase in the number of mortgage loans granted. While the amount of private debt linked to housing stagnated, prices continued to rise, although it would have been easy to imagine the opposite. Holders of capital were able to take advantage of the restrictions on homeownership. The mortgage debt market was supplemented by investment in existing assets. This helped to keep prices high and even pushed them up. Mortgages have not disappeared completely; they have been supplemented by investment of households' and businesses' existing wealth and capital from financial and non-financial actors. This phenomenon is described as a wealth-driven dynamic. From a certain point of view, the prices are more related to capital flows and detached from incomes. Many researchers agree that the financialization of the rental market began in the 2000s and has reached higher levels in the past years. Rentier landlords, who come in all shapes and sizes, from small private investors to major transnational property players, are becoming stronger daily.

Low interest rates have pushed investors into the housing market, as other types of assets (government bonds and savings) have proved less profitable. Risk-averse investors, such as pension funds, do not have many options: either they invest in residential property, which is still considered a safe investment despite the 2008 financial crisis, or the assets of so-called blue-chip companies. With lower interest rates, mortgage lending becomes cheaper; larger debts are taken at similar costs, pushing capital toward residential real estate. The rental housing market, now perceived as another type of asset by investors, forms an important part of the wealth accumulation and reproduction strategy of affluent households and businesses.

A flow of capital has entered the private rental sector at the same time. Growing demand for rental accommodation has been triggered by limited access to homeownership through debt and fewer opportunities to benefit from social rent (due to liberalization and privatization of the housing stock). The rental market gradually became part of the capital flow of the global market and was subject to increasing financial considerations with increasing systemic risks. In larger cities, purchase prices have risen faster than the average wage in one year (Ryan-Collins & Murray, 2021). The rise in buy-to-let purchases and new constructions have increased rents. The social effects are a widening gap of wealth between tenants and homeowners.

3. POLITICAL TRENDS

A. HOMEOWNERSHIP AS A POLITICAL PROJECT OF NEOLIBERAL GOVERNMENTS

The increase in mortgage lending since the 80s was promoted by the governments of liberal and neoliberal states until the financial crisis of 2008 through various policies, among which fiscal ones. Owning your own home gradually became a socially valued idea, to the point where certain everyday expressions supported it. It was supposed to enable households to live without the burden of housing expenses related to debt (after the repayment) or rent and it benefited (neo)liberal governments that aimed to reduce their social spending. As a result, the economic burden of housing affordability has been shifted onto households. More generally, private debt was highly encouraged as it benefited most of the banking and, in turn, the financial system. Promoting private property in the broadest sense served as the basis of capitalist expansion with capital accumulation and reproduction.

Mortgage loans pushed borrowers to behave like investors, speculating on the future value of their purchase price. Housing progressively became part of households' investment strategy as its value was bound to increase. At the same time, the financial players were slowly entering the residential market. Until the 90s, real estate companies preferred investing in commercial (rental and office) markets but then started showing an increasing interest in the residential market as well. Property investment was considered safe for all actors, not necessarily the most profitable but less risky than other investments, with housing being the least risky. The idea of private homeownership reached the 'lower' classes as well. Buying a home could mean guaranteeing workers an income supplement or even life insurance.

Homeownership became a dream with the start of rental market liberalization or due to the virtual absence of the rental market in some contexts. With reduced amounts of social housing and in a context where landlords were more and more allowed to increase rents and shorten leases, people rushed into homeownership. In some semiperipheral countries, rent was subsequently more expensive than buying, even with interest rates. In the countries of Eastern Europe, the fall of socialism led to the privatization of the housing stock and the imposition of private ownership for an almost total share of the residential property market, pushing households to the same neoliberal logic as in Western countries, i.e., the one of accumulating and reproducing capital through homeownership. In the last few years, private residential property has begun concentrating on fewer hands, especially in major cities, and the rental market is taking over.

B. TOWARDS THE END OF SOCIAL HOUSING AND THE DEEPENING OF THE HOUSING CRISIS

After the GFC, stricter borrowing practices were imposed on households. Public institutions deliberately limited access to homeownership to households that already held capital, those with high incomes, and financial and non-financial companies. This was officially justified to prevent a new risky mortgage-debt bubble that could eventually lead to a new financial crisis and, consequently, a public debt crisis (Betavatzi & Toussaint, 2022). The governments' main goal for housing became to attract investment, domestic and global. Many types of legal instruments were put in place. In most cases, Leasehold reforms were carried out in several countries to benefit landlords rather than tenants.

Evictions of home occupiers, i.e., tenants, auctioned homeowners, and squatters, were facilitated through measures like the so-called anti-squat laws in France and Belgium or the online auctions in Greece and Cyprus, to name only a few examples. Negotiations around rents or debts turned out to be almost impossible. Housing conditions became poorer, not only because of prices but also because most corporate and private landlords, who aim to generate profit, would not do the proper maintenance of their housing stock. Renovations, when carried out, were not necessarily of quality, and in some cases, led to 'renovictions,' i.e., evictions due to renovations leading to price rises. Massive private and public investments also generated gentrification and touristification.

Considering the lack of public money, one could argue that governments did all they could to deal with the housing crisis. We would respond that things could have been different if governments could borrow in good conditions to create affordable public and social housing. Taxing corporate landlords on their rent profits could have gathered public money. It is thus a political decision to let things go the way they do. Local and national governments and European institutions push equity firms and institutional investors to exploit housing markets, especially after the GFC (e.g., the ECB pushed banks to sell off their NPLs). Global capital almost presented itself as a "savior" after the 2008 crisis. Austerity and the strict framework of the EU prevented much-needed public intervention in housing policies.

The systemic risk has not been reduced; European housing markets have opened themselves to the global financial market with no guarantee of success in the long term. The housing crisis is already deepening. On top of that, in the case of a financial market crash, like the one occurring at the beginning of the COVID-19 pandemic, public wealth will have to go to the financial system again. Berlin tenants carried out a vast campaign to expropriate corporate landlords and socialize their housing stock. It resulted in a referendum in 2021 with a million votes in favor, showing massive opposition to these neoliberal policies IEB, 2022). Things would have been much different if the model based on homeownership through debt was replaced by social housing.

> ***"Mortgage loans pushed borrowers to behave like investors, speculating on the future value of their purchase price."***

C. THE PRIORITIZATION OF CAPITAL INVESTMENT AND ACCUMULATION

The rental market has been progressively liberalized in several ways: the stock of social housing was reduced (sale of housing units and privatization of social landlords), the eligibility criteria for social housing changed and became stricter, tax measures started favoring private landlords over social ones, price ceilings or criteria were modified to let prices go up, and the legal duration of leases was shortened. Smaller and more flexible housing solutions like co-living projects appeared and had a negative social impact. They rapidly increased the value of a single housing unit, commodified the idea of flat sharing, and even introduced it to the financialized market. Urban planning regulations and the sale of public land were also part of this liberalization scheme. This general overview of what produced the liberalization of the private rental sector was operated differently according to the context by both local and national authorities.

For example, Amsterdam had 85% of regulated rents in the mid-1990s. In the 2010s, a change in the system for valuing rents made it easier for landlords to liberalize the rents on their properties. As a result, 54% of private housing units were liberalized in 2019, compared with 18% in 2003 (Hochstenbach & Ronald, 2020). In Lisbon, where public investment in housing is almost non-existent, a large part of the social housing stock remained vacant for many years because it would not be renovated. Pushed by the public authorities, global capital presented itself as the only solution to meet the growing demand for housing, with financial players determining the content and way the city's future housing stock will be built (Lima, 2023).

Ireland provides a relevant case study as it has experienced a significant increase in renters in the private rental market, with global real estate and equity investors rapidly showing interest in it. The institutional investors became the country's largest private landlords, focusing mainly on Dublin and its surroundings (Lima et al., 2020). It was the GFC that triggered this financialization process through two main mechanisms. The first was NAMA, the National Asset Management Agency, created in 2009. It aimed to attract vulture funds, equity, and real estate funds in Ireland to purchase distressed assets and loans after the 2008 financial crisis. The second was the REITs and their tax mechanisms implemented in 2013 (see section about the actors of financialization). From 2013 to 2020, housing prices in Ireland grew by 50% and rents by 60% (Byrne, 2020), significantly increasing homelessness (Reynolds, 2021).

D. THE PARTICIPATION OF PUBLIC AUTHORITIES IN INTERNATIONAL REAL ESTATE FAIRS

Social housing used to play a significant role in rent regulation. In sufficient quantity, social housing could act as a barrier to price rises in the private rental sector. Nevertheless, the PRS have been actively transformed by governments' liberal agenda and urban planning policies favoring the arrival of global capital.

It is worth outlining at this point that more and more local and national authority representatives are taking part in international real estate fairs such as MIPIM, the international market for real estate professionals (le Marché International des Professionnels de l'Immobilier), which takes place every year in mid-March in Cannes. It is the most significant real estate fair worldwide. It brings together investors, real estate agents, constructors, and elected representatives worldwide, especially from European cities and countries. Most of the discussions held there focus on residential property.

The participation of public authorities' representatives illustrates their role in the financialization process (Guironnet, 2022). However, we believe that this is contrary to the objective the local and national authorities should be pursuing, which is to enable the population to have access to decent housing without discrimination, something that public social housing provides. With the residualization of public social housing and the quest for capital, European governments are now acting in favor of investors and the concentration of capital. On the contrary, they should have worked to maintain and expand social housing, one of the main levers of collective wealth (see Chapter Six).

4. FINANCIALIZATION OF VARIOUS HOUSING MARKET SECTORS

A. STUDENT ACCOMMODATION

The financialization of student housing has opened the way to the financialization of the private rental market (Beswick et al., 2016). Today, the phenomenon is particularly worrying. A look at data from the Savills property consultancy group (Savills, 2021) based in the UK reveals that in 2021, the total volume of investment in student housing will have reached €5.8 billion, a lower figure than in 2020 when Blackstone acquired UK student housing for €5.4 billion. The group expects this figure to almost double over the coming years. The UK accounts for most of the funds investing in student housing on the continent, but investors are spread across Europe from the Mediterranean cities to the Scandinavian.

According to Savills, the European PBSA (Purpose Built Student Accommodation) market remains the most attractive, with investment from European, Asian, Qatari, and Canadian funds. From 2008 to 2019, Global investment in PBSA was more than four times greater than in 2008. Who are the buyers: private equity and core buyers, and core+ buyers, i.e., financial players who take more risk than the others. PBSA offers better returns than conventional housing. As for the private rental market, the more money an investor has, the more likely he is to take a big part of the share. Financial actors have massively invested in student accommodation, which was seen as an excellent opportunity to balance their portfolios during an economic downturn, leaving less space for wealthy households' investments.

Ireland has been particularly hard hit by the financialization of student housing, with public policies opening the door to it. The student population has risen sharply, particularly in Dublin (34% in ten years), and a notable lack of adequate public investment has exacerbated the pre-existing shortage of suitable accommodation to cover needs. Therefore, the government launched a National Student Accommodation Strategy in 2017, encouraging private investment and creating a boom in PBSA development by global institutional investors. Tax measures and favorable planning regulations, such as the Strategic Housing Developments, introduced in July 2017, which allow for a fast-track planning process, have contributed to a surge in investment (Reynolds, 2021). Çelik goes so far as to claim that the Irish state has played the role of a "market maker" in the development of the financialization of student housing (Çelik, 2021). The situation does not bode well, given that Ireland is attracting more and more international students, partly because of Brexit. While the Irish government has been encouraging the financing of student housing for almost a decade, the student housing crisis remains deep since the housing units created by the investment funds are only aimed at a wealthy population. They appear to be luxury student accommodations. For Reynolds, these created a rise in housing exclusion and even homelessness in the student population. Student protests were held against the financialization of student housing, one of them being the Shanowen Shakedown campaign. These protests partly succeeded in limiting rent increases and some student protections for those living in PBSA.

B. THE CASE OF NURSING HOMES

Retirement homes are both care centers and homes for the elderly. The aging population and the lack of public investment have led to the financialization of part of this sector. Nevertheless, the financialization of nursing homes has probably not had the same effect on the private rental market as the touristification of housing or the financialization of student accommodation. It also seems less developed in the EU than in the UK, Canada, or the USA.

Nevertheless, we thought it would be interesting to take a brief look at this aspect of the financialization of housing. With the aging of the population, the need for nursing homes has grown, leading to the creation of specific REITs called HC-REITs (Health Care Real Estate Investment Trusts) at the end of the 2000s in the hope of boosting the opening of establishments for the elderly, but these initiatives have had contrasting effects. HC-REITs were first set up in the United States in the 1980s to provide and manage long-term care facilities by leasing them to service providers. These included nursing homes, clinics, and hospitals. These listed entities have had limited success in France, whereas, in the United Kingdom, the financialization of nursing homes has led to an increase in rents, a balance of power clearly in favor of the lessors, and a depletion of the resources of social security funds, with the result that people who have access to care need to finance it themselves (Aveline-Dubach, 2020).

C. TOURIST HOUSING SECTOR

In 2023, Wijburg, Aalbers, Conte, and Stoffelen wrote a joint paper on tourism-led rentier capitalism (TLRC) and how it transforms urban and rural areas. They define it as the sum of actions led by different kinds of tourism property actors. TLRC seeks rent extraction as a spatial fix for over-accumulated capital (Harvey, 1982), as do other sectors of the rentier market. A focus on TLRC is interesting here because of its particularities in economic and spatial expressions.

Investment in tourism is driving up property prices, whether for land or buildings. The transformations generated by the TLRC do not necessarily serve society; on the contrary, its socio-spatial manifestations are diverse, and we will attempt to list some of them. Firstly, the TLRC generates a general price rise, with a particular effect on rents. Secondly, an increasingly blurred boundary between tourist properties and housing does not favor permanent residents. A new trend in the transnational sphere is significantly impacting the residential property sector: the emergence of digital nomads, the increase in expatriate communities or those living in several countries over a year, and the ultra-mobile middle classes and elites. The researchers also highlight the role of governments, which in many cases facilitate the emergence of tourist areas, mainly through tax breaks for expats and retirees, as well as new forms of citizenship (golden visas). The TLCR is generally generating major urban transformations, with gentrification and touristification of city centers, neighborhoods, and rural areas.

In their study, Wijburg et al. (2023) show that investors in this sector are very diverse but have a common interest: to create a boom in the tourism industry and drive up property prices to extract rentier value. Short-term rental is often associated with Airbnb, but this also applies to other short-rental platforms and the new working models affecting the populations described in the previous paragraph. The TLRC generates as much investment in residential property as in commercial or leisure property. REITs and private equity funds are increasingly investing in tourism property. Technology and digital platforms have played a vital role in the sector's development. While the capital invested in the TLRC is global, its effects are highly localized. The economic and spatial consequences can be dramatic: rising prices, neighborhood transformations (disappearance of schools, local shops, and health centers), displacement of the local population to benefit the development of the tourist sector, a crying lack of adequate housing, and others. Inequalities are growing. Tourist properties are absorbed into the financial sector, increasing the abovementioned effects.

5. MAIN ACTORS IN THE FINANCIALIZATION OF RESIDENTIAL REAL ESTATE

There is considerable diversity among the financial players in the residential market, between those who want to take risks and those who do not, those who are looking for short-term profit, and those who are pursuing medium- to long-term objectives, those who buy existing stock and those who build to let. We call them "financialized landlords," "corporate landlords," "institutional landlords," or even "Cuckoo funds" in Ireland because they buy in bulk residential property that homebuyers could have bought (Hearne, 2020). Their role is to bridge financial capital to housing and urban development.

A. PRIVATE EQUITY FIRMS

Investment funds and investors create partnerships through private equity firms that usually buy, manage, and sell companies on their behalf to generate profits. Real Estate Private Equity (REPE) has the same purpose, but its main activity concerns real estate instead of firms. They buy buildings, develop real estate projects, and rent or sell them for sometimes huge profits. They specialize in more speculative strategies than REITs, such as buying low and reselling at the highest possible prices.

One of the most known REPE is Blackstone. Blackstone is an asset manager for individual and institutional investors, including pension funds. It has invested significantly in PRS worldwide and in European countries. Its investments are considered harmful to populations that saw their right to housing in danger. Blackstone's massive acquisition and activity to extract profits for rentier capitalism have diminished housing affordability and increased evictions, homelessness, and housing-related poverty (Birchall, 2019). Their investments were so massive that they contributed to reshaping whole neighborhoods and even cities' housing markets, also affecting future generations.

B. HEDGE FUNDS

A hedge fund works quite similarly to a private equity fund in that it collects capital from multiple investors, invests it to create a return, and distributes it as a dividend. It can invest in securities or other types of investments. Hedge funds are known for taking more risks than other mutual funds, and regulations do not cap their leverage.

Only some hedge funds invest in real estate, and they are called real estate investment funds. These specified hedge funds have two main investment strategies: they invest in publicly traded real estate companies, mainly REITs, or directly through the acquisition of real estate properties in distressed areas or markets at meager rates. Cerberus Real Estate Capital Management is a hedge fund. The effects of its activities are similar to those of REPEs.

C. REAL ESTATE INVESTMENT TRUSTS

A Real Estate Investment Trust (REIT) is a company that allows investors to pool capital. It owns, operates, or finances property to generate income for investors so that they can, in turn, receive dividends without having to buy, manage, or finance property projects themselves. REITs often specialize in particular property sectors, but this is not always the case—some portfolios are diversified.

The R-REITs (Residential Real Estate Investment Trusts) seemed to be owned by relatively homogeneous investors, some heavily backed by pension fund capital (Aalbers et al., 2023). Most are listed on the stock exchange, and their assets are sold and bought back, making them liquid instruments in financial jargon. Others are not, and there are also so-called private REITs. Some REITs invest directly in property, rent out their assets, collect the rents, and redistribute them as dividends - these are known as equity REITs.

Others specialize in mortgages and do not hold property directly but finance property projects - these are Mortgage REITs. These REITs earn interest on the loans they grant and operate similarly to banks. Finally, some REITs are hybrids. REITs are regulated to a certain extent. To obtain a REIT license, you need to own property that generates income over the long term and can redistribute the profits to shareholders. Real Estate Investment Trusts were created in 1960 in the US by President Eisenhower but have been active in residential real estate only after the global financial crisis. REITs cannot exist without a national legal framework that enables them. Legally they are offered tax reductions on capital gain, which makes them so attractive. BlackRock is a R-REIT.

D. PUBLICLY LISTED REAL ESTATE FIRMS

Publicly listed real estate firms are those listed on the stock exchange. Shareholders may be individual or institutional investors in the same way as other listed companies. The main aim of these companies is to make profit from renting, buying and selling property assets, whether residential or non-residential.

E. REAL ESTATE-RELATED SERVICES

Real estate-related services offer services for the management of credit portfolios and real estate assets to banks and investors. They deal with the so-called "debt-settlement" of individuals, companies, and affected groups, propose property "opportunities" to potential buyers, and can also deal with auctions.

02

THE CURRENT POLY-CRISIS AND ITS EFFECTS ON THE HOUSING MARKET

In this part, we will analyze how the multiple crises we have been going through in the past years - the pandemic, the cost-of-living crisis, and the war in Ukraine - have contributed to amplifying the housing crisis in terms of affordability, accessibility, and quality of living, and the way it was used as an opportunity to create ground for further liberalization. We will not refer to the climate crisis and its impact on housing rights, even if it is of great importance, because a fully-fledged study would be needed for this.

1. THE PANDEMIC

During the pandemic, the issue of housing took on an important dimension, as measures to prevent the spread of the virus focused mainly on what were known as lockdowns, i.e., staying at home. In addition to being a right, having a home and staying at home became a social duty to protect others. However, not everyone had a home of their own to stay in. Others, who were already living in precarious conditions - unsuitable, poorly insulated, dark, humid, in basements, overcrowded - or who were living with their parents, with violent partners, etc., had to endure the problems they were already experiencing with even greater intensity when they were confined. Lockdowns were also a time of deprivation of public space, which was in many cases imposed violently, with restrictions on movement and assembly monitored by the police and sometimes even the army. For the movements for the right to housing and the right to the city, the European lockdowns, whatever form they took, dealt a heavy blow to the fundamental rights of residents to private and public space and freedom of movement and assembly.

A. TESTIMONIES ON PEOPLE'S SITUATION DURING THE HEALTH CRISIS

After several months of health crisis, the European Action Coalition for the Right to Housing and to the City (EAC) surveyed its members to assess the impact of measures to combat COVID-19 on people's rights to housing and the city in different European contexts (EAC, 2020). In total, 16 member groups actively participated in the survey, and six others provided important information, which we will briefly recall here. We will also try to understand how the Covid-19 crisis has had a longer-term impact on the housing situation today. We believe that it has contributed to exacerbating social inequalities and that it has provided an opportunity for the development of the financialization of housing.

The EAC members agree that social protection measures have proven insufficient. Priority has been given to financial aid for businesses, the banking and financial sectors rather than households. Nevertheless, there were several forms of support to households, such as rent subsidies and deferred payments on rent and mortgages. Deferred payments did not constitute a reduction in rents or mortgage debts, even if rents were far too expensive already before the pandemic. A reduction or even a cancellation would have been necessary at the start of the health crisis, as noted by a Belgian activist (Action Logement Bruxelles, 2020). Instead, what happened was the creation of private micro-debt between insolvent tenants and their landlords or between owner-occupiers and their banks. Several groups in Spain, the UK, Portugal, Cyprus, and Greece denounced this phenomenon. While deferred loan payments were implemented, interest continued to run, resulting in an even greater accumulation of debt. There have been differences in financial support between countries and local contexts, but what has been observed in most is that homeowners were more advantaged than tenants, who received more payment facilities more quickly. Neoliberal governments chose to protect landlords and owner-occupiers more than tenants because central banks were primarily concerned with protecting the banking system from the effects of the health crisis, which had exacerbated a financial crisis in the making (Toussaint, 2020).

The health crisis led to a disruption in the production and supply of goods and services and, therefore, in work, which had a major impact on household incomes, particularly for the most vulnerable. They had no way of cushioning the blow. As a result, a large proportion of the population, both documented and undocumented, defaulted on their debts and payments. The risk of losing one's home increased considerably. To avoid a massive wave of evictions, moratoria were imposed either partially, i.e., under certain conditions, or totally, but with very partial long-term effects. In some cases, such as Romania and Portugal, the rules differed enormously between localities, which could render decisions taken at the state level null and void. The police and military presence in cities increased, and this still has an impact at the time of writing. The text drafted by the EAC reports the case of a Roma camp that was literally surrounded and guarded by the army in times of lockdown. Homeless people have also been attacked in several contexts because they were illegally occupying public spaces. Several countries, including the UK, Germany, the Netherlands, and Belgium, to name but a few, opened hotels to the homeless. This showed that it was possible to find the beginnings of accommodation solutions, even if they were quite inadequate, but also that the measures were only temporary and that the crisis did not provide an opportunity for things to change radically and for housing to become a right.

B. THE PERPETUATION OF ILLEGITIMATE DEBT

What we have learned from the effects of the health crisis on the right to housing is that the measures put in place by governments in times of crisis were not enough to protect people from losing their homes or taking the risk of losing them, and even less so the most vulnerable. Above all, public institutions have worked to protect the banking and financial systems by providing the necessary guarantees that debts will be repaid, and prices maintained, even though household incomes have been severely impacted by the shutdown of certain economic sectors and the strong impact on others.

As with all crises, capitalism has socialized the losses associated with the pandemic. The right to property took precedence over the right to housing, despite the requirement to have a home and to stay in it. Moratoria on evictions failed to stop all evictions; landlords were and still are at an advantage over tenants and banks over borrowers. Instead of freezing prices, governments have opted for the creation of private debt and the accumulation of households' obligation to pay. We consider these debts to be illegitimate, as shown in earlier studies: "The gap between a person's income and expenses can be bridged by debt. When buying a house, a flat, or another type of housing, prospective buyers will generate an expenditure that greatly exceeds their current incomes by asking their banks for mortgage loans. In exchange, they will have to promise part of their incomes for the next years or decades. A mortgage loan, therefore, constitutes a long-term promise of work and even of income, which is already a problem in itself if we consider that the neoliberal capitalist economy is in perpetual crisis and that in this context, a promise of income for the years to come is largely a matter of speculation, regardless of the debtors' own intentions. Indeed, the latter will be unable to control the effects of an economic crisis on their work and income, as shown by the situation of millions of insolvent debtors after the 2007/2008 crisis - the current situation linked to the Covid-19 pandemic could well be just as problematic for debtor households" (Betavatzi & Toussaint, 2021).

C. THE FINANCIAL SYSTEM BENEFITS FROM THE CRISIS

As households struggled to make payments and borrowers were offered new repayment schedules with no reduction in their debts, the banking and financial systems proved to be the big winners of the Covid-19 crisis. The banks were able to borrow at negative rates for some time, and they were able to operate on a lower capital rate, allowing them to resume their activities under new conditions that were almost like those prior to the 2007-2008 crisis. The European Central Bank (ECB) intervened with large injections of liquidity to the banks to protect shareholders and avoid bankruptcies (Toussaint, 2020). This has led to even greater financial concentration. The downturn in certain sectors, the crisis experienced by many companies, the need for public intervention to save shareholders, etc., all reinforced investors' move towards "safe haven" assets and led to an increase in their activities in the real estate market, particularly the residential market. Some companies have taken advantage of the supply problems caused by the health crisis to make additional profits. The already socially dramatic situation caused by the coronavirus was compounded by illegitimate increases in prices, debts, and profits for holders of capital (Vincze, 2024).

2. THE WAR IN UKRAINE

Russia's invasion of Ukraine was a shock for the whole world, as well as for Europe. A few months after it began, on 24 February 2022, 12 million people had fled because of the war, and 5 million to neighboring countries, according to a report (FEANTSA, 2022). This figure has been estimated at 7 million by the United Nations Refugee Agency in August 2022. Most of those who fled the war were women, children, and the elderly, according to Lazaros Petromelidis, Director of the Greek Refugee Council (UNHCR, 2022). This has had a considerable impact on homelessness and, more broadly, on the housing situation in Ukraine and neighboring countries. The whole of Europe immediately showed great solidarity with Ukrainian refugees. Governments and the EU tried to back up this solidarity with a wave of measures and legislation to facilitate Ukrainians' movement within the EU and (partially) ensure that their social rights were respected. The Temporary Protection Directive, which aims to offer rapid and effective assistance to refugees fleeing a conflict, was triggered for the first time by the Council, following a proposal from the European Commission. This directive had been adopted in 2001, 21 years earlier, after the conflicts in the former Yugoslavia. It is interesting to note that it had not been triggered until then following any other war. Funds have also been released, and Member States have been guided to aid Ukrainian refugees, particularly in terms of housing, with the Safe Homes initiative.

Enormous number of people have lost their homes because of the war. FEANTSA highlighted the role played by organizations in neighboring countries (Poland, Hungary, Romania) in providing shelter for homeless people and welcoming refugees from Ukraine. Abandoned housing has been renovated in Poland, while temporary reception centers have been transformed into longer-term accommodation centers for families in Budapest. This was not enough, however, as solutions had to be found in the private rental sector or private homes, albeit on a temporary basis. In Romania, people hosting citizens arriving from the armed conflict zone in Ukraine received monthly cash payments from the state (50 lei per person per day for housing and 20 lei per person per day for meals). The various measures applied by the various countries were not applied in the same way to all refugees. Those from ethnic minorities, such as the Roma, have been discriminated against, as several sources have testified. Local Roma people suffering from housing deprivations for ages could feel that they were neglected again while the government and people helped refugees from a foreign country.

A. RISING RENTS IN NEIGHBORING COUNTRIES

In several Eastern European cities, including Poland, Romania, Hungary, Serbia, and elsewhere, house prices have risen. In Serbia, members of the anti-eviction group The Roof have reported a sharp rise in rents following the arrival of Russian refugees, estimated at 200,000 (EAC, 2024). According to the group, an influx of Russians has settled in the cities of Belgrade and Novi Sad, as well as in smaller towns. In some parts of the city centers, rents have even doubled, which in turn has boosted the gentrification processes already underway. The Poznan tenants' union (Wielkopolskie Stowarzyszenie Lokatorow - Poznan) made a similar observation. In Poland, it is the arrival of Ukrainian refugees that has caused rents to rise. It is estimated that rents rose by 30% in Poznan at the beginning of April 2022. Poland is the country that has welcomed the most Ukrainian refugees, and this has had a remarkable effect on the rental market. The liberalized market has opened the door to increased profits for landlords, who have seized on the arrival of a population in distress to raise rents. It has also endangered "locals" who have had to cope with the situation.

B. SPECULATION CONTINUES EVEN IN TIMES OF WAR

Surprisingly, rising prices have also affected Ukraine. The western regions of Ukraine have seen a boom in the private rental sector. Between October 2021 and May 2022, rents rose by 96% in the Lviv region, 225% in Uzhgorod, and 128% in Frankivsk, and then fell back slightly (Transparency International, 2022). This has made the market unaffordable for many internally displaced persons (IDPs), but also for local people. According to some estimations, many evictions have taken place because of soaring prices, even though there are no official figures to prove this (Liasheva, 2022). The problem, the author says, is that there has been no form of price regulation. What is more, the lack of social housing was clearly felt during the war, with a few exceptions, such as when local authorities created some non-market housing, such as in university dormitories. In some cases, negotiations between IDPs and landlords were facilitated by the local authorities. Ethnic minorities have been discriminated against in several cases. Overall, housing policies, even in times of war, tend to benefit developers rather than residents.

As in most post-Soviet countries, Ukrainian housing policy focused on the privatization of housing in the 1990s, support for access to private property privatization of housing in the 1990s, and support for access to private property and mortgage loans. Even before the war, Ukraine suffered from a crucial lack of social housing and regulation of the rental market. In short, the public sector has not been involved in the housing issue for decades, as has been the case in other post-Soviet contexts. Even the annexation of Crimea, or the war in Donbas in 2014, did not lead to a change in housing policy; on the contrary, people displaced by these conflicts were pushed into private ownership. As a result, most of them remained in a precarious housing situation. With the Russian invasion of Ukraine, the housing policies proposed remained the same: public aid for access to property, apart from the few temporary solutions proposed. The effects were and are even more devastating because the scale of the catastrophe is immense.

C. THE FINANCIAL SECTOR CALLED UPON TO REBUILD UKRAINE

In August 2023, it was estimated that 1.4 million housing units had been affected by the war, a third of them destroyed on the Ukrainian side (Global Shelter Cluster, 2023). The need for temporary accommodation is enormous, and those for permanent housing are even greater. Even in times of war, Ukraine is under severe economic pressure because of its ever-increasing public debt. Even though some creditors have granted moratoria on debt repayment, it still has to repay the IMF and private creditors (Toussaint, Yurchenko & Dhar, 2023). The aid granted to the country is a debt to be repaid and jeopardizes the possibility of developing social and public housing in the future (Liasheva, 2023). Regarding reconstruction and rehabilitation, it is shocking to read calls for help from investment funds. The reconstruction of the country is presented as a "unique opportunity" for the private sector, as a publication by the US Chamber of Commerce (2024) attests: "Ukrainians are lionhearted on the battlefield and resilient in the business field. Ukraine is open for business. Now is the time to look at Ukraine because the biggest recovery of a nation in Europe since World War II has already begun. The role of the private sector will be massive – do not miss this opportunity."

D. OPENING THE DOOR TO THE COST-OF-LIVING CRISIS

Some analysts see the war in Ukraine as a war in which capitalism is trying to overcome its crises and survive. It is an "opportunity" for the Ukrainian state and the surrounding states to disinvest even more from the welfare state and increase public investment in the military sector. The war in Ukraine is also an opportunity for European countries to become independent of Russian gas. This feeds the large chain of profiteers (producers, distributors, and traders) who have taken advantage of the Russian invasion to justify an increase in energy prices in Europe and, consequently, and their profits (Vincze, 2022). Using arguments such as Russia's invasion of Ukraine to justify unjustifiable price increases at a time when dividends for energy company shareholders have exploded is a way of silencing any opposition to the liberalization of the gas and energy markets. The war in Ukraine has thus created the opportunity for a new crisis, which has had a major impact on people's right to housing, and on the cost of living, discussed in the next section.

3. THE COST-OF-LIVING CRISIS

Eurostat data related to this subject shows that between August 2021 - August 2022, in the Euro area, inflation rates in energy prices were around 40%. The EU average inflation rates in 2022 for housing, water, electricity, gas, and other fuels increased by 18%. For example, in Belgium, general inflation rates increased from 0.5% in 2014 to 10.3% in 2022, in Estonia from 0.5% to 19.4%, in Lithuania from 0.2% to 18.9%, in Romania from 1.4% to 12%, and in Hungary from zero to 15.3%. As a response to inflation, the central banks increased the interest rates across the world, as **Figure 4** illustrates with some examples (Eurostat, 2024b).

Figures 5 and 6 show that the price increase for electricity and natural gas was highest in Romania, the Czech Republic, Lithuania, Latvia, and Denmark (Eurostat, 2023).

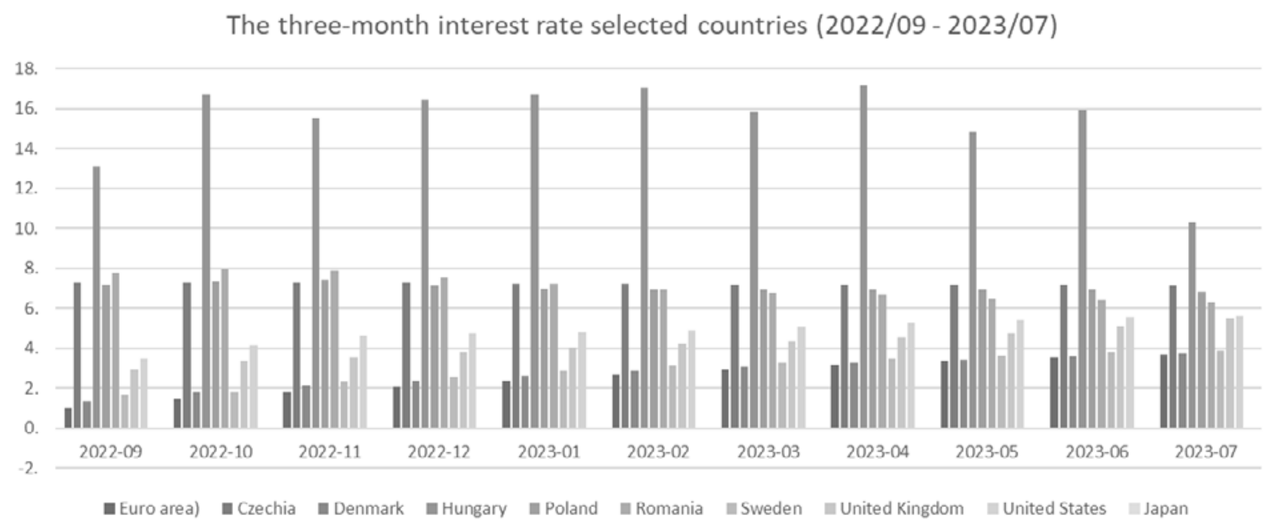

Figure 4. The three-month interest rate between 2022/09 and 2023/07, the authors, Source https://ec.europa.eu/eurostat/databrowser/product/page/TEIMF040

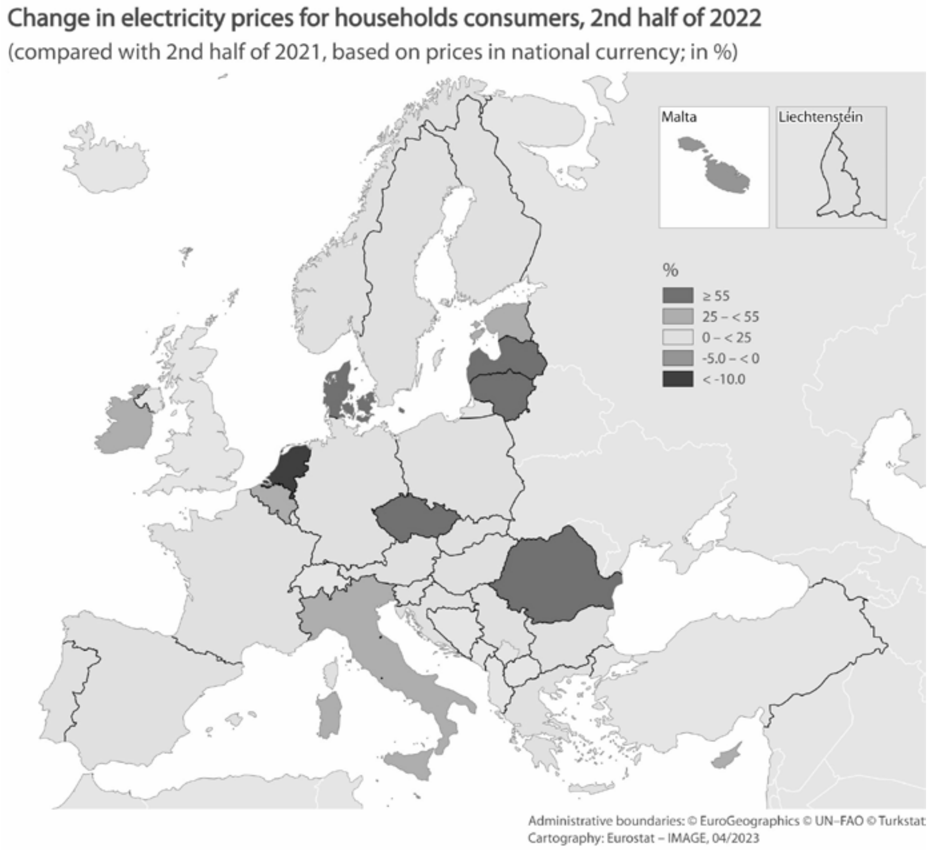

Figure 5. Change in electricity prices for households, the second half of 2022, source: Eurostat, https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230426-2

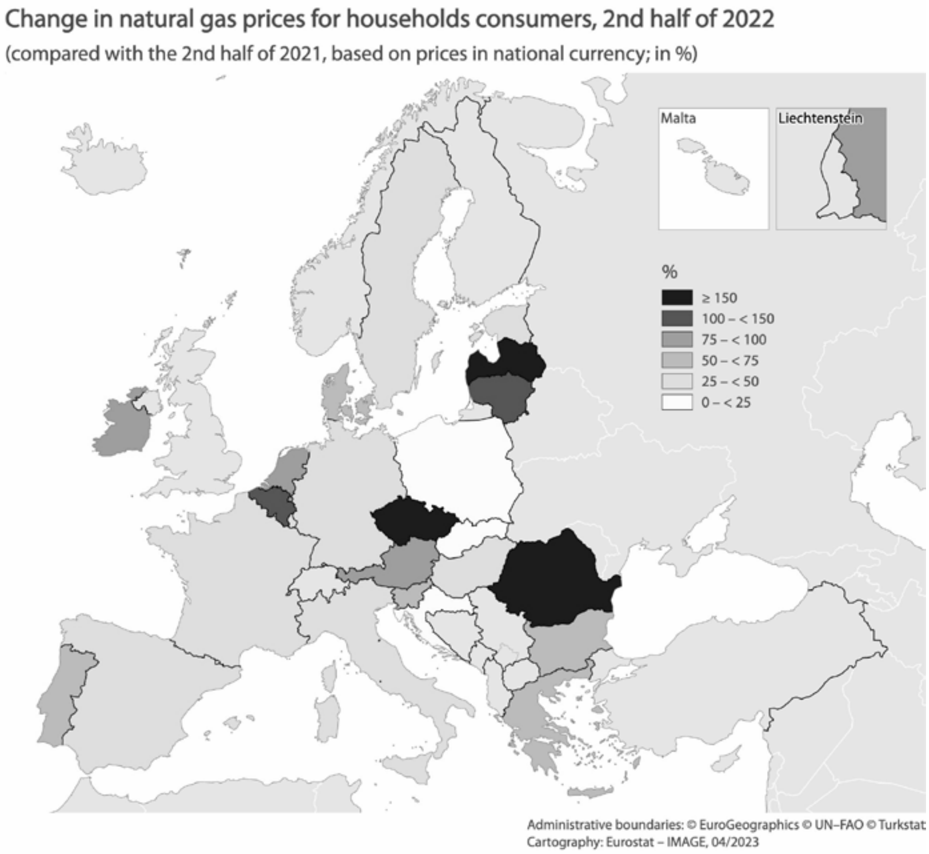

Figure 6. Change in natural gas prices for households, second half of 2022, source: Eurostat, https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230426-2

The new rise in energy prices added novel extra burdens on households' budgets, which have continued to suffer from the continuous increase in housing prices and private rents in the last ten years, according to **Figure 7** (Eurostat, 2024c).

The research group of the European Action Coalition for the Right to Housing and the City (EAC, 2024) has carried out an internal study to find out how the cost of living has affected the ongoing housing crisis.

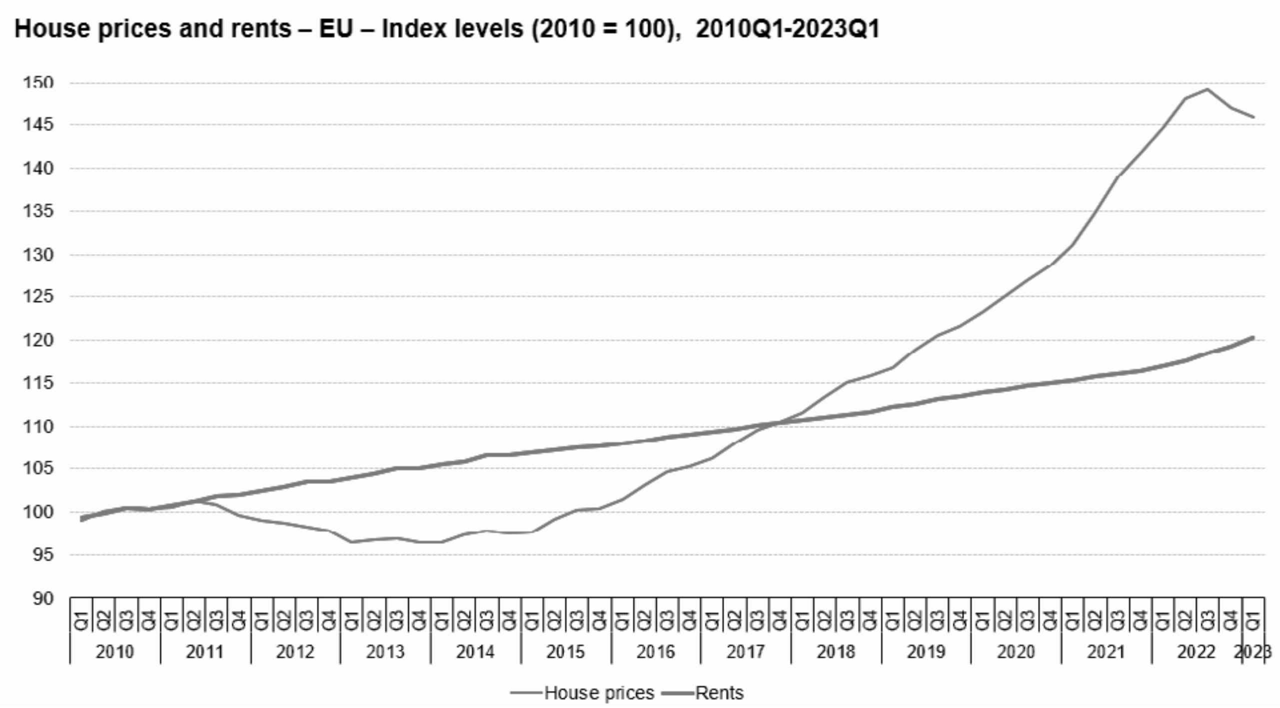

Figure 7. House prices and rents, 2010 Q1 - 2023 Q3, source https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20240110-2

The average percentage of household consumption for housing, water, electricity, natural gas, and other fuels grew above 25% in 2020 and 2021; however, it was quite high even before (for example, 24% in 2012). There are differences among countries in this regard, as **Figure 8** reflects (Eurostat, 2023b).

The study has recently been published and consists of two parts: the first looks at the systemic causes that have led to rising energy prices and inflation, and the second consists of responses from several member groups to a questionnaire carried out by the EAC's research group.

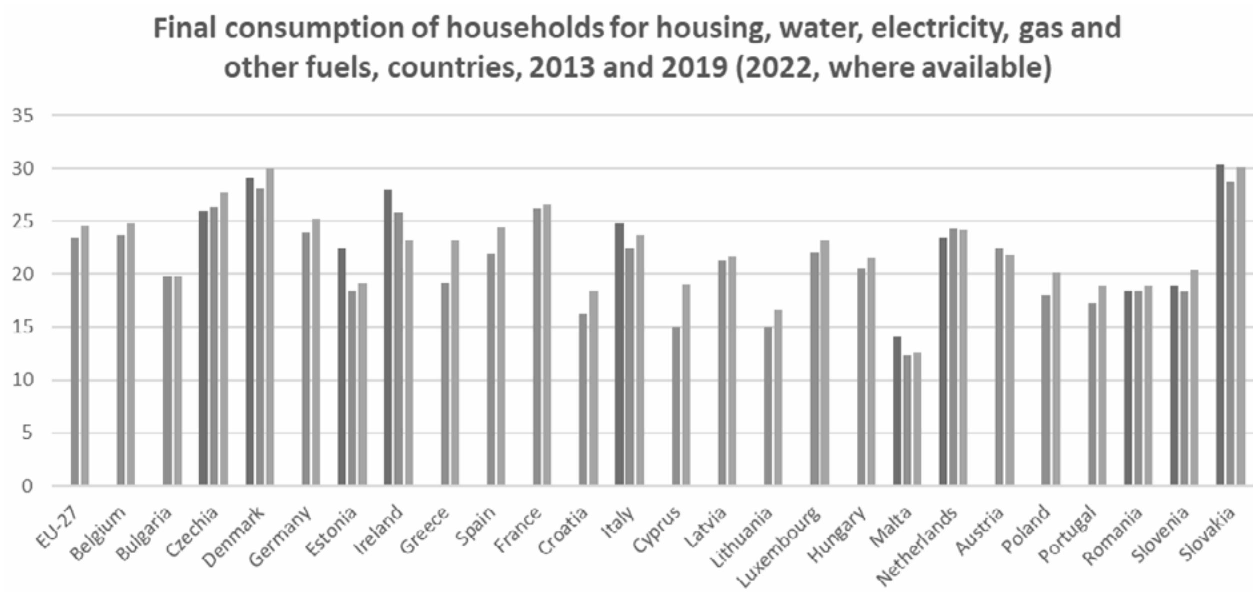

Figure 8. Final consumption of households for housing, water, electricity, gas, and other fuels, 2013 and 2019 (2022, where available), the authors, Source, https://ec.europa.eu/eurostat/databrowser/view/nama_10_co3_p3/

A. HOW WERE PEOPLE AFFECTED, AND WHAT GOVERNMENTAL PROGRAMS DID

The questionnaire applied by the survey consisted of six questions, which we reviewed briefly. We believe that this work with grassroots movements fighting for the right to housing and the right to the city provides an essential basis for understanding how people's right to housing has been affected by rising prices in general and energy prices in particular. The member groups that responded to the questionnaire came from eleven different countries: Belgium, the Netherlands, France, Austria, Greece, Spain, Portugal, Romania, the Czech Republic, Sweden, and Serbia.

When asked how the energy crisis affected people's housing conditions, almost all the groups replied that households had been greatly affected as they were facing higher bills in 2021 and 2022 than before. As a result, most have had to save energy or find alternative ways of heating or cooking. Certain ways of life have been affected: spending less time at home, resorting to donations of prepared food to avoid cooking, living in overcrowded homes, etc. The responses also show that public subsidies, or the indexation of wages and contributions, have often been insufficient to enable households to pay their bills. The precarious housing conditions became even more apparent with the reduction in energy consumption imposed by rising prices. Variable-rate contracts began to replace fixed-rate contracts, increasing price volatility and uncertainty for decent living conditions. In some contexts, such as Vienna and Stockholm, rising energy prices have led to an increase in rents. More and more households have had to go into debt in order to continue heating their homes, while in some cases, such as Greece, indebted households have suffered power cuts. In Romania, people living in extremely precarious conditions have not so much been affected by the rise in energy costs, as they already had no access to electricity or fossil gas, but have been affected by the resulting rise in food prices. Some governments have expressly asked their populations to reduce their consumption or to "make an effort" in this direction. In Serbia, a non-EU country, households have not been affected so much.

To the question of how the energy crisis has affected the security of tenure of households (e.g., the risk of eviction), most of the groups that took part in the survey replied that insecure households had been faced with the choice of paying their bills or their rent/mortgage debts. This situation has increased arrears and, therefore, the risk of eviction in most countries, whether they are legal or "silent", i.e., when the eviction is not declared as such but is the result of a decision to leave home before being officially evicted, or a breach of lease that is not counted as an eviction. In some cases, as the rise in energy prices has led to widespread inflation, this has further limited the ability of households to pay their housing costs. In France, rent arrears for social housing have increased. In Belgium, rent regulation has been introduced in the three regions according to the energy performance of buildings, with sometimes perverse effects: landlords have either decided to renovate their properties and evict tenants to do so, or they have not done so, and properties that were not in good condition have remained that way. The rise in the price of materials has affected landlords' ability to renovate and would-be buyers to purchase a home. In the Netherlands, to deal with rent arrears, the government set up a payment plan in instalments, which only postponed the risk of eviction for households unable to pay. Public subsidies have had a limited effect on households' ability to pay. In the Netherlands, tenants were more affected than homeowners, while in Greece, insecure homeowners who could not pay their electricity bills were faced with power cuts, which constitute a form of eviction. Young people in Greece and Portugal have chosen to stay longer with their parents, while others are living in extremely precarious conditions. In Romania, overcrowding rates have increased. In Spain, it was pointed out that in some cases, the bills are in the landlords' name, which means that unpaid bills can have the same effect as unpaid rent, increasing the risk of eviction.

The third question in the survey concerned the links between the cost-of-living crisis and the housing crisis. In most countries, the EAC member groups that took part in the survey noted a rise in the price of materials and interest rates, leading to an increase in the price of construction/renovation. In turn, this impacted house prices, particularly for new homes, but also on the housing market as a whole. In Belgium, France, Romania, Sweden, and the Netherlands, the construction sector has been hit by inflation, resulting in reduced planning permission and new builds. This has had several effects, particularly on the construction industry, which employs many workers, but also on would-be homeowners, who have had to turn to the private rental sector as lower supply increased prices. In the Czech Republic, the dominant discourse is now encouraging households to rent, which would allow them to live more flexibly, whereas, in reality, the generalized rise in prices is putting a limit on access to property for the middle classes (that adds to the limits described in chapter one of this study). More expensive renovations have pushed up rents in Vienna. In France, EAC members are seeing an increase in people turning to renting rather than buying a home. Wages have not risen sufficiently to compensate for the increase in prices, and this has benefited the private rental sector, as well as the concentration of ownership in the hands of capital owners. In Romania, new buildings intended for sale have given way to those intended for rent. The increase in the price of materials has, therefore, contributed to the rise in house prices, which in turn has reinforced the cost-of-living crisis. It has also pushed the buy-to-let trend further.

> ***"Wages have not risen sufficiently to compensate for the increase in prices, and this has benefited the private rental sector [...]"***

The fourth question concerned government measures to counter the effects described in the previous three questions. It is interesting to note that there is a general tendency for European governments to support private companies (and public companies in the case of Vienna) rather than limiting profits or imposing (sufficient) price caps. In France, prices have risen sharply despite the tariff shield introduced by the government, which has limited the increase insufficiently. Contrary to what one might think, in Romania, the definition of a maximum price has made it possible to release subsidies and liberalize prices. Instead of effective price regulation, households have benefited from public subsidies to continue paying their bills or from payment deferment schemes, particularly for those with mortgages. In several cases, the groups criticized the inadequacy of these household assistance schemes. In the French case, the aid was more advantageous for residents of the private rental sector than for those in the public sector. Companies were able to take advantage of rising prices, and banks were able to avoid defaulting. The causes of inflation were not attacked; on the contrary, the measures cited by the survey participants were designed to help households pay rather than to reduce prices and corporate profits or even to take control of certain essential sectors of the economy, such as the energy sector. While in most of the countries cited in the survey, it is the most vulnerable households that have benefited from the subsidies, in Sweden, public aid has been granted based on consumption, which has benefited wealthier households, who generally consume more. Apart from subsidies, other measures such as moratoriums on evictions, bans on electricity cuts, and payment deferrals were temporary and merely shifted the problem. The debts created during the crisis of rising energy prices and the cost of living were maintained. The aim of European governments was to soften the social impact of rising prices. The long-term effects will not benefit households and will in no way enable precarious households to escape their situation of poverty. Households living in self-built neighborhoods in Lisbon, or those whose electricity bills are not in their name but in their landlord's name, have not even been able to benefit from the aid provided by the government.

It is important to note the situation of Serbia, which, as revealed by the anti-eviction group The Roof, has not experienced a crisis of rising energy prices like other EU countries. Serbia continues to obtain its supplies from Russia. Nevertheless, food prices have risen sharply, and this is likely to impact households' ability to pay housing costs.

In response to questions five and six concerning the means of action in the face of the cost-of-living crisis and proposals for the future, the member groups revealed a lack of consideration on the part of governments in the face of the numerous campaigns and actions carried out across Europe with varying degrees of success. In most contexts, self-organized support groups have had to ensure that the most vulnerable survive this crisis. This shows that the public authorities have done nothing consequent and that part of the population is not enjoying its fundamental rights. That is why the EAC groups stressed the importance of highlighting the systemic causes to tackle the widespread growing precariousness of the European population. To do this, it is important to run campaigns and actions, to mobilize and to address the real culprits of this crisis, who are the architects of the liberalization of the fossil gas and energy markets, as well as the shareholders who are profiting from it.

B. ENERGY AND FOSSIL PRICE CRISIS, INFLATION, AND INCREASE IN INTEREST RATES

The cost-of-living crisis induced by inflation following the soaring rise in energy and gas prices is adding to the housing crisis and exacerbating it. These three crises have common origins, stemming from policies of privatization and market liberalization. The systemic causes have not been tackled by the states or by the EU; on the contrary, the crises are presented each time as opportunities for the richest to accumulate wealth. Shareholder profits have increased considerably, as several studies have shown, and nothing has been done to limit them. No measures have been taken to ensure that the rise in prices does not happen again: no price limits, no taxes on profits, no socialization of sectors, not even obstacles to the privatization and liberalization of the energy and fossil gas markets. Yet these are the main causes of inflation, the concentration of wealth in the hands of a few, and the impoverishment of more and more people.

In the first part of the research carried out by EAC, Enikő Vincze looks back at the origins of the liberalization and privatization of the energy and fossil gas markets. She shows that the so-called energy crisis is, in fact, a crisis of unpayable energy prices. Gas supply and electricity production are not the main problems. She points out that the energy and fossil gas markets have been gradually liberalized since the 1990s. Before that, they were reserved for the public domain and escaped the logic of profit and competition. As a result, governments regulated prices, and the profits made did not go to shareholders in the form of dividends, as is the case today, but to the governments themselves, which were able to reinvest this money in production and distribution

"The real winners have been company shareholders, while workers have not seen their wages rise to the same extent."

infrastructures and the economy as a whole. The privatization and liberalization of the gas and energy markets were imposed in the context of increasing globalization, and in Europe, they were based on a series of political decisions aimed at ensuring the free movement of capital and increasing competitiveness. In the energy sector, these decisions have been brought about by five Energy Packages since the end of the 1990s. These packages were the main causes of the rise in prices, even if the leaders wanted to blame mainly Russia and its invasion of Ukraine. While the European Commission is proposing to develop the renewable energy industry as a way out of the crisis, some members of

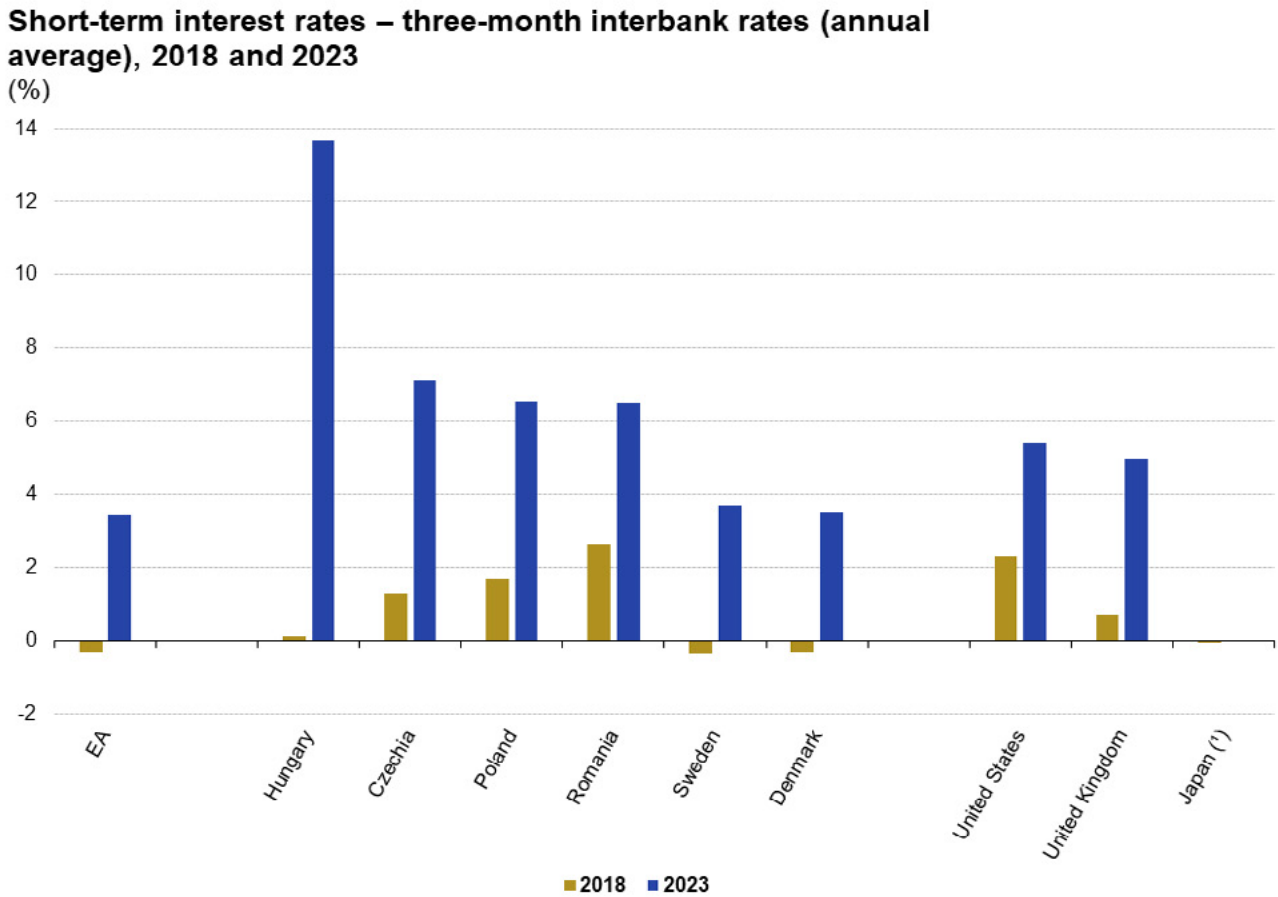

Figure 9. Three months interbank interest rates, annual average, 2018 and 2023, Eurostat, Source https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Exchange_rates_and_interest_rates&oldid=627173#Interest_rates

the European Parliament are proposing to look at price caps, curbs on speculation and profits, stops to evictions and electricity cuts, and decoupling of gas and electricity prices.

The rise in energy prices was made possible by conditions imposed by the EU, and prices exploded with the Covid-19 crisis and the war in Ukraine, which disrupted production and distribution chains. The result was inflation on a scale not seen for some 40 years. The real winners have been company shareholders, while workers have not seen their wages rise to the same extent. Many households have been adversely affected, as we saw in the previous section. The soaring prices have not spared rental and purchase prices, and the proportion of the budget devoted to housing-related expenses has become unaffordable in many cases.

Like the FED, the European Central Bank decided to raise interest rates in order to halt galloping inflation. In 2022, the interest rates rose from 0% to 4%, a very substantial increase. In CEE countries, the three-month or short-term interbank rates grew higher than the EA average or compared to the United Kingdom and the United States, as Figure 9 shows (Eurostat, 2024d).

The soaring interest rates had a negative impact on production and did not stop inflation but merely attenuated it. Banks had been charging relatively low interest rates for ten years and had plenty of liquidity, which enabled them to have a satisfactory balance sheet and to make a profit. High interest rates have put them in a difficult position, which has had an effect on certain companies for whom the possibility of borrowing was important. The rise in interest rates, therefore, had an impact on productivity. Prices were not reduced because the main causes of inflation were excess profits rather than production problems. Households were doubly affected: by repayment and borrowing difficulties, and also by the fact that the general economic slowdown affected labour rather than prices, whereas it was profits that should have been attacked if prices were to fall without impacting households.

We believe there is an urgent need to move away from neoliberal policies to avoid crises that are caused by the desire to concentrate wealth in the hands of a ruling class, exploiting workers to pay their bills, buy their homes or buy their food, and even more, from a socioeconomic system that is based on capital's profit maximization tendencies. Housing, energy, and food, just like water and air, are fundamental needs that cannot be distributed according to the profit margins of the elites. Capitalist accumulation must come to an end, as must the exploitation of resources and people, and fundamental rights must be respected regardless of the cost to shareholders.

SECTION I.

MARKETS

SECTION II.

POLICIES

//Enikö Vincze

03—

THE ROLE OF EU POLICIES IN HOUSING FINANCIALIZATION

The deepening of the housing crisis in the European Union (EU) and globally is not only due to the cyclical crises of capitalism produced by capital seeking new sources of profitable investments and accumulation or to the penetration of the financial market to the housing market. It also happens because of the economic and social policies elaborated and implemented by states and trans-statal actors. In this chapter, we reveal the accountability of the EU, which, on the one hand, through its compulsory neoliberal capitalist economic policies and, on the other hand, through weak social policies, very limited in their contents and impact on housing matters, facilitate and de-risk investment opportunities in the (financialized) residential real estate market.

The European Union is an economic union that aims to promote itself as a social market where the free movement of people and capital is equally ensured. In fact, even though both social and economic policies are under the sovereignty of Member States (MSs), in the field of social policies and human rights instruments, there is no such coordination mechanism within the EU similar to how economic policies are enforced in MSs by its economic governance. While the rules and mechanisms of the economic union coordinate MSs' economies in a way that ensures their implementation in each country, social policy measures are formulated only as non-binding recommendations to the MSs. Even more, existing monetary and fiscal policies impede increasing public expenditures for public and social housing both in times of austerity and economic growth.

On the one hand, the significant economic policies of the EU indirectly impact housing production, distribution, and consumption in the MSs. This is so because they (also) support the free and unregulated movement of capital invested in (residential) real estate and financial instruments interfering with the real estate (housing) market. On the other hand, the human and social rights instruments adopted by EU institutions also indirectly impact the national housing systems if states have the political will to translate them into national policies. However, the states are being discouraged from investment in public housing, and the social policy instruments at best sustain the protection of the most vulnerable categories, leading to the residualization of social housing. Residualization refers to the processes that have resulted in the radical decline of public and social housing quantity in the total housing stock and the trend of reducing its effective accessibility to the poorest social groups. In what follows, in this chapter of our study, we offer details about the most significant EU economic policies that impacted the trends mentioned above in the housing sector and, eventually, the financialization of housing.

1. THE FREE MOVEMENT OF CAPITAL AND FISCAL POLICIES

Based on the principle of free movement of capital set by the EU's foundational document, the Maastricht Treaty (the Treaty of the European Union), the Council Directive 88/361/EEC of 24 June 1988 stated: cross-border capital movements include foreign direct investments, real estate investments or purchases, securities investments (e.g., in shares, bonds, bills, unit trusts), granting of loans and credit, other operations with financial institutions, including personal capital operations such as dowries, legacies, or endowments. The consolidated Treaty on the Functioning of the EU and the Treaty on the European Union defined the basic rules for the European Single Market (ESM) and the Economic and Monetary Union (EMU), which were conceived to coordinate the economic and fiscal policy-making between Member States with an indirect impact on the housing sector.

Furthermore, the Stability and Growth Pact was elaborated in 1997 as a central rule of the EU's economic governance when the MSs agreed to strengthen the monitoring and coordination of national fiscal and monetary policies to enforce the public deficit and debt limits established at 3% and 60% of GDP, respectively. Informed by neoliberal governance policies, this Pact held back the MSs from social spending, including the investment of public money into public housing. It had a devastating effect on the public sector and the people of the Member States, where severe austerity measures were enforced to be implemented as a supposed solution to the 2007/2008 crisis. As a result, this crisis ended with thousands of homes foreclosed, while banks were rescued with public money. In the context of the COVID-19 pandemic, in March 2020, the EC activated the general escape clause to allow the states to offer state aid to companies but, unfortunately, did not make the governments respond to peoples' housing needs. During the 2020 global recession, government debt rose to multi-decade highs.

The norm to save the capital by the state continued to be fixed under the energy crisis exploded in 2022 as a result of the long-term policy of privatization and liberalization of the energy sector in the EU MSs, and aggravated by the decision in the context of the war in Ukraine, to move away the EU economy from the Russian gas. Accordingly, the governments subsidized the increased gas and electricity costs and, implicitly, the enormous profits made by the energy companies, which added to the public deficits and debts of the MSs. Therefore, in March 2023, the Council adopted conclusions on the European Commission's reformed economic governance framework, which re-enforced the ceilings of debts and deficit from GDP according to the original Pact but left the MSs with greater national ownership for finding solutions to reduce them. This situation is very explosive in the current period of economic recession when compulsory spending on militarization in the Member States has continuously increased public spending for the benefit of the military-industrial complex while limiting even more public investments into public services, including public housing.

The evolution of government debts, which usually entail fiscal constraints, in the past four years can be very confusing at first sight. Data shows that they rose to multi-decade highs during the 2020 global recession, marking the largest jump in five decades, but, on average, afterward, started to decline. Their decrease between 2022-2023 reflected the impact of growth compared to the low levels of 2020 and the soaring inflation of the past two years. Analysts warn that this relative decline is not a motive for celebration because, overall, public debt remains higher than its 2019 level in about three-quarters of countries, and in 2023, slowing growth and tightening financial conditions raise the risk of debt distress as debt became more costly (Kose et al., 2023). Moreover, international organizations emphasize that public debt as a fraction of gross domestic product has increased significantly in recent decades, and it is expected to grow both in advanced and middle-income economies, reaching 120% and 80% of output, respectively, by 2028 (Adrian et al., 2024). In addition, a look at country-level data shows unevenness in these matters across the European Union. Eurostat - Euroindicators publication (2024) stresses that, compared with the third quarter of 2022, eight Member States registered an increase in their debt-to-GDP ratio at the end of the third quarter of 2023, and nineteen Member States had a decrease. Increases in the ratio were recorded in Belgium (+2.5 pp), Estonia (+2.3 pp), Finland (+2.0 pp), Latvia (+1.3 pp), Slovakia, Romania, and Luxembourg (all three +1.0 pp) as well as Lithuania (+0.4 pp). The largest decreases were observed in Greece (-12.0 pp), Portugal (-10.9 pp), Cyprus (-10.3 pp), Croatia (-5.5 pp), Ireland (-4.9 pp), Spain (-4.2 pp), Sweden (-4.0 pp), Austria (-3.1 pp) and Slovenia (-3.0 pp). Countries are advised by the European Commission (EC), International Monetary Fund (IMF), and World Bank (WB) to consider that substantial fiscal consolidation is necessary; nevertheless, these organizations seem to be more cautious about austerity measures than they were a decade ago, fearing a deepening economic recession.

2. CAPITAL MARKETS AND BANKING UNIONS

Another pillar of the EU economic policies, the Capital Markets Union (CMU), was launched in 2015 as the European Commission (EC) planned to build a genuine single market for capital in the EU by 2019 and unlock funding for Europe's growth. Under the CMU action plan, the EC has started working with EU MSs to eliminate the remaining national barriers to the free movement of capital. The 2020 Action Plan adopted by the EC on 24th of September defined the actions under three objectives: support a green, digital, inclusive, and resilient economic recovery by making financing more accessible to European companies; make the EU an even safer place for individuals to save and invest long-term; and integrate national capital markets into a genuine single market. This was a further call towards EU and MS institutions to de-risk capital investments and, in particular, to open up even more possibilities for the financial markets and actors trading financial assets, including real estate and housing as an asset class. Recently, the transition from private to institutional ownership was eased by the Capital Market Union's measures (for example, the Simple, Transparent, and Standardized Securitization and the Securitization of Non-Performing Exposures). The European Public Real Estate Association data shows that in 2021, non-listed (private equity) funds owned 30% of the 2.7 trillion Euro real estate assets in the EU28 (an increase of 10% compared to 2020), while insurance companies, pension funds, and sovereign wealth funds directly owned another 16% (Gabor & Kohl, 2022).

The European Banking Union (EBU) is another dimension of the ESM. Its Regulations from 2014 assured the European Central Bank (ECB) a supervisory capacity over the national competent authorities of all the MS (not only the euro countries) and defined uniform rules for the resolution of credit institutions and investment firms in bad health, and a single resolution fund to help finance the resolution of banks. The powers of the ECB include control over defining monetary policies or interest rate trends and determining when to implement Quantitative Easing or Quantitative Tightening measures. The latter impacts how much money is invested into (residential) real estate development and used in speculative investment practices and predatory lending. As a result, in the past few years, for example, the hedge funds, using quantitative easing measures of the European Central Bank, pursued risky investment strategies to produce higher rates of return. Corporate debts reached record highs globally. Meanwhile, in July 2018, the EC published a communication that recalled the fundamental rules under EU law for protecting investments within the European Single Market. It is expected that the growing inflation and the monetary policy implemented by the ECB, that is, the continuous rise of interest rates, will impact housing construction and the mortgage market. Predictably, institutional investors are looking all over the MS for alternatives to the build-to-sell model. At the same time, the labor classes do not have better access to adequate homes, and indebted people with lower incomes risk losing their homes due to the intersected housing and energy prices crisis.

3. COMPETITION AND STATE AID RULES

The EU's Competition Policy and State Aid Rule promotes maintaining competition within the ESM by regulating anti-competitive conduct by companies to ensure they do not create cartels and monopolies and control the direct and indirect aid given by MS to companies. The European Commission monitors and, where necessary, blocks anti-competitive agreements, abuses by companies of dominant market positions, mergers and acquisitions, and government support.

Regarding these policies, an example from the Netherlands shows how such measures can affect national housing policies. In 2005, the EC demanded that the Dutch state change its allocation procedure of social housing (i.e., making it less universalist/generalist). Although the general message of the EU continued to be that housing is the exclusive domain of national governments, the EC legitimized its intervention in Dutch housing policy based on its responsibility for the common market (Gruis & Priemus, 2008).

In March 2020, the EC adopted the State Aid Temporary Framework to enable MSs to use the flexibility foreseen under these rules to support the economy during the coronavirus outbreak. This was extended till June 2023, and a new amendment was adopted in July 2023 to support the economy. It clarified the conditions under which MS may grant aid to cover the recent increase in gas and electricity costs for companies. It provided additional aid measures in line with the REPowerEU Plan, such as accelerating the rollout of renewable energy and facilitating decarbonizing industries. Unfortunately, the EC did not make any provisions for the production of public housing by public companies as a way to support the economy and the workers.

4. URBAN AND HOUSING PROGRAMS WITH LIMITED ACTIONS

Under the conditions framed by the EU policies discussed above, the European Parliament (EP) launched three important housing-related Resolutions (on social housing in 2013, on homelessness in 2020, and on affordable housing in 2021). These, however, did not have real effects in the actual policies of the EU and its MSs (see details about these in Vincze & Betavatzi, 2023/2024, section 2.3).

Moreover, even if the EC recognized that the urban dimension of the Cohesion Policy needs to be strengthened while addressing sustainable urban development, it did not mention housing among the challenges European cities currently face. However, the Pact of Amsterdam in 2016 acknowledged that housing was one of the urban priorities in Europe, but that remained an informal document elaborated by the Informal Meeting of EU Ministers Responsible for Urban Matters. This Pact affirmed that the Urban Agenda for the EU would be regarded only as an informal contribution to the design of the future and revision of existing EU regulations, and administrative burdens for urban authorities should be minimized.

Besides, through the Affordable Housing Initiative of the Renovation Wave launched in 2021, the EC preferred to implement programs that, at best, are greening but not solving the housing affordability crisis and are providing new investment opportunities for the real estate sector and new instruments for the states to support them. Until now, the initiative consisted of three open calls to ensure that social and affordable housing facilities benefited from the Renovation Wave. According to the EC, this Affordable

Housing Initiative is in line with the Housing Partnership of the Urban Agenda, the EP's resolution on maximizing the energy efficiency of EU buildings, the EP's resolution on decent and affordable housing for all, the Energy Efficiency Directive, the Energy Performance of Buildings Directive, as well as the Housing for All citizens initiative, and the Committee of Regions' and the European Economic and Social Committee's opinions on housing. Nevertheless, due to the lack of real impact of such opinions or citizens' initiatives or the quoted EP Resolutions or the EU Urban Agenda, and despite these rhetorical statements of the EC enjoying large executive power, this initiative is unable to increase the public and social housing stock. It does not do anything to at least limit the effects of housing financialization (see more details about these EC initiatives in Vincze & Betavatzi, 2023/2024, section 2.2).

Besides its decision-making institutions, whose activities in the domain of housing we presented above, a few large non-governmental organizations are focusing on housing matters in the EU that the Union supports. The two most important ones are the European Federation of National Organizations (FEANTSA), which made several calls to put the fight against homelessness on the agenda of the European Semester and different EU Funds; and Housing Europe (the European Federation of Public, Cooperative and Social Housing) that, through its members, manages around 25 million homes and offer social and neighborhood services for their tenants. There are no civic or non-profit organizations and networks supported by the EU that focus on the de-financialization and socialization of the housing sector, public investments into public housing, and housing market regulation.

04

EXISTING PROPOSALS TO SOLVE THE HOUSING CRISIS

The Housing Europe Manifesto (Housing Europe, 2024), launched on 26 January 2024, was among the most recent EU-level proposals for solutions to Europe's decades-long housing affordability and homelessness crisis. The Manifesto was backed up by current Members of the European Parliament (MEPs) from five political groups. The supporting MEPs stressed that access to housing should be at the center of political programs ahead of the European elections. Since the far right capitalized on linking housing shortage and unaffordability to immigrants and gained popular support across countries, the mainstream parties cannot avoid putting housing on their electoral agendas. The question is, obviously, how far are they willing to go in recognizing the systemic causes of the housing crisis and that their former political decisions prevented the states from investing in public housing, which they should counteract as soon as possible with urgency.

1. THE 2024 HOUSING EUROPE MANIFESTO AND ITS LIMITATIONS

Housing Europe, the author of the 2024 Manifesto, is a European Federation acting as a network of social, public, and cooperative housing providers in 31 countries since 1988. Together, they manage around 25 million homes, about 11% of the existing dwellings in Europe. Besides their commitment to affordable housing, they are interested in EU initiatives supporting the private providers of this housing segment.

The cause of "affordable housing" was also embraced by the European Investment Bank (EIB), which created advanced financial tools for social and affordable housing loans. The EIB policy should be analyzed more closely in another study, investigating how far, till now, it has offered loans or mostly created new debt products or debt guarantees and contributed to housing financialization via its investments in equity and funds (see European Investment Bank website, What we offer); how far it mostly supported private associations or companies or public-private partnerships investing in social and affordable housing (e.g., EIB, 2016; EIB, 2019); and how did its already launched programs in this domain progress in time (for example in Ireland; see in EIB, 2019, 2021).

The limitations of the Housing Europe 2024 Manifesto regarding provisions for public housing are not new; they are inherent in Housing Europe's former initiatives. In 2015, Housing Europe took part in establishing the Housing Partnership of the EU Urban Agenda (also mentioned in the earlier section of our study) and its 2018 Action Plan. The latter document defined "affordable housing" as its target, designated as a large spectrum of types of homes consisting of social housing, affordable rental housing (including private rental, charity homes, regulated market housing, publicly funded private housing, and cooperative housing), and affordable homeownership (including privatized social/public housing, subsidized construction or renovation, community land trusts, tax breaks, and shared equity). Paradoxically, this broad concept about what kind of homes should be developed has shallow ambitions, so it cannot cope with the effects of the decades-long housing crisis rooted in privatization and financialization or lack of public housing.

In 2023, Housing Europe coordinated the European Affordable Housing Consortium, co-funded by the European Union's Single Market Program. As it is stated on its website, "the goal of the project was to support public, social, and cooperative housing providers, public authorities, and SMEs to deliver social and affordable housing district renovations, which include innovative features, such as the use of smart and circular technologies and new approaches created and managed jointly with the local communities." As we already noted about this initiative, it did not support new investments into public housing.

The 2024 Manifesto proposes three steps to be taken by the EU if it wants to play a pivotal role in ensuring affordable and decent housing for all: embracing a new housing paradigm, baking a movement for fair energy transition, and addressing the root causes of homelessness. It calls for the support of public, cooperative, social, and community-led housing as the backbone of national housing systems; for ensuring that public debt and deficit rules adequately account for the positive long-term social return on investment from the sector; adapting State Aid rules so they do not prevent Member States from addressing the housing crisis; including housing exclusion indicators in the EU Semester, the biannual economic, fiscal, employment and social recommendations to Member States; preventing short-term rental platforms' impact on availability and affordability of housing through European legislation; addressing the impact of higher interest rates and construction costs, which are slowing the delivery of new social housing; sharing effective models of inclusive housing systems within and beyond Europe as the new way forward. In regards to the second step, the Housing Europe Manifesto defines five suggestions for connecting the norm of decarbonization to the need to ensure a fair energy transition in the housing sector. Concerning the urgent need to address housing exclusion, the Manifesto calls for closer cooperation between social service providers, local authorities, and social and affordable housing actors to secure access to decent, affordable housing as the best way to prevent homelessness.

Such a general appeal to embrace a new housing paradigm in the context of the 2024 European Parliament elections is more than welcomed. However, unfortunately, as it is now, on the one hand, it does not go beyond old recommendations, and, on the other hand, it does not target concrete solutions besides the creation of a Task Force led by a European Commission Vice-President, a transformative fund used for socially responsible renovations, and the introduction of housing exclusion as a core section of impact assessments for EU policies.

2. THE 2024 EUROPEAN NEW DEAL FOR AFFORDABLE AND SOCIAL HOUSING

As a continuation of launching the above Manifesto, on 5 March 2024, the Belgian Presidency of the Council of the EU, with the support of Housing Europe, organized a European conference in Liège, with the presence of all EU housing ministers. The participants endorsed the Liège Declaration for Housing (2024) that called for a European New Deal for affordable and social housing with a dual objective: proposing solutions to improve access to affordable and decent housing for all within the European Union through an EU housing platform; promoting the access of social housing organizations to long-term European financing from the European Investment Banks and the European Commission.

This Declaration combines a widespread diagnosis regarding the lack of affordable housing among lower and middle-income households, people at risk of homelessness, and people with disabilities; with a call for a pretty narrow action plan named ambitiously as the European New Deal for Affordable and Social Housing. The latter refers to four sets of actions: the organization of an annual EU summit on social and affordable housing, where Member States can exchange best practices in this field in compliance with the principle of subsidiarity; the development of an EU Platform to support national, regional, and local partnerships between housing providers, social services and authorities to end housing exclusion; taking better account on the side of the European Commission of the repercussions of EU policies on access to housing in its impact assessments; renewing the lending by the European Investment Bank to social and affordable housing providers.

One month before the above initiative, on 7 February 2024, the Belgian Presidency of the Council of EU organized a high-level meeting crowned by the signing of a joint declaration by 40 mayors. The Brussels Declaration of European Mayors (2024) addresses the European institutions with concrete priorities and recommendations for a strong and ambitious EU urban policy during their next European mandate following the elections in June. It presents four fundamental priorities for cities, among them the promotion of the right to affordable, quality, and sustainable housing, and six recommendations, among which housing is not stressed as a component of the proposed directions for policies aimed at creating more sustainable cities.

3. WHAT IS MISSING FROM THE ABOVE INITIATIVES?

The biggest value of the above declarations and New Deal is that they were conceived before and in the context of the 2024 EP elections, which suggests that policymakers cannot avoid anymore responding to the housing problems to whose creation they fully contributed in their prior mandates. Otherwise, they do not really go beyond the EU urban and housing initiatives discussed in the last paragraph of Chapter Three and, in more detail, in a recent study about the impact of EU policies on housing and urban development (Vincze & Betavatzi, 2023/2024, section 7.2). Still, there is too much political talk about exchanging best practices, creating new task forces, making calls to EU institutions that are not echoed at the EC, and forging rhetorical promises about combining greening with social fairness within the appealing discourse of "new deals."

Even more, regrettably, these new political commitments do not pay attention to the proposals regarding the reforms needed to reverse housing financialization. This is in spite of the fact that, in the last few years, several recommendations were clearly defined in this sense within studies commissioned for The Left or the Greens/EFA political groups or by the Party of European Socialist Group, as discussed in Vincze & Betavatzi (2023/2024, section 7.1); respectively elaborated by (a) Tulumello & Dagkouli-Kyriakoglou, 2020, (b) Gabor & Kohl, 2022; and (c) New EU Housing Strategy, 2022. Here, we mention the following recommendations from these texts.

A. Financial markets need to be regulated more tightly at the European level, with the double goal of reducing the incentive for households to pursue homeownership via mortgage debt and creating barriers for international speculation in real estate markets. Social housing, currently framed as a Service of General Economic Interest, should be considered instead as pertaining to the Social Services of General Interest category and consequently be exempted from competition rules. Spending public money on housing should be exempted from national budgetary limits.

B. Create a Sustainable Institutional Housing framework using a social-washing-proof Taxonomy to anchor mandatory disclosure and regulation of institutional landlords. Establish a European Housing Fund that works as a countercyclical force to ring-fence the collapse of housing asset bubbles that typically result in the transfer of housing units from small private or public ownership into institutional portfolios. Raise financing for public investment in social housing. Put a Housing Red Flag Rule on new European-level regulatory initiatives, which requires the constellation of European regulators to ensure that new regulatory initiatives do not inadvertently de-risk housing asset classes for institutional landlords. Define an extended macroprudential mandate for European central banks to react to house price inflation through the tighter but socially just regulation of mortgage lending.

(c) Increase public investment by including, in the European Semester and the National Reform Programs. Recognize social and affordable housing for all and not only for disadvantaged citizens. Enshrine the housing policy in a larger European social policy by developing a "housing affordability check" in the Member States. Facilitate access to finance by including social and affordable housing in the new EU social taxonomy. Set up an EU framework to regulate the impact of digital platforms on housing markets. Establish a common framework for local rental price control and stabilization systems with European cities and regions. The EU should incentivize the MS and local and regional authorities to put caps on rents. Tackle speculation and money laundering in the housing market at the EU level through an EU-wide real estate transparency registry, including the beneficial owner of the respective property. Regulate the housing market to avoid predatory trends of large real estate companies.

The June 2024 EP elections should open the door for restructuring the EU as a Socio-Economic Union to define effective solutions to the decades-long housing crisis. This should be based on the recognition that as it is today, the EU economic governance creates the conditions for deepening the housing affordability crisis, while the soft social policies and human and social rights instruments do not ensure their safeguarding and implementation in a way that effectively guarantees universal access to adequate housing (Vincze & Betavatzi, 2023/2024).

Furthermore, it is time that decision-makers acknowledge the embeddedness of the housing question in the capitalist political economy. The last two chapters of our study aim to offer several reference points that could assist them in this endeavor.

SECTION I.
MARKETS

SECTION II.
POLICIES

SECTION III.
CAPITALISM AND BEYOND

//Enikö Vincze

05—

FRAMING THE HOUSING QUESTION IN CAPITALISM FROM A MARXIST PERSPECTIVE

In the context of 19th-century capitalism, Engels (1872) defined the housing question as a matter of housing shortage and a symptom of the industrial revolution. He also dealt with the bourgeois and petty-bourgeois utopia of homeownership, which was promoted as a solution to this question. Likewise, he described the inadequate conditions of the "bad, overcrowded and unhealthy dwellings" (p. 14) that the labor force was forced to live in when moving to cities and working in new industries. However, Engels sustained that the essence of the issue was not that the working class made a living in such conditions but that the problem was created by the structures of exploitation and oppression of workers by the ruling class. These structures must be abolished in order to solve the housing question.

We appeal to the Engelsian view to understand the housing question as continuously (re)created by the capitalist political economy and its variegated accumulation regimes. The housing question might have had different manifestations during the history of global capitalism; nevertheless, the inability of the system to provide as many adequate and financially affordable homes as needed by the labor force who ensured its socio-economic (re)production always remained at this question's core. Understood this way, the housing question as a crisis intensified in parallel with housing becoming predominantly a site of capital accumulation and exploitation. Our study addresses the housing question in the context of financialized capitalism in the 21st century. We are more than five decades after the failure of state capitalism, which was informed by Keynesian welfare policies to provide public housing for labor. Three decades following the enforced collapse of state socialism are also gone. However, we can recall that, in the context of a centrally planned economy, it was possible to put into function a non-profit financial system to construct millions of public dwellings for the workers.

Today, we can affirm that, instead of increasing the affordability of adequate housing, globalized capitalism turned this economic sector into a favored site of capital investment while reducing the welfare measures for the social protection of tenants against market forces. In our study, we concentrate on the European Union, as political answers to the housing question from the European left are expected to be elaborated and implemented in this context. However, we should not forget that radical solutions should happen worldwide since the global flow of interconnected real estate and financial capital penetrates every corner of the contemporary globe and should be regulated transnationally and trans-continentally.

> ***"Even when strongly dominated by market fundamentalism [...] it is the state that decides [...] if it supports the production, exchange, and distribution of housing to respond to people's housing needs"***

Despite denying its role in the housing matters of the Member States, the European Union institutions run in parallel some programs that address housing as a social policy and conduct economic policies that affect the housing market (Vincze & Betavatzi, 2023/2024, and Chapter Four). As a social and economic issue, housing stays at the core of political economy regimes. Furthermore, both social and economic policies are informed by politics, elaborated and implemented by legislative and executive state institutions according to their political ideologies. Even when strongly dominated by market fundamentalism, in capitalism, it is the state that decides (under the pressure of capital) if it supports the production, exchange, and distribution of housing to respond to people's housing needs (creating housing as a social and use value), or if it sustains the accumulation of capital in the hands of institutional investors, developers, and landlords. In capitalism, the latter are the creators and managers of housing, aiming to extract as much return as possible from its exchange or market value. Therefore, the actions to fundamentally challenge the systemic roots of the housing question (re)produced by capitalism have to target both the state and the capital. Because both actors are responsible for adequate housing becoming unaffordable for the labor force while transforming residential real estate into a domain of capital accumulation endorsed by state politics.

In this chapter of our study, to enable defining the directions of actions that should be taken to solve the housing question generated by capitalism (see Chapter Six), we frame it by discussing (1) the role of housing in political economy, (2) the manifestations of five contradictions of capitalism in the domain of housing, (3) housing classes and inequalities, and (4) by offering a synthetic view on housing financialization in financialized capitalism (its details being described in Chapter One).

1. THE ROLE OF HOUSING IN CAPITALIST POLITICAL ECONOMY

Housing plays a central role in any political economy regime; therefore, its financialization is endemic to financialized capitalism. Thus, the housing crisis (re) produced by capitalism that the European left has to address has to be approached as a phenomenon created by the systemic processes of capitalism and solved by looking for alternatives to capitalism. Let us recall why housing stays at the core of the capitalist system and why it should be addressed from a political economy perspective. Below, we will briefly discuss how housing acts as a domain through which the basic features of capitalism function, among them class exploitation and capital accumulation.

In capitalism, the material production of housing via construction is an economic activity where the owner of the means of production exploits the labor force. In this domain, labor is not paid for the whole value it produces; the capitalist class appropriates the surplus value over its salary. Housing as a product resulting from the workers' labor is accessible by laborers as a commodity on the market, where its exchange value is realized as profit for the benefit of the owner of the means of production. Once acquired, housing provides a space for the reproduction of the (exploited or expropriated) labor force and supports capital accumulation in this indirect sense, too.

Meanwhile, housing construction contributes to the advancement of the economy in direct relation to connected industries. Moreover, during times of crisis, which consist of the over-accumulation of capital, the profit gained from other economic sectors might be invested into the housing sector. Additionally, as part of the built environment, housing acts as the secondary circuit of capital. David Harvey (1982) calls this phenomenon "capital switching", which functions under the logic of directing money capital according to its highest and best use. Others (Aalbers & Cristophers, 2014) consider that this process is about parking the surplus into housing (secondary circuit) until the primary circuit recovers from its over-accumulation crisis.

Furthermore, on the market, where the surplus value of housing is realized when it is traded as a commodity, the difference between – on the one hand – the social value, the actual production costs of a dwelling or the cost for which it was first bought, and – on the other hand – its exchange or market value becomes the profit of the supplier. The "supplier" in this trading relationship is not simply a producer but a speculator who buys a home to sell further for a higher price or rent it out to gain monthly income. At the same time, in the long term, he/she benefits from the increasing market value of the rented dwelling.

Besides, it might happen that when sources for buying other products and services from the market dry out, a house furnishes means of funding as it could be turned into cash by its owner. Therefore, a dwelling can serve as the owner's savings vehicle, safe deposit box, or cash machine in times of financial emergency. Additionally, the rent paid regularly by the private renter transfers the yield into the rentiers' pockets in a reliable manner, assuring the possibility of a rent increase in the future without significant improvements to the rented dwelling. This is because the exchange value of a home or the rent paid for it on the market depends on many other factors, not just the physical dwelling itself. Among others, it is contingent on the value of the land (provided by its geographical location, infrastructural equipment, and proximities); thus, the commodification of land and its increased price fuels the commodification and price increase of dwellings placed on it. Additionally, the property on a home gained to be exploited for profit might be transferred from one housing market to the other, facilitated by larger socio-economic transformations. Such as the increase in demand for rental housing or student housing and other housing types that can be used as niche markets for capital investment and accumulation.

In neoliberal capitalism, since the states withdrew from the production of public housing – making more place in this way for the private production of private housing – real estate developers acquire a monopoly over housing production, exchange, and prices. The anti-state ideology endorsed that the state is unable to construct dwellings and has no financial resources and administrative capacity, or even that public housing production is unsustainable due to its high production and maintenance costs and low rents. In these circumstances, the private developers indulge themselves as the one and only actors who have money and knowledge for new housing production and, as such, demand support from the central state (for example, business-friendly fiscal policies) or from the local government (for example, flexible urbanistic regulations).

Under intensified globalization since the end of the 1970s, the transnational economic and political players provided rules that enhanced the free movement of capital across national borders (for example, through the Washington Consensus and the Maastricht Treaty of the European Union). Real estate capital was also enabled to be invested wherever it looked for increased returns. From the point of view of core capitalist countries, this move was about solving the over-accumulation crisis of capital from these countries via its geographical move toward non-capitalist territories, a trend named spatial fix (Harvey, 2001).

When, as a general tendency, the role of financial markets and actors was boosted in the whole economy, governments and transnational actors created the possibility for financial instruments and institutions to function (such as banks, mortgages, mortgage securitization, investment funds, and real estate trusts). The latter tools are put into the service of residential real estate development, thus transforming housing into an asset class. Among the financial institutions and instruments favoring housing financialization, the credit-creating institutions and mortgage debts have the potential to sustain the purchasing power of the labor force when their income cannot cope with increasing prices on the housing market. If capitalism had not invented this solution under conditions in which capital enjoyed privileges due to low salaries paid to the labor force, the decreased effective demand (for housing) that should have sustained (new housing) production would have blocked the circulation of capital. In these circumstances, the surplus value of housing as a product on the market could not have been realized. To highlight the specifics of this method for saving capital from the crisis itself created, scholars have used the terms privatized Keynesianism (Crouch, 2009) or house price Keynesianism (Watson, 2010). These concepts signal the switch of capitalist growth models from post-war Keynesianism (where the welfare states enabled consumers via their transfer payments often secured by public debts) to a personal-debt-based paradigm. Besides, in financialized capitalism, dwellings might be used as collateral for other loans. Additionally, dividends paid after the shares of its owners due to the yields extracted from rented residential units or the gains from the stock market are money made from money without producing a new commodity.

In addition to its role in a political economy regime, the housing sector has its political economy. The latter consists of housing politics transformed into policies regarding housing production, exchange, and distribution and of market relations evolving through planning, financing, constructing, and trading residential real estate.

2. THE MANIFESTATION OF FIVE CONTRADICTIONS OF CAPITALISM IN HOUSING

According to Harvey (2014), capitalism is shaped by seventeen contradictions. Relying on his discussion on this topic, we will refer to five contradictions and how they are manifested in housing. Main tensions result in this domain from expecting that the use value of housing should be delivered by a system that relentlessly prioritizes its exchange value (Cristophers, 2010). The role of housing in the capitalist political economy is also visible in how unevenness in housing wealth (that expresses the unequal social relations arising from the circulation of capital) endangers the social reproduction needed for the circulation of capital (Aalbers & Cristophers, 2014).

1. In a market economy, the housing stock must be sold and bought on the market at its exchange value to be accessible as a use value. This creates a contradiction because, due to low salaries and income inequalities, not everyone can afford to purchase or rent an adequate home at the market price; therefore, many people are denied access to a home's use or social value. The housing inequality that this contradiction creates deepens and becomes more evident over time, manifesting itself in space. The housing of diverse quality accessible to people with different incomes is placed in various neighborhoods in a city, which are uneven from the point of view of their infrastructural equipment and connectedness to areas where services and goods are accessible.

2. The contradiction between money (the material representation of value in the process of commodity transactions) and the social value of labor (which is invisible in commodities) means that money

can itself become a commodity. Money capital can be bought and sold in itself as a commodity. In capitalism, money is valued as a form of social power rather than a means to satisfy basic human necessities like food, clothing, and shelter. Money becomes a possession, forming the foundation of speculative, fictional capital; profit is made by selling money in the form of loans that are invested in real estate; interest rates steadily climb; and finally, a systemic crisis might be triggered when the debt-based economy collapses. State interventions to alleviate the financial crisis caused by financial institutions benefit the latter. At the same time, their costs are socialized, widening the inequalities between classes and among the laborers with various socio-economic statuses, and most importantly, between those who profit from people's housing needs and those who need a home.

3. The contradiction between individual rights to private property and collective state power that is supposed to work for all is another key tension in capitalism. The capitalist state promotes and protects private property and wealth accumulation through its fiscal, monetary, industrial, and housing policies while facilitating the free flow of capital across economic sectors and countries. The state also encourages the development of the real estate sector as a means of capital accumulation. Through the principle of non-interference and non-regulation of private property, the state recognizes the rights of individuals and corporations to own and trade their dwellings privately. Leaving this contradiction unresolved, or more precisely, resolved in a way that serves private interests at the expense of public benefits ensures the conditions for capital accumulation while simultaneously giving rise to a wide range of inequalities, including income, housing, and territorial disparities.

4. Due to the fundamental conflict between labor and capital, a company's profit will suffer if it pays workers higher salaries, while it will grow if it pays workers less. Nevertheless, if workers are paid less, they will have less money to consume and reproduce the labor force needed to sustain production. The necessity to sell one's labor to survive is one aspect of labor's exploitation in a capitalist system, but labor is also exploited through its housing needs. Capital accumulation in capitalism is achieved through dispossession, both in the workplace (where the owner of the means of production appropriates the surplus value created by the workers) and in the housing sector (where developers, landlords, and banks extract surplus value from tenants' incomes). The workers are supposed to be solely responsible for obtaining the resources required for their social reproduction, such as a home, if neither the employers nor the government provides laborers with housing and utilities at an affordable price compared to their earnings. The reason is that the housing market has evolved into a highly profitable sector, generating significant income from various sources: private rent, market pricing, bank interest on mortgages and other real estate loans, investment fund revenues, and returns from the stock market. Moreover, in addition to paying income taxes and other fees associated with a worker's status, employees also make a monetary contribution to the public budget through property taxes. Under these conditions, income inequalities are translated into housing unevenness, with many people suffering from housing insecurity and deprivation while others make huge profits from the financialized housing market.

5. The contradiction between production and realization of products in the market is a tension between production and social reproduction since the latter requires workers to buy things from the market to meet their needs. The sale of goods on the market, or the realization of surplus value, is necessary within capitalism since the value created by labor alone is insufficient to guarantee a profit for the owner of the means of production. Production and market realization are two moments of capital circulation or capital accumulation. The workers exploited in the production process (receiving wages lower than the value they produce) buy the products they create (for example, housing) at a surplus price that includes the profits of several owners of the cycles of production and trading of goods (including homes). Capitalism drains profits from laborers' income at multiple production and social reproduction phases, which are also related to housing.

3. HOUSING CLASSES AND INEQUALITIES IN CAPITALISM

The concept of housing classes is controversial, with varying definitions. We understand it as a continuum of contradictory positions created at the intersection of one's labor and housing market positions. There are many possible combinations between different housing statuses (e.g., owners, private renters, social renters, or informal dwellers) and labor classes (i.e., various people forced to sell their labor for a living, who may have different social statuses according to their school education and income). Discussing this issue displays the need to acknowledge that the laborers are also tenants, and the tenants are also laborers, so the laborers-as-tenants or the tenants-as-laborers cumulate a series of (uneven) effects of exploitation and dispossession.

We pinpoint the following categories on the laborers' side to identify concrete examples of this continuum at the intersection of people's class and housing market positions. Higher-earning young adults who are qualified for mortgages but become indebted for life or struggle to afford private rental housing after relocating to cities in search of better work prospects. Young individuals with low incomes who work in urban centers but are not eligible for mortgages or cannot pay for private rentals and remain trapped in overcrowded dwellings shared with others. Small homeowners who rent out a room in their apartment or another flat to supplement their income, extracting income from other people who, in turn, cannot afford to own a home on their property. The retired elderly with modest means of subsistence who own one property that they could rent or sell to supplement their limited incomes but cannot afford an alternative home in the same city. The most vulnerable members of society who earn the minimum wage or less and have no friends or family nearby who might host them are pushed into informal settlements with substandard and unsafe housing.

On the other side, the exploitative housing classes, a subset of the capitalist class, include a wide range of socio-economic categories. Among them are the business people who have diversified their holdings and are now reinvesting earnings in the construction, trade, or management of dwellings. Most importantly, this class may comprise the developers who own the means of housing production (e.g., land, raw materials, and construction tools) and use these means as capital to exploit and extract profit, not only from the sale of housing on the market but also from the exploitation of the labor force engaged in construction and related work. Developers profit by speculating the exchange value of homes that exceeds housing production costs. Besides developers, the owners of investment funds and those who invest their money into these funds are also part of the housing exploitative class due to how they make money out of its circulation. This class also includes bankers and the proprietors of other financial institutions that provide loans for real estate development, selling money from which they make money. Lastly, the non-institutional rentiers are also part of the housing exploitative class; they are people who do not have to work/ sell their labor force to support themselves since they are making a living from renting out either real property or securities (financial instruments that have monetary value and can be traded).

4. FINANCING HOUSING AND HOUSING FINANCIALIZATION IN FINANCIAL CAPITALISM – A GENERAL OVERVIEW

To produce and maintain housing, the actors involved in these economic processes (the state, the physical persons, associations, and companies) always needed money to provide means of production, construction materials, and labor force. Likewise, people needed money to purchase or rent a home from the market or non-profit institutions and organizations to satisfy their housing needs.

Nevertheless, the role of finance in housing changed a lot beyond the simple connections between finance and housing mentioned above. This happened as state capitalism, challenged by its crisis in the 1970s, transformed into neoliberal capitalism, which, in turn, when shocked by the 2007/2008 financial crisis, gave place to an accumulation regime characterized by the increasing role of financial actors in (residential) real estate development. Figure 1 reflects these transformations regarding housing politics and capital investment in housing. Figure 2 highlights the actors of real estate markets and financial markets and what occurs at their crossroads.

Housing and real estate financialization (Aalbers, 2008, 2009; Rolnik, 2013) was preceded by the excessive privatization of homes and banks and the deregulation of the housing markets since the 1980s in capitalist countries and from the 1990s in former state-socialist countries (Gabor, 2010, 2013; Vincze, 2017; Dal Maso, 2022; Vincze & Florea, 2023). Such economic processes were facilitated by politics and policies of national and international decision-makers, who, in this way, contributed to the outbreak of the housing crisis. Housing financialization evolved as part of capitalism's financialization (Gabor, 2012; Lapavitsas, 2013; Moreno, 2014; Kotz, 2015) and attracted the attention of analysts around and after the 2007/2008 financial crisis.

The latter escalated from the overburdening of the credit system that, for years, attracted even unreliable debtors with cheap credit to make capitalism and its private housing sector function. Mortgage schemes supported the demand for housing despite the increase in prices and the reduction in the population's purchasing power. At the same time, private indebtedness was naturalized as an acceptable means to accomplish the idealized aim of homeownership. The 2007/2008 economic crisis induced by the financial crisis, fueled by the housing bubble, was an opportunity for institutional investors to penetrate the mortgage market and use securitized mortgages,

The Crisis from 1970s	Financial crisis from 2007-08	Inflation crisis, economic recession deepened with 2020
STATE CAPITALISTM //	NEOLIBERAL CAPITALISM //	POST-NEOLIBERAL OR LATE NEOLIBERAL CAPITALISM
Housing politics: public investment into pubic housing that sustain the reproduction of labor force, which creates the surplus value appropriated by capital.	Housing politics: withdrawal of the state from the role of housing producer and sustaining the private construction of private housing.	A new phase of financialization: investment funds and global institutional landlords purchase residential units in various countries (from the state, from banks, vacant housing resulting from the eviction of nonperfroming debtors, from real estate developers)
Accumulation of capital happens predominantly in the first circuit of capital (productive economy, commodity, including housing production).	Selling the state-owned housing stock to private persons (former tenants, renters, companies, associations).	The increasing role of financial actors in all economic sectors, including the housing sector
	Liberalization of free movement of capital across the borders of nation-states (linked to globalization facilitating the phenomenon of spatial fix).	Strengthening of the finance-led housing accumulation (purchase of housing portfolios by financial actors for ensuring and enlarging their capital accumulation resources)
	Increase of private debt: promoting homeownership via mortgages.	Quantitative Easing: a monetary policy by which the central banks reduce interest rates and increase liquidities of banks and their loan-giving capacities as a measure used for relaunching economic growth
	Accumulation of capital makes more and more use of its secondary circuit including built environment, real estate development, housing and processes of circulation, exchange and consumption of goods.	Reducing interest rates and promoting mortgages
		Supporting private companies by state aids
		Increasing public debt
		Adequate housing becomes more and more non-affordable for more and more people
		Overlapping of the old housing crisis with the energy price and cost-of-living crisis

Figure 1. Housing politics and accumulation of capital via the housing sector in different capitalist regimes

while many people lost their mortgaged properties due to debts they could not pay in critical times.

Quite promptly, a scholarly consensus was built around the understanding of financialization as being the "increased dominance of financial actors, markets, practices, measurements, and narratives at various scales, resulting in a structural transformation of the economies, firms (including financial institutions), states and households" (Aalbers, 2016, p. 2). Approaching financialization in shareholding capitalism as a triple movement, including the involvement of non-financial enterprises in financial processes, the increase of bank-lending towards households, and the financialization of households themselves from being credit-card users to investing their savings into financial instruments or real estate (Lapavistas, 2013) is relevant not only for analytical reasons but also for looking for ways how the economy might be de-financialized.

Since 2015, research and publications around housing financialization have burgeoned while trying to catch up with the inventiveness of the financial sector across the globe. The latter sought novel investment opportunities and state support for legalizing new financial instruments, such as real estate investment trusts (Garcia-Lamarca, 2020; Aalbers et al., 2023). Informed by principles of neoliberal governance (Jessop, 2022; Brenner, 2004; Hackworth, 2007) and local autonomy, various Global North, South, and East cities competed with each other to offer prospects of profit-making in housing, built environment, re-urbanization, and infrastructural development in different spaces of unevenly advanced global capitalism.

Studies observed that property-led financial accumulation was adjusted for the post-2008 context, showing adaptability (Fields, 2017). For example, single-family foreclosed homes were used as rental housing after the crisis. Institutional investors transformed them into a new asset class, i.e., a single-family rental asset class. Rental housing has become a favored sector of global investment funds (Aalbers & Heeg, 2018) and has evolved in two stages. In stage 1.0, seven years before the financial crisis, rental housing financialization consisted of buying low and selling high in the short term. The financialization of rental housing 2.0 means that housing portfolios are taken over by real estate investment trusts and real estate funds enlisted on the stock exchange. They focus on long-term real estate management and aim to extract value from formerly not fully commodified housing. Furthermore, post-crisis, the buy-to-let and build-to-rent practices and financialization of landlordism (Aalbers et al., 2020) became competitors of homeownership-based financialization. Finally, after the 2007/2008 financial crisis, even social housing started to be exploited by financial actors when the private social housing associations began developing housing for profit (Aalbers, Van Loon &

Fernandez, 2017) or when the "care fix" (Dowling, 2018) directed private capital investment towards supported housing that offers care accommodation to vulnerable groups (Goulding, 2024).

Housing financialization is also connected to the variegation of capitalism (Jessop, 2014; Fernandez & Aalbers, 2016; Aalbers, 2017; Ward et al., 2018). This became visible when the neoliberalization of capitalism and the austerity measures following the 2007/2008 crisis occurred in different forms and rhythms locally due to the countries' path dependences and positions in the contemporary global economy. In Southern Europe, the long dominance of monetarist ideas and neoliberal values in European institutions, alongside which countries of the region were

Trading lands and buildings between physical and juridical persons:

- With the aim to use them as residential, retail, office or industrial spaces
- With the aim to rent them out
- With the aim to resell them at higher price

Calculating the gross yield:

- In the case of rent: rent/year, divided to the value of purchase before renting, (ex. 3600 euro/ 50.000 euro) = 7.2%
- The potential increase of the value of the building and land in time

Processes that transform housing into a good whose use value or social value becomes irrelevant compared to its exchange or market value

- Privatization of the housing stock
- Commodification of housing
- Marketization of housing

Conditions of the formation of real estate market

- Private production of homes by private persons
- Private production of homes by institutional real estate developers
- Deregulating the housing markets (including the private rental market)

Trading financial instruments between those who have money capital to sell and those who need capital and want to buy

Financial instruments:

securities = certificates or other instruments that have monetary value and can be traded with profit

- Equity securities: stocks, ownership certificates of companies that are sold as assets
- Debt securities: loans that entitle their owners to sell them with interest rates and demand/enforce their pay-back as debts

Actors of financial market:

- Banks
- Institutional investors: investment funds, pension funds, insurance funds

Investment funds:

- Hedge funds: administer alternative instruments for risky investments, which, if they are successful have very high returns
- Equity funds: mutual investment funds who invest their assets in ownership certificates of diverse companies
- Vulture funds: investment funds that purchase financial instruments, for example debts or shares, which are in risk of insolvency

Financialization of real estate development:

- Purchase of homes via mortgages, a system of loans/debts that creates profit for banks or other financial institutions
- The increase of the role of financial actors that intervene on the real estate market
- The diversification and promotion of financial instruments used on the real estate market
- Financial cycles (explosion-recession-recovery-correction) and crises intersect with real estate cycles and crises
- Strenghtening of the finance-led housing accumulation: purchase of residential portfolios by financial actors to ensure capital accumulation

Financial actors on the real estate markets:

- Institutional investors: investment funds, pension funds, insurance funds
- Types of investment funds: hedge funds, equity funds, vulture funds
- Real estate development companies that are listed on the stock market
- Real estate asset managers
- Holding companies: sell and purchase the (real estate) assets of other companies
- Institutional landlords: companies with large residential portfolios that they administer in a way, which assures highest returns to them and to the investment funds that co-invest into these portfolios
- Real Estate Investment Trusts: companies that administer the investments of physical or juridical persons into real estate companies, investments that are riskier than ownership certificates (stocks) or bonds

Figure 2. The formation of a financialized real estate market at the intersection of the financial markets with the real estate markets

integrated into the EU, has stimulated the growth of households' debt in their pursuit of homeownership and later housing financialization (Tulumello, 2021). Despite differences among countries, their housing systems in the post-2014 period were characterized by the increasing dominance of institutional landlords, even if numerically they were inferior to private small owners and landlords. The most damaging effect of this situation was that it accelerated housing financialization or the demand for housing asset classes targeted by complex networks of institutional landlords that included banks, pension funds and insurance companies, endowments, and wealth managers (Gabor & Kohl, 2022).

5. POST-2020 DEVELOPMENTS IN HOUSING FINANCIALIZATION IN A NUTSHELL

The intensification of real estate financialization (Aalbers, Fernandez & Wijburg, 2021) and the transformation of housing into an asset class (Gabor & Kohl, 2022) reflect the changing investment options and opportunities during the last few years. The growing importance of institutional landlords, from real estate companies (like the German Vonovia) to private equity companies (like Blackstone) or pension funds, without a regulatory framework in the EU, was accentuated by the COVID-19 pandemic for several reasons such as: "under cyclical pressures to address pandemic-related increases in public debt, Member States might further withdraw from providing affordable housing; the Member States might again rely on institutional landlords as a countercyclical force to clean up burst housing bubbles; the often direct involvement of private investors in the development of new rental housing, replacing housing companies is expected to grow; macroeconomic (fiscal and monetary policies), regulatory and housing policies continue to support house price inflation and institutional ownership" (Gabor & Kohl, 2022, p.4).

Rentierism, tourism-fueled rental housing financialization, and wealth-driven housing market also show new trends of financialized capitalism. In rentier capitalism, ownership of key types of scarce assets (land, intellectual property, natural resources, or digital platforms) is all-important and dominated by wealthy companies and individuals (Christophers, 2020). Tourism-led rentier capitalism's outcomes include converting tourism destinations into financialized accumulation frontiers and extracting tourism rent (Wijburg et al., 2023). In the post-crisis phase of financialized capitalism, a new era of house price rentierism, mortgage debt, and house prices do not increase hand in hand anymore as they did, but relative mortgage debts are decreasing while house prices are increasing at unprecedented rates. This is explained by the fact that the former debt-driven housing dynamics have been supplemented by wealth-driven ones, and private landlordism (buy-to-let) is strengthened (Hochstenbach & Aalbers, 2023).

Besides, the Wall Street Consensus, an expression of financialization of development and aim to design developmental capital markets, advanced as a response to the crisis of the old Washington Consensus. The latter targeted the privatization of state companies, liberalization of trade and capital flows, and fiscal discipline (Gabor, 2021, p. 430). The new consensus changes the state's role concerning the market while promoting a new development agenda in which global finance is defined as a critical partner and, to make it investible, development is derisked by the state. In such a paradigm, the state governance mediates the construction of new development asset classes via transportation and urban infrastructure projects. This development model relies on public-private partnerships, which aim "to attract institutional investors and asset managers that move capital across borders via portfolio flows" (idem, p. 431). The state de-risks the investors' assets, among others, by assuring subsidies and guarantees for them, eliminating the risk of nationalizing commodified infrastructure and the risk of tighter regulations that would affect profitability (idem, p. 440).

"The new consensus changes the state's role concerning the market while promoting a new development agenda in which global finance is defined as a critical partner and, to make it investible, development is derisked by the state."

Finally, in the post-crisis period, housing and real estate financialization expanded towards the former state-socialist states in Central and Eastern Europe, which displayed a path of dependent development (Ban, 2014, 2019; Vincze, 2015, 2019, 2020). In this region, financialization revealed connections with uneven territorial development, as was the case of housing financialization in the Global South

(Fernandez & Aalbers, 2019). New trends such as subordinate financialization (Büdenbender & Aalbers, 2019), financialization in semi-peripheries (Pósfai & Nagy, 2017; Mikuš, M & Gagyi, 2022; Santos, 2023), and uneven financialization (Vincze et al., 2023) started to happen. As observed in Poland, subordinate financialization is about the hierarchies of international finance and the unevenness of how global capital is absorbed in local contexts. Real estate development is a domain in which core-periphery structures are (re)produced, and the semi-periphery countries of the Global South and Central and Eastern Europe are integrated into worldwide flows of financialization from positions of subordination while reproducing dynamics of peripheralization. This happens when "financial institutions operating in already financialized economies have extended their operations to semi-peripheral countries particularly attractive for Western banks" (Büdenbender & Aalbers, 2019, p. 671). The conditions needed for the financialization of real estate in a semi-peripheral context such as Romania, included privatization and deindustrialization, the creation of a private financial system with banking and nonbanking institutions, offering fiscal facilities for private enterprises, and, at the local level, putting urbanism into the service of private development of the built environment of cities. These processes made the capital-hungry country attractive for multinational companies and foreign banks. Foreign capital has contributed massively to real estate development in Romania since the 1990s, channeling the build-to-rent type of investments toward shopping centers, retail and industrial parks, and office buildings. In the past seven years, the former state-owned, privatized, and bankrupted industrial platforms were transformed into generous sites for new mixed-use real estate developments – thus, ultimately, into assets that are de-risked for more prominent developers arriving in the cities already prepared for extensive investments (Vincze & Florea, 2023).

06

SOLVING THE HOUSING QUESTION AS PART OF A SOCIALIST ALTERNATIVE TO CAPITALISM

If, as demonstrated in the prior chapter, the housing question is central to the capitalist political economy regime, it should also be a pivotal element of its change. Due to the Marxist political economy perspective that we assumed, we could reveal how state and supra-statal politics facilitated the trend of increasing housing financialization as a process, which in the past ten years inflamed the housing affordability crisis in new ways. Therefore, looking to a socialist future, we suggest that a radical transformation of (housing) politics could act as a catalyst for changing the political economy of housing.

In this final chapter of our study, as a conclusion, we (1) speak in favor of solving the housing-related contradictions and inequalities based on socialist principles; (2) argue for an answer to the housing question that is part of a socialist alternative to capitalism; (3) propose a few measures as components of a package of radical solutions, and (4) suggest ideas regarding a non-profit financial system that could facilitate the production of mass public housing.

1. BUILD THE SOLUTIONS TO THE HOUSING-RELATED CONTRADICTIONS AND INEQUALITIES CREATED BY CAPITALISM ON SOCIALIST PRINCIPLES

The recent deepening and expansion of residential financialization aggravated the housing-related contradictions in the capitalist political economy regime (that we discussed in Chapter One): the contradiction between housing's exchange and use value; between the money becoming a new type of commodity and money used to trade housing as a commodity; between the individual rights to the private property over a home and the collective nature of state power that would have to support the housing needs of everybody; between labor and capital, while the labor force struggles to get a private home as a space of its social reproduction necessary to further create the surplus value appropriated as profit by capital; between the production and market realization of housing as a commodity that are two moments of capital circulation, while realization suffers if the purchasing power of labor force is reduced.

The above contradictions should be eliminated to solve the housing question created by capitalism. The solutions must be based on socialist principles that seek to eliminate housing inequality and the possibility of exploitation of dwellings and people's housing needs. This means that there is a need for measures that primordialize the use or social value of homes over their exchange value; exclude the speculative use of money as an investment into housing as an asset; use the state apparatus and budget to support public housing and assure conditions of social reproduction for all; and put housing production into the service of its social realization, i.e., producing as many homes as needed and assuring their financial accessibility for everybody.

2. ADDRESS THE HOUSING QUESTION (RE)PRODUCED BY CAPITALISM AS A COMPONENT OF A SOCIALIST ALTERNATIVE

In the post-2014 crisis period, a crisis that, in turn, was induced by the run-up in housing prices fueled by mortgage-backed demand and speculations, private capital and states created several new means for their cooperation to save the private (financial) capital, again, from a crisis induced by capitalism itself. Together, they created new profitable capital investment opportunities for institutional investors (in residential real estate). In the European Union, this mainly was connected to how, after 2014, the European Commission, European Parliament, and The Council dedicated themselves to reinventing financialized capitalism. Their political solutions revigorated the financial markets by facilitating a mix of financial intermediation that relies less on banking and more on capital markets (Fernandez & Aalbers, 2017). They affirmed that they wanted to avoid repeating the 2007/2008 banking and mortgage crisis, but instead of eliminating the risks of prior trends of financialization, they aimed to improve the functioning of the securitization market, transferring risk from credit institutions to non-credit institutions and opening up the property market to institutional investors, particularly pension funds. The new securitization schemes of the Capital Market Union in the EU were inspired by global initiatives, such as the Basel Committee on Banking Supervision proposals and the International Organization of Securities Commissions, to eliminate the impediments to securitization (EC Proposal, 2015). This is how the European Commission aimed to remove internal barriers to capital investments (among others into real estate) and foster stronger connections with global capital markets (EC Green Paper, 2015).

Through the continuous privatization of more and more societal domains (including housing), (residential) market liberalization, and increasing the power of financial capital (in the residential sector), capitalism proved once and for all that it is structurally accountable for the housing crisis and cannot solve it. Therefore, to change this perpetuated status quo of (financialized) capitalism, politics should turn to radical solutions, i.e., the socialist alternative to capitalism. The latter should definitely include eradicating private property of the means of production and the establishment of economic democracy as a means to end the exploitation of labor classes by the owner classes. However, it must also imply the destruction of the profit-oriented fundaments of housing production, exchange, and distribution, as well as the creation of a non-profit financial system.

3. MAKE IT PUBLIC, EXPROPRIATE, AND SOCIALIZE: THINK THROUGH RADICAL HOUSING MEASURES

A package of radical measures should go beyond the regulation of the residential market via rent control towards measures to substantially increase the public and other non-profit housing stock as a site emancipated from the market and profit logic. Among these measures, besides the new public constructions that, at best, should be provided by non-profit public companies, the expropriation of institutional landlords would be an instrument to end housing exploitation for profit-making. The expropriation of institutional residential property owners might happen immediately after the completion of new constructions by transferring a significant percentage of their private stock to public ownership to make them contribute to an urban development that mutually benefits everybody. Alternatively, if they are landlords of privately rented flats, expropriation might happen anytime to serve the creation of dwellings as objectives of public interest.

Housing activists' political claims are inscribed on the above directions of action. For example, several European Action Coalition for the Right to Housing and The City campaigns in the past four years focused on creating a whole non-market housing sector and increasing the public and social housing stock (EAC campaigns). Activists demanded that market players not be allowed to invest in public social housing nor benefit from it in any way whatsoever. So, this type of housing must remain public property; selling it should not be possible. Public social housing has to belong to a broader category of socialized housing and should be affordable for tenants, with rents not exceeding 20% of household income. EU funds, European Investment Bank programs, and the public budgets of the EU Member States covered by the taxes paid by rentiers and developers could finance the development of a non-market housing sector. To add to examples of radical housing activism, we should definitely note that, after successfully campaigning for rent control in 2019, the "Deutsche Wohnen und Co. Enteignen" campaign collected 20,000 valid signatures for the referendum regarding the expropriation of private profit-oriented real estate companies, which, in turn, brought a majority of votes (57.6%), for the proposal (dwenteignen.de). In June 2023, the Senate of Berlin launched a study that recognized the expropriation of large landlords as compliant with German law. As a result of this decision, the expropriation of profit-oriented companies that owned 3000 apartments or more became possible with the compensation of real estate corporations below the market value of flats (Vollmer & Gutiérrez, 2022).

Similar to the above reasoning, we affirm that the radical solution to housing financialization should go beyond the regulation of the financial markets and their interference with the residential real estate market. To change the existing housing regime, there is a need for a totally different, i.e., non-profit, financial system supporting the production and maintenance of public housing. In the past ten years, more and more experts have emphasized that there is a need for an alternative financial regime because, currently, a mismatch between the existing private finances and people's needs blocks huge amounts of productive investment that could improve the lives of millions of people (Block, 2022). Some concrete, more or less radical proposals exist for de-financializing housing in the European Union. Experts suggest the creation of a Sustainable Institutional Housing framework, which would treat housing as a special asset class within the Social Taxonomy plans of the European Commission, as well as of a European Housing Fund that would reduce the reliance of Member States on institutional investors as a countercyclical mechanism during periods of crisis (Gabor & Kohl, 2022). Others recommend that public spending in the housing sector should be exempted from national budgetary limits, the financial markets be more tightly regulated at the European level, housing be exempted from competition rules, and the EU should increase its financial contribution to housing policy, both through its main investment branch (the European Investment Bank) and by allowing the use of Structural Funds for housing production with no restrictions (Tulumello, 2020). According to the perspective of the former UN rapporteur on the right to housing, states must develop and implement human rights-based housing strategies; ensure that any investment in housing contributes to affordable, secure housing and social and non-market housing is available for those in need; and require institutional investors to recognize and implement their human rights responsibilities (The Shift Directives, 2022).

The authors of this study recently emphasized that different political and civic actors of democratic socialism should target policy-makers and mobilize the labor classes through campaigns to increase pressure on them. The major aims of such endeavors would be to redirect the EU economic governance towards the benefit of people over profit and to envision a Socio-Economic Union with housing socialization at its center. They affirmed that, in the domain of housing, this would mean the creation of a significant number of public housing to respond to the real needs and counterbalance the market; the elaboration of democratic mechanisms by which the public housing stock would be governed by a public institution democratically controlled by the tenants; and controlling and democratizing finance that flows through the housing sector (Vincze & Betavatzi, 2023).

> ***"The major aims [...] would be to redirect the EU economic governance towards the benefit of people over profit and to envision a Socio-Economic Union with housing socialization at its center."***

4. CREATE A NON-PROFIT FINANCIAL SYSTEM THAT FACILITATES THE MASS PRODUCTION OF PUBLIC HOUSING

The post-2008 political decisions, instead of solving the housing affordability crisis resulting from earlier state policy choices and interests of capital accumulation, intensified this crisis due to how they contributed to subordinating public housing needs to the global corporate landlords' profit-making interests. Acknowledging this equals recognizing the need to look for a solution that reverses such logic and, most importantly, to put the financial investors' resources to benefit a city's public housing stock.

However, the challenge to solving the housing question produced by capitalism needs to go further than that, towards thinking about how capitalism will end (Streeck, 2017); how postcapitalist politics should rethink the economy (Gibson-Graham, 2006); how twenty-first-century socialism would look like (Gilbert, 2020; Fraser, 2020); what kind of alternatives exist for moving beyond capitalism (Durand, 2016); or how to de-financialize the housing sector by dismantling finance-led housing, identifying sustainable banking and alternative housing models, and adopting different modes of urban governance (Wijburg, 2021). Following such a line of thought, we highlight proposals in two steps.

First, we should consider how one may imagine the democratization of the financial system as part of the solution to the housing question of capitalism. Experimentation with a variety of reforms that seek to erode the dominance of capitalist firms and expand the democratic character of the state must gain momentum (Wright, 2019). We should think about finance without financiers or how to take financial democratization towards a transition to socialism and democratize investment and banking (Block et al., 2022). The democratization of finance can be thought of in the following directions: "to weaken the dominance over the financial system of a relatively small number of giant private financial firms … and to create a financial system in which public and nonprofit institutions control a significant share of financial flows"; "to democratize corporations themselves by giving employees greater choice in corporate decision making"; "to expand the share of investment organized by small and medium-sized enterprises, employee cooperatives and public entities"; and to allocate credit in a way that matches democratically derived priorities (Block, 2019, pp. 485-486).

Second, we must critically revisit the legacies of state socialism regarding a financial system serving the mass production of public housing. To highlight some ideas concerning this, in what follows, we briefly present the Romanian case of state socialism (Vincze, 2023/2024). The latter displayed a mixed housing regime, in which the state while implementing an ambitious and strict housing construction plan across the country, recognized but controlled the personal property on housing to respond more efficiently to the housing needs linked to intense socialist industrialization. The construction of almost three million new housing units by the state between 1951 and 1989 (Anuarul Statistic al României 1990, 540) became possible due to the centralized planning system with a financial plan of income and expenses at its center. Moreover, the state ownership over the financial institutions and the state-controlled credit schemes also facilitated the allocation of state money for the production of homes by state enterprises and the population. The housing units, whose construction happened in the economic sector of social production, were not simply individual consumption items. The creation of new homes was considered an investment in economic development or accumulation because, as a collective consumption good that responded to the needs of the labor force, housing contributed to the extended reproduction of the economy. The surplus value created by the labor force within the state-owned enterprises was collected by the central state and redistributed to ensure financial support for public housing, healthcare, and education for the whole population.

EPILOGUE

Digging up the structural causes of the housing question and its manifestation in financialization enables us to define the main political conclusion of our study. This is a call to transcend reformist measures targeting the housing crisis, which could not solve it for good as a whole and would only continue to reproduce the contradictions and inequalities endemic to capitalism.

A simple fact to remind us from the recent past is enough to accept this conclusion: the states and global actors solved the 2007/2008 financial crisis that left many indebted people unhoused by rescuing the banks, dispossessing populations via austerity measures, and increasing public debt that was used to ensure profit or investment opportunities to companies. Furthermore, the indebtedness of the states reiterated their dependency on the private sector when it came to housing production and was part of the post-2014 context in which new ideas were created about how to support institutional investors as a source for housing and infrastructural development complementary to banks. The lack of public investment in public housing continued to be a reality. Social housing continued to undergo residualisation, while the concept of "affordable housing" created more confusion than solutions about what they really were and whom they served.

Nowadays, the housing affordability crisis has become so profound and far-reaching that, temporarily, for many people, it would mean an improvement if the capitalist European Union and its Member States would start investing in public housing and regulating the financial and real estate actors within and across countries. But can the profit-maximization-based capitalist system really afford such solutions? As we presented in Chapter Four, several concrete proposals have been developed in different academic, civic, or political circles in Europe in the past few years in these directions. Among them are an EU-level Housing Strategy, a Social Housing Action Framework, a Social Taxonomy and Sustainable Institutional Housing Framework, a Housing Red Flag Rule, a European Housing Fund, the redefinition of the Housing Affordability Index, defining a minimum EU standard regarding the number of public social housing buildings, freezing rents and expropriating big landlords, assuring fair mortgage contracts. Some of these demands are feasible to be implemented in capitalism. However, we re-emphasize the need to surpass them, be more radical and courageous, and prepare for systemic changes with plans in this sector, too, ensuring that the root causes of the problem will not be reproduced.

Ideas discussed in Chapter Six of our study about democratizing finance and practices of a centrally planned non-profit financial system to sustain the production of mass public housing may inspire the political left to contribute to overcoming for good housing financialization and the permanent crisis it creates. However, to induce change beyond political discussions, there is a need to elaborate in concrete detail the politics of a housing economy that enables the states to radically change their market- and profit-based financialized housing regimes as part of a larger socialist alternative to capitalism.

Transformative actions should target the restoration of the social or use value of housing. This is not "only" about ensuring housing rights by social policies, but it is about a democratic economic system with a democratic financial regime at its center that provides investment resources into the housing sector according to the actual needs of people and not to the interests of the private capital. Satisfying housing needs via public housing that is adequate and financially affordable is not a gift. This is how to justly honor labor that creates surplus value and generates income for the state to cover the costs of public investments (in housing, healthcare, and education), which should be accessible to all instead of allowing private owners to appropriate them. This option regarding the solution to the housing question not only makes possible housing justice for all but also ensures economic production and social reproduction in a society without exploitation and patriarchal and racial oppression.

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