Walls of Money

SUBURBAN SPACE AND THE FINANCIALISATION OF THE CITY

Vivian You don't actually have a billion dollars, huh? **Edward** No. I get some of it from banks, investors… it's not an easy thing to do. **Vivian** And you don't make anything… **Edward** No. **Vivian** …and you don't build anything. **Edward** No. **Vivian** So whadda ya do with the companies once you buy 'em? **Edward** I sell them. [Viv reaches for his tie.] **Vivian** Here, let me do that. You sell them **Edward** Well, I… don't sell the whole company, I break it up into pieces, and then I sell that off, it's worth more than the whole. **Vivian** So, it's sort of like, um… stealing cars and selling 'em for parts, right? **Edward** [sighs exasperatedly] Yeah, sort of. But legal.

Transactional urbanism

In the movie *Pretty Woman* (1990) we meet an iconic figure of financialisation. Richard Gere plays the ruthless investor Edward Lewis, who arrives in Los Angeles to manage a hostile takeover of a naval shipyard. Whilst in the city, he enters unexpectedly into a relationship with a prostitute called Vivian Ward – played by Julia Roberts – whose questions during their protracted seduction draws out his investment strategy.

While *Pretty Woman* was a popular rags-to-riches romantic comedy, our recent history is an unpopular riches to rags urban tragedy exemplified by ghost estates, empty or half-finished tower blocks, increases in homelessness, cuts in community development, the collapse of social housing provision, the return of youth unemployment and emigration, rent rises, taxes on water, empty shops, high mortgage arrears and more recently, the roll out of repossessions of family homes. These unsettling issues – a crisis that is segmented socially and spatially – have interrupted and recast the development of the Irish city. But if the plot of *Pretty Woman* and contemporary Ireland necessarily differs, on the question of finance, and the pervasive role of private equity funds in reshaping the experience of living in the city, this scene from the movie offers us an insight into the workings of capitalism. We live in the era of financialisation, in which the whole urban experience is enmeshed. Whether it is shipyards, apartment buildings or office blocks, urban real estate and the infrastructure that connects them are scrutinised, quantified and translated into commodities. All architecture today is transactional – loaded with the potential to be bundled and traded like shares, securities or derivatives. This development throws into disarray many of the assumed relationships between the state and urbanism, as well as the modes and means used by architectural critics to read the city.

Parts for sale

Rather than stealing cars and breaking those up for parts, the principle actor in the Irish financialisation drama is NAMA. This agency is engaged in the business of manufacturing property portfolios. It assembles loan books, mortgages, property and land into financial products. These are marketed to global equity firms who roam the Earth for assets that will bolster their share price – a perfect example of planetary urbanisation.[1] In 2014, NAMA completed €7.8bn worth of such sales to a multitude of global equity funds: Cerberus Capital Management, Blackstone, Deutsche Bank, Patron Capital, Lone Star and Car Val Investors. Another €12.9bn is likely to move through NAMA's books in 2015. Meanwhile all the main commercial banks continue to deleverage their property loan books as rapidly as they can. This process pulls global equity funds into Irish suburbia, particularly as a significant segment of NAMA's portfolio is residential. In 2015, the New York fund, Marathon Asset Management, purchased from NAMA a portfolio called 'Project Plum' made up primarily of 500 apartments dispersed between Stillorgan, Sandyford, Santry and Malahide. This is just one of twelve investments the fund has made in Dublin in the last two years, including the purchase of the Carrickmines Retail Park in suburban South County Dublin. It is likely by the time the Irish banks have fully deleveraged their distressed assets and NAMA winds down, that almost every suburban shopping centre in Ireland will be owned by an equity fund.

Set beside the shocks of austerity, these enormous financial transactions have significant implications for both the management of the city and how its future is imagined. Of these initiatives, Real Estate Investment Trusts (REITs) – which were established in Ireland in 2012 – are the most obvious example of transformation, as this mechanism allows companies and individuals trade shares and collect dividends on the back of Irish property investments. In October 2014, NAMA sold 'Project Orange' to a Canadian-backed investment fund, Irish Residential Investment REIT for €211.3m. The Orange portfolio, a suite of properties marketed as the Dublin multi-family portfolio, included four properties at Charlestown, Lansdowne Gate, Beacon South Quarter and Bakers Yard, in the suburbs of Dublin. As a consequence, Irish Residential Properties REIT plc is now the largest private landlord in Ireland. REITs stand in stark contrast to the deals done on buying mortgage books, also facilitated by the state. In March 2014, an estimated 13,000 mortgages owned by the defunct Anglo Irish Bank and Irish Nationwide Building Society (IBRC) were sold to Shoreline Residential Limited. This fund is currently an indirect affiliate of Lone Star Fund VIII and Mars Capital Ireland Limited, funds which are themselves managed by Oaktree Capital Management LP. One of the significant outcomes of this sale, is that home-owners have lost in the process any legal protection they might have had under the terms of the Code of Conduct on Mortgage Arrears, as the equity fund is not legally obliged to operate under these regulations. This seems a clear example of what David Harvey terms 'accumulation by dispossession', an experience felt intimately by these particular mortgage holders, forced now to deal with the fund that controls their future via a call centre.[2]

Profitable infrastructure

Another key but often overlooked area is the role of equity funds in urban facilities management. These developments underscore a more long-term and sustained project of financialisation in Ireland. Increasingly across Dublin, the supply of services including reception, cleaning, catering, security, maintenance and engineering services are provided by companies which are in turn owned by global equity funds. Dublin's tram system, the LUAS, is currently managed by Trasdev, which is a subsidiary of Caisse des Dépôts, a long established French entity, which controls 20% of the French pension market. Irish Water currently subcontracts aspects of water bill collection to Veolia, also owned by the same organisation. The M50 motorway tolls are collected by a company owned by SANEF, which in turn is owned by Abertis and several French financial institutions. Veris, once known as Irish Estates – who accumulated Irish property since the end of World War II – is now owned by the global

corporation ARMAK. It in turn is widely involved in the profitable but mundane management of the urban realm. It has a contract for cleaning and washing inner city laneways for 'DublinTown', the organisation formally known as the Dublin City Business Improvement District. As financialisation stalks the whole urban fabric, its management is dispersed across the urban multitude. Costs are constantly pushed down, often borne by labour sharing increasingly precarious working conditions: cleaners, security guards, cooks, drivers, landscapers; all those occupations provided with marginal spaces in architectural drawings – cupboards, booths, kitchens, basements, utility areas, side and rear exits. Add into this mix the numerous professionals who broker these assets, intermediaries that funnel global capital into the urban economy: asset managers, lawyers, debt collectors.[3] There is almost nowhere in Dublin unaffected by these conditions, where the logics of yield govern an increasingly large range of infrastructures to run the city. The whole city is yield-space.

Investments like these provide a vivid illustration of how Irish urban space is integrated into global financial markets. They illustrate also how urbanisation itself has become one of the most lucrative elements of contemporary capitalism. Financialisation represents a major historical shift in the treatment of the Irish city. If once the state saw in the city the need to manifest political will through the making of monumental or representational space, or manage populations though the provision of homes and public services, that time is passing. By providing access to a wall of money, and the opportunity to move investment in social infrastructure 'off the books', this system provides the state with means to abrogate its duty to provide spaces and opportunities for social reproduction.

The most acute example of how financialisation has occupied the state's policy formulation is its plans to address the current urban crisis by licensing equity funds to supply social housing. In 2015 it was announced that 75% of all social housing is to be provided by the private sector up to 2020. Through public-private partnerships and new 'financial vehicles', the state will support 'off-balance sheet funding mechanisms' to bring equity funds into the provision of social housing. This will include local county councils, who will be enabled to reconfigure themselves as housing associations and apply for non-exchequer funding. This strategy is being developed in spite of the complete failure of PPP in Irish social housing to date, and the highly contentious experience of comparable private equity funds' involvement in supplying similar housing in the USA, where they have been found to be predatory, carnivorous and exploitative.[4] Yet these are the times which we live. Dublin will soon follow developments like those in Manchester, where ADUG, a United Arab Emirates private equity fund owned by Sheikh Mansour bin Zayed Al Nahyan, will invest £1bn to build 6,000 new public housing units.

Spatial disassembly

These processes intensify the relationships between financial capital and the built environment in a way that was never anticipated in the programmatic plans for government overseen in the Irish state since Independence. Investment in this system shifts away from the creation of urban spaces as a means to build place-bound wealth and social capital, towards a regime whereby systems are established to accelerate the extraction of value from space, either through rents, or through transacting property like any other commodity on the global stock markets.[5] The speed and extensive range of equity funds now embedded here rank Ireland in the vanguard of neo-liberal states. New legislation, the Irish Collective Asset-management Vehicles Act, was signed into law in 2015. This act makes the notoriously secretive Swiss banking system look like a Hacker Convention, allowing Irish based equity funds to operate behind an almost impenetrable wall of confidentiality. In sum, equity funds supplant the state, while at the same time destabilising the legacies of democracy. Political control over urban territory is being disassembled. Decision-making centres are dispersed and through the actions of the stock market, mergers, and acquisitions, the city can be reconfigured almost without limits to unaccountable actors. This risks deepening already existing spatial and social exclusion. It also risks intense political dissatisfaction which perhaps a small county like Ireland cannot absorb.

Finally, financialisation will, over time, change how architecture is commissioned, how it will be built and lived in. Take for instance Central Park, Leopardstown – a business park off the M50 which is now a dedicated investment vehicle currently owned by the private equity firms Green REIT and PIMCO. Similar to other examples of 'yield-spaces', the design of these sites provide a version of the 'contemporary' that delivers a design palette which meets the aspirational and cosmopolitan needs of urban entrepreneurs while delivering on functionality. In their marketing campaigns, these buildings and locales are represented in upbeat terms. Connectivity is always seamless, and the inhabitants roam from global offices to farmers markets, coffee shops, and sushi bars in a kind of coma. This is an architecture without risk, where design follows dividends. These developments underscore the need for urbanists to better understand the political climate in which the built environment is being produced, and the point at which it can be renegotiated or resisted.

Notes

Essay 01

1 N. Brenner and C. Schmid, 'Planetary urbanization', in M. Gandy (ed.), *Urban constellations*, Berlin: Jovis, 2011.

2 D. Harvey, *The New Imperialism,* Oxford: Oxford University Press, 2003.

3 T. Theurillat, 'La ville négociée: entre financiarisation et durabilité', *Géographie, Économie, Société*, 13, 1, 2011, pp. 225–54.

4 D. Fields, 'Contesting the financialization of urban space: Community-based organizations and the struggle to preserve affordable rental housing in New York City', *Journal of Urban Affairs*, 37, 2, 2015, pp.144–165.

Essay 02

1 S. Wesseler, Beyond the white picket fence: An Interview with Roger Keil, in Arupconnect, 2015. Accessed online at: http://www.arupconnect.com/2015/03/10/beyond-the-white-picket-fence/

2 P. Lawton, 'Idealizing the European City in a Neoliberal Age', in J. Hannigan and G. Richards (eds.), *The Sage Handbook of New Urban Studies*, Sage, (forthcoming).

3 http://suburbs.apps01.yorku.ca/2014/02/14/suburbanization-and-density-a-few-critical-notes/

4 Neil Brenner and Christian Schmid, '*The "urban age" in question*', *International Journal of Urban and Regional Research*, 38, 3, 2014, pp. 731-755.

5 See, for example, Justus Uitermark, 'An in memoriam for the just city of Amsterdam', *City*, 13, 2-3, pp. 347-361.

6 Allen Scott and Michael Storper use the term 'Urban Land Nexus' to describe the variety of competing factors dictating land use within a city. In particular, they highlight the competitive interaction between spaces of production and residential space. While highlighting the desire for firms and households to seek out the best possible location and avoid negative externalities, they also highlight the contradictions of such due to the inelastic nature of space at any one time.

See: A. Scott and M. Storper, 'The Nature of Cities: The Scope and Limits of Urban Theory', *International Journal of Urban and Regional Research*, 39, 1, 2014, pp. 1-15.

7 P. Lawton, E. Murphy and D. Redmond, 'Residential Preferences of the "Creative Class"?', *Cities*, 31, 2013, pp. 47-56.

8 N. Smith and P. Williams, 'From "Renaissance" to Restructuring: the dynamics of contemporary urban development', in N. Smith and P. Williams (eds.), *Gentrification of the City*, Routledge: London, p. 206.

9 Smith (1979), drawing largely on a Marxist formulation of urban land-use, argues that the causes of gentrification can be explained through the process of the 'rent gap'. For Smith, the rent gap is the difference between the actual value of a site and its potential value under 'best use'.

10 R. Walker, 'Building a better theory of the urban: A response to 'Towards a new epistemology of the urban?', *City: analysis of urban trends, culture, theory, policy, action*, 19, 2-3, 2015, p.185.

11 http://www.geos.ed.ac.uk/homes/tslater/planetaryrentgaps.pdf

Essay 03

1 See for example J. Mercille, 'The Role of the Media in Sustaining Ireland's Housing Bubble', *New Political Economy*, 19, 2, 2014.

2 'Further Improvements at Clontarf', *Irish Times*, 15 September 1863, p. 2.

3 S. Rains, 'Here Be Monsters: the Irish Industrial Exhibition of 1853 and the growth of Dublin Department Stores', *Irish Studies Review*, 16, 4, 2008, p. 493.

4 S. Rains, *Commodity Culture and Social Class in Dublin, 1850-1916*, Dublin: Irish Academic Press, 2010, p. 12.

5 M. E. Daly, *Dublin the Deposed Capital: A social and economic history 1860-1914*, Cork: Cork University Press, 1985, pp. 155-6.

6 Ibid., p. 226.

7 See C. Wallace, 'Fighting for Unionist Home Rule: Competing Identities in Dublin 1880-1929', *Journal of Urban History*, 38, 5, 2012, for a full discussion of the suburbs' incorporation into the city, and their attempts to resist this.

8 M. E. Daly, 'The Growth of Victorian Dublin', in M. E. Daly, M. Ahern and P. Pearson (eds.), *Dublin's Victorian Houses*, Dublin: A&A Farmar, 1998, p. 8.

9 'The City and County of Dublin Building Company, Limited', *Irish Times*, 7 October 1863, p. 2.

10 'The City and County of Dublin Building Company, Limited', *Irish Times*, 26 October 1863, p. 3.

11 In 1903, the firmly middle-class Irish magazine *Lady of the House* ran a competition inviting readers to provide a household budget breakdown of how newly-weds could live on £200, making it clear in the discussion of entries that to run a middle-class home on this income would require careful budgeting. 'How a Young Married Couple Can Live on £200 yearly', *Lady of the House*, July, 1903, p. 6.

12 P. Maume, 'George Tickell', Dictionary of Irish Biography, http://dib.cambridge.org/ , (accessed 23 December 2014).

13 D. Dickson, *Dublin: The Making of a Capital City*, London: Profile Books, 2014, p. 346.

14 S. Rains, *Commodity Culture and Social Class in Dublin, 1850-1916*, Dublin: Irish Academic Press, 2010, p. 80.