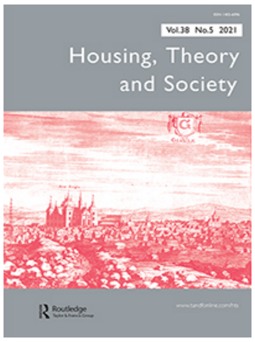

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ORIGINAL ARTICLE

State-Led Actions Reigniting the Financialization of Housing in Spain

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ABSTRACT

Since the 2008 economic recession, state intervention in the real estate sector has strengthened. This article explains how housing financialization was reignited in Spain following key policy reforms in 2013. We argue that Spanish authorities managed to strategically recreate a finance-friendly environment to attract global investors. They combined financial policies, other deregulatory reforms and neoliberal measures in a coordinated manner we call a policy package. Our analysis provides evidence of the legal and political arrangements at various state levels that effectively facilitated the reanimation of a new cycle of housing financialization which caused rising inflation in prices and distress in tenants' rights. This approach contributes to the understanding of how state-led actions foster a spatial fix to overcome financial crises by granting global speculative funds extraordinary benefits. In addition, we show how this process occurred with poor democratic accountability and was also confronted by various forms of social contestation.

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Global financial crisis; housing financialization; policy package; REITs; Spain

Introduction

Spain is well-known for its outstanding economic specialization in the real estate sector (in close relationship with tourism) (López and Rodríguez 2010). This feature has been politically fostered since the middle of the twentieth century under the dictatorial regime, but it was expanded and consolidated between 1995 and 2007 – a "golden" decade of economic "boom" (Alexandri and Janoschka 2017; Naredo 2011; Palomera 2014). During this period, the whole real estate sector, housing construction included, experienced a remarkable process of financialization. In the peak years of the cycle (2000–2006), more than four million homes were built (more than in Germany, Italy and France combined), house prices doubled (123% according to the Sociedad de Tasación) and the debt of households increased 172% (according to the Banco de España) (Colau and Alemany 2012; López and Rodríguez 2010). However, in 2008, a massive process of mortgage defaults began, swiftly plunging the financial sector into a deep crisis that immediately drew calls for enormous state aid to banks (Gabarre 2019; Mateo 2019).

Despite this massive transfer of state-owned resources to private financial companies, most of their liquidity and solvency problems remained. This injection of liquidity by the state served to relieve the financial entities in the short run, but in the long run this

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measure did not suffice. The 2008 crash proved that bankruptcy can be triggered in an extremely short period of time, especially when banks are highly dependent on the deregulated processes of housing speculation (Rolnik 2019). Accordingly, in 2010, the Basel Committee on Banking Supervision (BCBS) approved the Basel III Accord promoted by the G20 and the Financial Stability Forum. These agreements regulate and supervise the risk management of banks. Among other measures, it was established that banks had to increase their capital reserves in relation to risk assets and to assure higher liquidity ratios. For the Spanish banks, these measures meant they had to release a large part of their real estate assets from their account books before 2020. However, there was no prospect of the Spanish banks complying with Basel III because they still faced massive defaults by mortgaged households, construction companies and land developers. Instead of increasing their liquidity, they accumulated "toxic assets" that were devaluing or were non-performing loans (NPLs). Additionally, mortgage lending was frozen in the aftermath of the 2008 crisis, which put them at risk of additional wreckage. How could this situation be fixed then?

Global investment funds were the only actors with the capacity – in terms of size, capital liquidity and business practices – to reverse this situation. They are specialized in purchasing assets and companies at low cost with the expectation of rapid revaluation as a crisis is overcome. Before the 2008 global financial crisis (GFC), they took advantage of favourable contexts, such as the reform of the German property sector following the 1990 reunification (Bernt, Colini, and Förste 2017). These investment firms may turn into global corporate landlords (GCLs) (Beswick et al. 2016) by promoting aggressive business strategies such as rent increases and the violation of tenants' rights (August and Walks 2018; García-Lamarca 2020; Chilton et al. 2018). During the last decade, funds such as Blackstone or Cerberus have conducted these practices globally, accumulating large housing portfolios (Janoschka et al. 2020; Fields 2018; Yrigoy 2018, 2021). Blackstone, for example, purchased thousands of repossessed properties – at courthouses and in online actions – in the United States after 2008 (Farha 2017). As a result, after the GFC, these funds became "ever more dominant players in global capital markets" (Fernandez and Aalbers 2019, 7). Additionally, the global context of excess liquidity in the aftermath of the GFC favoured the redirection of capital investment towards the housing sector (Aalbers et al. 2021; Harvey 2001).

In this article we argue that key state-led actions, coordinated in the form of a *policy package*, attracted GCLs to the Spanish real estate sector, and a new cycle of housing financialization was thus ignited. The global financial industry found the Spanish housing sector – and the larger metropolitan areas in particular – an ideal target for new products and revenue streams. However, real estate assets were highly devalued by 2008, thus representing a large risk for the investors. And it is this which compelled the government to intervene. The authorities' objective was that banks transferred their devalued properties and NPLs to GCLs. This was performed by stimulating a new round of investment into the Spanish built environment so as to reinitiate the housing boom. GCLs would then take advantage of low real estate prices, and state authorities would grant them favourable conditions for investment. In our analysis we show that these business opportunities for speculative investments were not market-driven but state-led through a specific policy package mainly consisting of three interrelated actions: (a) jurisdictional reform for REITs, (b) the limitation of tenants' housing rights to facilitate rent increases and displacement, and (c) the sale of public housing to prominent GCLs at below market prices. The notion of a policy package captures how these actions were strategically coordinated and implemented in order to both avoid sociopolitical backlash and advance capitalist interests in the aftermath of the 2008 crisis.

In the following pages we first review the literature on the relation between housing financialization and the state. Sections three to five examine the roles of the three policies that comprise the state-led policy package aimed at reigniting the financialization of housing in Spain. We finally discuss its social and political implications, not only in Spain but worldwide. Methodologically, we offer novel insights and interpretations of the above phenomena based on the evidence collected from various empirical sources such as official statistics, legislation, judicial documents, web pages from private companies and news media.

Housing Financialization and the State

Financialization can be defined as "the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households" (Aalbers 2017b). In this study we start from the assumption that states – through various governmental strategies, policies, regulations and institutions – are the major actors in shaping housing systems, although their actions are highly dependent on the interests of the dominant economic class. The financial bubbles that occurred in Spain between 1985 and 2008 revealed the increasing role the real estate and housing sectors enjoyed in the global hypermobility of capital through sophisticated mechanisms of financialization: digital technologies and just-in-time speculation in stock markets, tax havens, shadow banking systems, opportunistic investments and even criminal activities. Accordingly, in order to understand the new financialization process in Spain after the 2008 GFC, we mainly draw from studies that focus on state-led processes of housing financialization (Ashton 2011; Brenner 2006; Gotham 2009; Gowan 1999; López and Rodríguez 2010).

States are far from being passive victims of financialization and, in multiple ways, have been key actors enabling the financialization process (Aalbers 2017; Yeşilbağ 2020). Financialization is commonly presented as a market-driven process, independent from the state, but the state is actually a necessary market-maker and needs to create conditions for the financialization of housing (Waldron 2018; Wijburg 2019). Aalbers has employed the concept of *regulated deregulation* to describe how the selective liberalization of markets is only possible "by introducing a new regulatory system that replaced or amended the existing regulatory system" (Aalbers 2016:7). From this perspective, it is state regulation that leads and shapes the economic sectors and industries; deregulation does not mean the absence of state regulation but "the extension of state power to actively facilitate financialization via legal and economic guarantees of new kinds of financial instruments" (Gotham 2016, 1375). Financialization through the state adopts different forms in different contexts, as has been accounted for in recent studies (Yeşilbağ 2020; Bernt, Colini, and Förste 2017; Belotti and Arbaci 2021; Wijburg; Aalbers 2017; Hofman and Aalbers 2019; Fields and Uffer 2016; August and Walks 2018).

In this regard, it has been shown that states set up the circuits through which the globalization of real estate investment has circulated (Brenner 2006; Gotham 2006; Gowan 1999). In particular, state intervention has been crucial in attracting direct foreign investment through policies, regulations and strategic actions that foster the development of market liquidity (Gotham 2009; Yrigoy 2018), with central banks, both national and supranational (like the European Central Bank), making fundamental decisions – setting interest rates, assigning loans, etc. – to ensure liquidity and solvency in the financial markets (Ashton 2011; Yrigoy 2020, 2021). The restructuring of housing into a commodified asset, along with the development of financial instruments, has increased real estate liquidity, that is, the rapid ability to buy and sell real estate property (Beswick et al. 2016; Byrne 2016a; Christophers 2010; Gotham 2009; Janoschka et al. 2020). As a result, some have argued that real estate assets have shifted into "tradable income yielding assets" (Guironnet and Halbert 2014) and "quasi-financial assets" (Coakley 1994). In terms of speed, volume, scale and employed mechanisms, this is a historically unprecedented process, and the state played an active role in this as a "market-maker" (Aalbers 2016, 2019), allowing financial actors to exploit regulatory jurisdictions and move from one profitable environment to another (Knuth and Potts 2016, 462). As Gotham recalls, "The state must liberate capital from its spatial fixity, reduce the uncertainty and unpredictability of exchange, raise the rate of profit to make room for new investments and promote flows between territories" (Gotham 2009, 366). Switching capital into the built environment and transforming "urban products" into financial assets is always facilitated by the state (Aalbers and Christophers 2014) by means of financialized urban governance regimes, where rising land and real estate prices become a policy priority for state agencies (Byrne 2016b; Wijburg 2019; Aalbers 2019). This is so even when financial markets or firms experience periods of crisis – rapid declines in the profit rate – which leads states to quickly intervene in order to re-establish the previous conditions (Ashton 2011).

Previous research revealed two key state-led instruments for the conversion of the built environment into a liquid, tradable income-yielding asset: securitization (namely, packing together different financial assets such as loans that are jointly traded) and real estate investment trusts (more commonly referred to as REITs). The great real estate expansion and financialization that led to the 2008 GFC was first enabled through state interventions in the securitization market (Aalbers 2019; Gotham 2009). In the United States, for example, institutions such as the US Department of the Treasury's Office of the Comptroller of the Currency and the Department of Housing and Urban Development played a crucial role in producing policies and regulatory frameworks that fostered the growth of a market for securitizing subprime loans. Likewise, European countries such as the United Kingdom, the Netherlands and Spain stood out among states facilitating the expansion of the securities market (Wainwright 2015; Aalbers, Engelen, and Glasmacher 2011). REITs, on the other hand, are firms enjoying fiscal and regulatory privileges provided by the state in order to introduce liquidity within the national real estate market and strengthen its linkage within international capital markets. In Ireland, REITs were attracted so as to fuel the growth of a moribund property market (Waldron 2018). In France, the state used REITs to shape the financial and property market, which resulted in financialized urban governance regimes (Wijburg 2019). REITs were similarly identified as a state instrument to cope with the 2008 GFC in Spain (García-Lamarca 2020; Vives-Miró 2018).

Furthermore, we assume that state-led financialization involves different political spheres, agencies and administrative levels. In general, "although local governments embed the urban process in particular locales, they cannot do so without the aid of (national or federal) state regulations which have enmeshed the urban development process within global capital markets" (Wijburg 2019, 210). Evidence from the Netherlands (Aalbers, Engelen, and Glasmacher 2011), the United Kingdom (Hofman and Aalbers 2019), Italy (Belotti and Arbaci 2021), New York City and Berlin (Fields and Uffer 2016:12), and China (Wu 2015, 23) indicate that multiscalar and multilevel regulations on finance are commonplace. In addition, financial market regulation, solvency requirements and taxation of financial conglomerates may be established at supranational levels such as the European Union or the European Central Bank but implemented by nation-states. Our analysis of the Spanish situation in and around 2013 takes the same direction and adds a nuanced analysis of how these different political scales aligned with each other. Thus, we asked to what extent the examined multiscalar policy reforms in Spain represented a novelty in relation to other financialization processes worldwide.

In this regard, given the deep impacts of the 2008 GFC, scholarship has highlighted that the housing crisis, made manifest in a massive wave of home foreclosures and the devaluation of residential properties, shaped unprecedented business opportunities for financial speculation, especially in countries such as Spain, albeit also in large cities elsewhere (Chilton et al. 2018; Donner 2017; Fields 2018; García-Lamarca 2020). So-called vulture funds – investment companies buying high-risk assets with the expectation of high gains – targeted many of those distressed properties and thus became GCLs. Their capacity to accumulate large amounts of capital by deploying aggressive business practices has driven post-GFC financialization to new frontiers and new modes of financial rent extraction (Fields 2018; Forrest and Hirayama 2015). This process has been well-researched in regard to Spain. The creation of a "bad bank" (SAREB), the introduction of REITs, the reform of the urban rental law, the implementation of European financial policies, the appeal to global vulture funds and the massive home evictions have been accurately covered by a number of recent studies (García-Lamarca 2020; Vives-Miró 2018; Janoschka et al. 2020; Yrigoy 2018). Building upon the findings of this body of research, we go a step forward in order to explain more deeply how the state-led instruments to boost financialization operated in relation to each other in what we earlier defined as a policy package; a concept inspired by Jessop's (2010) focus on financial stimulus and other measures implemented to deal with crisis-tendencies. To this, we have added two dimensions: (1) The animation of a new cycle of housing financialization was not only based on financial policies but on coordinated state-led reforms at different political levels. (2) Some policy reforms were more crucial than others in reigniting real estate financialization in Spain after the 2008 recession, so we need to identify them according to their joint effects.

In the following sections we will respond to these challenges. Our approach is focused on the specific developments that took place in Spain, but we argue that this analysis may also contribute to understanding post-crisis financialization policies and their social impacts elsewhere. The 2008 crisis not only manifested the contradictions within capitalist society, engendering unemployment, poverty and cuts to social services, it also delivered business opportunities for capitalists who deployed new financial strategies with the aid of the state. Through the examination of the policy package adopted by the Spanish authorities we can interrogate to what extent this is a paradigmatic case of establishing a new financial regime based on more sophisticated forms of rent extraction and real estate speculation. In particular, we will argue that housing financialization does not depend exclusively on financial policies but on the state-led creation of a finance-friendly environment too. This is achieved through mechanisms such as the regulation and deregulation of financial investments and flows, but also by means of other economic, political or social measures. The Spanish case shows how this environment had to be carefully designed in order to fulfil profit-seeking goals of the banks and global funds. Hence, the policy package that made it happen consisted of the linkage of three crucial actions: (1) REIT reform to attract international investors; (2) urban rental law reform to allow quick and high returns to GCLs and to facilitate the liquidity of rental housing, and (3) the privatization of public housing to attract global funds as pioneers able to trigger a new cycle of housing financialization.

REITs: Financial Regulation and Deregulation

REITs are financial instruments that facilitate real estate investments in the rental property market. Accordingly, the majority of their assets must be rented, and profits must be distributed to their shareholders. They are meant to generate high returns (Hughes, Speelman, and Turnbull 2013; Wechsler 2013; Stevenson 2013) and provide exceptionally high levels of liquidity (Marzuki and Newell 2018; Bme and Jll 2019) due to the fiscal privileges and substantial tax breaks that REITs enjoy.

The Spanish regulation of REITs (named SOCIMIs) took place in 2009 as a reaction to the 2008 real estate market collapse and was aimed at introducing liquidity and boosting the market once again (Maluenda 2013). Remarkably, not a single SOCIMI was established between 2009 and 2012. The bursting of the housing bubble entailed a fall in prices, the devaluation of assets and the unavailability of credit. But international capital was not interested yet. As a consequence, under pressure from the European Property Real Estate Association (Gabarre 2019), a further (de)regulation on SOCIMIs replaced the previous one.[1] The reform had two main objectives: (1) to raise investment returns through tax breaks in order to remove the barriers of entry for foreign capital and (2) to reduce the number of years that a company had to keep its properties on their balance sheets before they could be sold, a measure that would facilitate rapid disinvestment and further global mobility of such capital.

The first pillar of the reform concerned the corporate tax. In 2009, the corporate tax on SOCIMIs was 19%, compared to the general corporate tax rate of 25%. The 2013 reform completely eliminated corporate tax on SOCIMIs.[2] In practice this means that SOCIMIs do not pay tax on non-distributed dividends. In the case of distributed dividends among shareholders, they are not forced to pay taxes here either, as other companies do. SOCIMIs already enjoyed another fiscal privilege from the 2009 law in relation to the "transfer tax". This implied a 95% rebate on the tax liability for the acquisition of houses for rent and for the acquisition of land to develop rental housing. The transfer tax applicable to real estate

Table 1. Spanish regulation of REITs (SOCIMIs) in 2009 and 2013.

	2009 SOCIMI legislation (Law 11/2009)	2013 SOCIMI legislation (Law 16/2012)
Corporate tax	19%	0%
Minimum period of ownership before sales	7 years	3 years
Minimum capital	€15 million	€5 million
Minimum number of properties	3 real estate assets	1 real estate asset
External funding	No more than 70% of the asset value	Without limitation
Access to stock exchange	At least 25% of circulating capital and 100 shareholders	At least 15% of circulating capital and 50 shareholders

Source: Authors.

operations varies between 4% and 11% of the asset price across Spanish regions. A loss of over €200 million per year from the public treasure has been estimated due to this, particularly thanks to the corporate tax break (Suárez 2019).

The second pillar of the reform consisted in shortening the length of asset ownership before one can be sold. The 2009 regulation required a minimum period of seven years. The 2013 reform reduced this to three years. This change reflects the fact that the political aim was not to professionalize and stabilize the rental market by creating long term investment opportunities in the rental sector as its advocates justified.[3] On the contrary, it was designed to attract speculative investment. As Gotham (2009, 356) states, "The longer the turnover time of real estate capital, the smaller the amount of surplus value. Speeding up and increasing the velocity of the circulation of capital and reducing the turnover time derives from the logic of the accumulation process." Spatially fixing capital in the Spanish rental sector for seven years was a significant barrier for this type of investment. The fiscal privileges of SOCIMIs would facilitate the transformation of capital into real estate but it did not suffice to convert the Spanish rental sector into a liquid asset with high possibilities for capital accumulation – capital also needed outlets to escape from its spatial fixity. Reducing the number of years from seven to three would allow capital to circulate faster through the Spanish rental sector by reducing its turnover rate and therefore allow it higher yield opportunities. This more flexible regulation (or really deregulation) improved the conditions for new real estate investments, with SOCIMIs becoming the key speculative instrument and which, in turn, reactivated the financialization cycle.

Other minor aspects in the regulation of SOCIMIs went in the same direction. In particular, the 2013 reform reduced the minimum capital required to €5 million, whereas in 2009 the amount was €15 million. This would help local and even small real estate investors establish their own SOCIMI and join the investment-friendly environment led by bigger global funds. The latter would therefore lead the race, increasing real estate prices, be the first ones to collect gains and leave the market at their convenience; the small firms would adapt to those market conditions (Gowan 1999). A similar rationale underlies the reduction of property holdings needed to create a SOCIMI from three to one. The 2013 reform also eliminated the 70% cap on external debt, increasing the risk exposure for other associated financial companies. Two other legal stipulations from the 2009 regulation were abolished in 2013: a minimum number of a hundred shareholders and a minimum outstanding capital of 25%. Table 1 summarizes all these crucial changes.

Reforms to the Urban Rental Law

The efforts of the Spanish government to pave the way for global capital to invest in Spain again included a reform of the urban rental law (LAU, the Spanish acronym) that regulates rental agreements between tenants and landlords. Not coincidentally, the reform was also carried out in 2013 and had the explicit intention of "promoting and flexibilizing the housing rental market".[4] Significantly, there was no social debate about this legislative change at the time; neither the political parties nor the housing movements raised the issue. In fact, between 2008 and 2013, housing had become more affordable since rental prices fell by approximately 18% (López-Rodríguez and de Los Llanos 2019-). So, why was the LAU reformed?

Our argument is that the new "regulated deregulation" of SOCIMIs had created an ideal environment for speculative investments, but the LAU was still an obstacle to rapid disinvestment once the properties were revalued. In other words, rental housing was not liquid enough for the GCLs' needs. Therefore, the LAU had to be more flexible in order to match the financial conditions opened up for the SOCIMIs. The losers of the reform were the tenants, whose rights became subordinated to the interests of financial landlords. This was confirmed by high-ranking politicians in prior research: While the 1994 LAU took six years of debate to be changed, the 2013 LAU was passed in less than three months; when the financialization of housing through mortgages to homeowners and developers collapsed, banks and global funds requested favourable conditions to become landlords, especially in terms of speeding up the eviction of tenants (García-Lamarca 2020, 9).

As a consequence, the LAU included three main reforms aimed at increasing investment in the Spanish rental sector: First, it changed the duration of rental contracts. The 2013 SOCIMI reform reduced the period of keeping ownership to three years, but this advantage clashed with the former LAU which required rental contracts to last for a minimum of five years. This gap was a barrier for those funds that wanted to sell properties more quickly and could not manage to do so with tenants included. By reducing the minimum rental contract to three years, the 2013 LAU was a crucial sign to vulture funds: If properties are revalued, they can be sold without any interference from tenants. The business may have been in the rental housing sector but higher profits existed, as usual, in buying cheap and selling high.

Second, the urban rental reform consisted of erasing the tenant's *right of first refusal*. This right allowed tenants to buy property they resided in at the same price their landlord had agreed to with a buyer. The 1994 LAU had already limited the right of first refusal by prohibiting its application when a single owner bought an entire building. This was intended to facilitate the purchase of apartment blocks by large real estate firms, banks, private companies and even public agencies. The 2013 reform however introduced an additional clause: the tenant loses the right of first refusal when this is indicated in the rental contract. Due to this apparent minor deregulation, global funds were freer to make large transactions of home portfolios with no rights for the tenants in opposing it. GCLs were not interested in making the rental business more professional or abundant in supply, as they and the government often claimed. Rather, in increasing their capacity to sell housing units grouped in portfolios, they could easily trade the units between funds on international markets. In short, this reform left them free to yield high returns as soon as possible, by increasing the liquidity of the rental sector and facilitating its connection to global capital markets.

Third, the reform had a direct effect on rent increases. According to the 1994 LAU, rent increases during the duration of a contract were to be tied to changes in the consumer price index (general inflation rate). This measure was removed in 2013 so that rent rises within a three-year contract duration could be agreed upon by the parties if so stated in the lease. When comparing the two systems, the 1994 regulation clearly limited rent rises for the duration of the five-year contracts, whereas the 2013 reform fully liberalized rent setting according to the bargaining power of the signatories. Given the lack of access to mortgages after the 2008 GFC and the related scarcity of housing units for rent, landlords were now set to become more powerful in setting the yearly prices after 2013. This measure granted increasing benefits to GCLs and higher expectations of returns in the intervening period before selling the assets. Conversely, it put upward pressure on rental market prices, favouring a boom in prices.

The Privatization of Social Housing

In this section we examine the privatization of state-owned social housing as the third key component of the policy package that rekindled housing financialization in Spain. Our argument is that the 2013 reforms to REITs and the urban rental law did not suffice in attracting global investors to the Spanish housing market. The housing stock had devalued in market terms up to 45% from 2008 to 2012 (Montalvo 2015), which still implied a high-risk investment if free falling prices continued. Therefore, the state had to reinforce the trust of global investors with supportive and more persuasive regulatory actions. This is why certain municipal and regional Spanish governments, while enjoying constitutionally devolved powers in most housing affairs, embarked upon unprecedented privatizations of social housing. This was certainly the case in the most globalized economy of the country, the Madrid metropolitan area (including both the municipality and the region), which served as the spearhead for other neoliberal regional governments.

In 2013 nearly 5,000 units of the Madrid region's rental social housing stock were sold to the international private equity firms Blackstone and Goldman Sachs at below market prices. First, the sale of 1,861 public houses units to Blackstone by the Municipal Company for Housing and Land (EMVS) was anything but transparent and confronted numerous legal procedures. Following residents' and activists' demands, court sentences indicated that (1) the sale "violated the most basic rules of good management" (Caballero 2018), (2) the sale price was set by the prospective investors and was below market price, (3) the city council provided privileged information on the terms of the sale to Blackstone and (4) the mayor of Madrid and seven members of her government were responsible for serious negligence because they did not prevent the damage to the public treasure (León 2018).

A further sale of 2,935 social housing units from the Madrid regional public housing company IVIMA to Goldman Sachs through its subsidiary company in Spain, the Azora REIT, followed a similar procedure. The regional government motivated this transaction by merely declaring that there was no need to keep these housing units public (Sanz 2018). This sale also triggered various judicial trials where the sentences deemed the sale unnecessary and not "in accordance with the law", and it represented a loss of more than €39 million for IVIMA (Pérez 2018) since the transaction also was under market price (in

Table 2. IVIMA's social housing transferred to Goldman Sachs-Azora.

Municipality	Number of units sold	Construction cost (€)	Average selling price to Azora-Goldman Sachs (€)	Difference between construction cost and selling price (€)	Difference between construction cost and selling price per home (€)
Madrid	1,380	83,885,249	94,379,040	10,493,791	7,604
Majadahonda	332	20,266,179	22,705,682	2,439,503	7,348
Móstoles	259	21,162,120	17,713,167	−3,448,953	−13,316
Parla	240	14,001,324	16,413,746	2,412,422	10,052
Torrejón de Ardoz	224	13,674,801	15,319,496	1,644,695	7,342
Navalcarnero	192	10,864,247	13,130,996	2,266,749	11,806
Arroyomolinos	127	8,362,560	8,685,607	323,047	2,544
Valdemoro	80	4,761,992	5,471,248	709,256	8,866
Collado Villalba	44	1,849,292	3,009,186	1,159,894	26,361
Leganés	36	2,622,971	2,462,061	−160,910	−4,470
Tielmes	21	1,621,458	1,436,202	−185,256	−8,822
Total	2,935	183,072,193	200,726,431	17,799,057	5,394

Source: Authors based on Comunidad de Madrid.[11]

some cases, even under the construction cost, as shown in Table 2). After multiple sentencings, finally, in 2020, the Supreme Court entirely declared null the whole sale and stated that it must be reversed.

The conservative People's Party (Partido Popular) was in charge of both sales as they were ruling in both governments, as well as in the central state at the time (2013). In our interpretation, given the context of price devaluation, additional bait was needed for global investors in the real estate sector. In particular, in order to bring confidence to this market, the entry of two of the most prominent global funds through bargain privatizations in the leading economic region of the country represented a turning point. The operations involving Blackstone and Goldman Sachs thus sent a clear message to other real estate investors. For these pioneering investors, however, the sales represented almost no risk since they were significantly below market price. The expectations of revaluations were higher than the risks of failures. If they managed to raise rents first and expel tenants next, the properties could easily be sold at higher prices within a short period of time. And this is exactly what happened. Four years after Blackstone's acquisition, the fund declared that the value of this portfolio had increased 227% (Caballero 2019), whereas Goldman Sachs and Azora sold homes in the years that immediately followed with gains of around 300% (Noriega 2013).

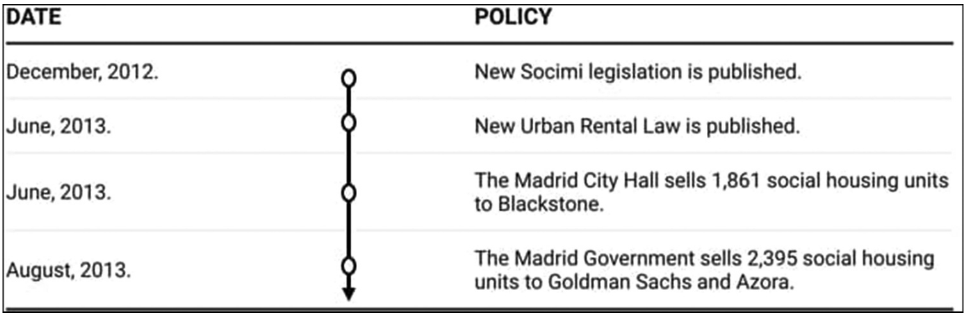
The sales represented an extreme form of *dispossession by political fraud* because it unfolded as a "deliberate action of political elites to secure unfair or unlawful gain for certain economic actors, an action that may be considered a financially motivated crime" (Alexandri and Janoschka 2017, 127). On the one hand, this straightforward neoliberal policy consisted of a "shock", aiming to leave poor tenants in the hands of speculative GCLs and, simultaneously, telling global funds that more, similar opportunities could appear in the country without the need for further deregulation. Rental prices were soon raised, property maintenance failed to improve, the surveillance of residents by private security guards was implemented and information about the future of the estates was never disclosed to the tenants, triggering uncertainty, insecurity, discontent and protests among them. On the other hand, this blatant transfer of wealth from the public treasure to corporate hands was only the tip of the iceberg. The broader goal consisted of creating a set of conditions that were consistent with each other in order to entice foreign investments. In this sense, the People's Party, by using their power at different administrative levels, managed to wisely coordinate these sales with the aforementioned reforms to the SOCIMIs and LAU legislation. In doing so, they pushed the limits of their competences, regular governance mechanisms and public debate, which was suppressed.

The public outcry against these privatizations that did emerge did so in a context where less than 2% of the housing stock was categorized as "social" (state-owned and heavily subsidized) in both the region of Madrid and the country at large. Moreover, in the decade following the 2008 crisis, the number of home evictions skyrocketed – estimated at 409,000 between 2009 and 2018 – due to mortgage defaults. Organized housing movements advocating for a substantial expansion of housing benefits were also at the peak of their protests against these evictions (Martínez 2019). Opposition parties denounced the sales but a heated public debate occurred only after the privatizations. This contention resulted in various judicial lawsuits led by organized tenants, housing movement organizations and leftist political parties. However, the presence of allies and former members of the People's Party within the judicial bodies has ensured that, to date, those responsible for the sales have not been convicted (Caballero 2019). As a consequence, regular democratic procedures and established housing rights were undermined for the sake of reigniting a new process of housing financialization.

The Reanimation of Housing Financialization Cycles

A central observation to be made about the policy package is that it would have been a chimera if formulated, approved and implemented explicitly as such due to its political complexity. First, it entails integral coordination and consensus among the central, regional and municipal governments. This would only be possible after long negotiations, especially when different political parties rule different levels of government. Second, policies implying an erosion of tenants' rights and the privatization of public housing in the context of a devastating crisis and large grassroots mobilization were very controversial. Third, the policy reforms were passed at a time when grassroots mobilizations were rising against austerity policies and political corruption. Housing organizations such as the Platform of People Affected by Mortgages (PAH) and campaigns such as 15mpaRato were particularly active in this regard (Flesher 2020; Martínez 2019). Hence, the ruling People's Party made use of its absolute majority at different governmental levels in order to align the examined measures and to enact the policy package in a very short and unusual period of time (see Figure 1). Parliamentary procedures were shortened, and the authorities' reforms were also backed by the European rulers despite all the street protests and social discontent that was confront.

The policy package was thus effective at animating a new cycle of housing financialization in Spain. The 2008–13 phase was characterized by falling housing prices, defaults among mortgage holders, a bail out for collapsing banks and their accumulation of devalued real estate assets. Immediately after the policy package was implemented, the cycle was reversed, and the country experienced another real estate boom between 2014 and 2020. This boom was characterized by an increase in rental and housing prices, the



DATE	POLICY
December, 2012.	New Socimi legislation is published.
June, 2013.	New Urban Rental Law is published.
June, 2013.	The Madrid City Hall sells 1,861 social housing units to Blackstone.
August, 2013.	The Madrid Government sells 2,395 social housing units to Goldman Sachs and Azora.

Figure 1. Timeline of the main state-led actions aiming to reignite housing financialization in Spain.

reactivation of new housing construction and growth in real estate transactions and investments. In this phase, foreign direct investment in the real estate sector was mainly represented by global vulture funds, GCLs took over the rental sector and national banks disinvested at bargain prices. Housing prices soared again (especially rentals, at rates not seen before), and construction was also rekindled. Except for the recovered housing inflation, the other features are all new. Overall, this indicates a swift and huge wealth transfer flow from the bailed-out banks and state-owned housing to global financial investors. As housing organizations critically remarked in their protest campaigns, the state lost the opportunity to rescue financially broken households and create a large state-owned housing stock.

From the capitalists' standpoint, the 2013 reform of the SOCIMI legislation was a success. Between 2013 and 2019, a total of 73 SOCIMIs were created in Spain (see Table 3), making it second only to the United States in terms of sheer numbers and the third largest European REIT market as regards market capitalization (Marzuki and Newell 2018). Around half of all SOCIMIs are dedicated to housing rentals, with a portfolio of around 35,000 houses, mainly located in the largest cities, Madrid and Barcelona (Vélez 2019). In relation to SOCIMIs' investors, 41% are foreign investment funds and companies, whereas Spanish companies represent 21%; 47% are managed from outside Spain; and 71% have five or less investors.[5] Between 2013 and 2017 they accounted for half of all IPOs (Garijo 2017), and in 2017 they recorded a joint profit of €2.385 billion, representing a growth of 69.8% over the previous year, a rate that doubles that of the IBEX 35 listed companies (Estévez 2018).

Table 3. Capitalization of the SOCIMIs.

	New SOCIMIs	Added SOCIMIs by the end of the year	Exclusions	Capitalization (€ millions)
2013	2	2	0	360.87
2014	5	7	0	4,519.17
2015	8	15	0	9,396.33
2016	17	32	0	13,361.14
2017	20	52	0	20,826.88
2018	21	69	4	22,372.63
2019 (6/3)	4	73	0	23,514.34

Source: Mercado Alternativo Bursatil (2019)

The 2013 reforms and privatizations also inaugurated a tendency whereby international equity funds have massively acquired houses and NPLs from Spanish banks. Investment in housing, in decline since the 2008 crisis, began to grow year-on-year starting in 2014, reaching almost 6% of GDP in 2019 (Banco de España 2020). Between 2014 and 2018 the real estate sector attracted more foreign investment than any other, with a concentration of 20% (Pérez 2019). In 2014 and 2015, 24.5% and 23% of all registered home sales, respectively, were owned by banks (Montalvo 2015). Between 2015 and 2020, one out of three newly registered home sales were owned by entities and large owners (holding title to more than five housing units)[6] (Plaza and Sánchez 2021), while private equity firms owned 40% of the real estate transactions (García and Janoschka 2016). In 2016 Spain accounted for half of all the investments made by private equity funds in European real estate (Cushman & Wakefield 2016). Funds such as Blackstone, Lone Star, Oaktree Capital, Sankaty-Starwool, Goldman Sachs and Cerberus have been the main real estate buyers (Yrigoy 2018), whereas bailed out banks have sold assets to these funds at large discount (Montalvo 2015). In 2018, Blackstone, Cerberus and Lone Star acquired over four hundred thousand housing units through just six transactions with the Spanish banks (Gabarre 2021).

As a result, house prices rose 31% in the 2014–19 period, but in regions like Madrid and Catalonia the increase was even higher: 56% and 45% respectively (Banco de España 2020). Rental prices also increased over 50% and beyond that in the large cities,[7] surpassing prices from the 2000s' bubble to new historical peaks. This situation has led to a new housing crisis where GCLs are considered the main culprits by most housing movements and citizens, without noticing that previous state aid to banks and deregulation paved the way for this unprecedented financialized capital accumulation.

The private equity fund Blackstone is the financial entity that best illustrates this period. After purchasing the social housing package in Madrid, it began to take over properties from bailed out banks and the SAREB – always at below market prices. In 2017, Blackstone made the largest private real estate transaction in Spain's history, buying 51% of Banco Popular's real estate assets from Banco Santander. This portfolio included housing as well as land and mortgages and was sold for just over €5 billion, a price far below the market rates.[8] In a very short period of time, Blackstone became the largest homeowner in Spain (Simón 2018) and around 20% of Blackstone's international real estate assets were located in the country. Blackstone now controls over 55,000 housing units[9] through five residential SOCIMIs that the fund has created, with an estimated market value of over €10 billion (Vélez 2019). But Blackstone's investment cycle in Spain has been very controversial. The fund has been accused of evicting and displacing thousands of families, raising rents abusively, not taking care of the homes nor responding to incidents filed by tenants, violating the urban rental law and lobbying the government so that housing policies such as rent controls are not approved[10] (García-Lamarca 2020; Janoschka et al. 2020; Pérez and Estévez 2019). In July 2020, the Madrid Tenants' Union along with 75 organized tenants sued the fund, opening litigation that has not yet finished and will probably last several years. The entity was accused of having included abusive clauses in the leases, such as forcing tenants to dismiss their right of first refusal. This clearly reveals the fund's intention to, once their properties have sufficiently appreciated according to their profit expectations, group and sell them as portfolios in massive transactions with other investors without tenant interference.

However, the greatest success – for capital – of the last financialization cycle consisted of the clearance of NPLs from the banks' portfolios. By the end of 2013, NPLs in Spain reached their highest peak since 2008: €197.2 billion. From then onwards, the policy package made Spain the main target of this type of investment within Europe. Between 2014 and 2019, but especially since 2017, NPLs were reduced by nearly 70% to €61.5 billion. The main buyers were funds such us Lone Star Funds, TPG, Apollo, Blackstone, Bain Capital and Cerberus Capital Management, and the main sellers were banks such as Santander, BBVA, CaixaBank and Banco Sabadell. After 2020, banks are expected to keep disinvesting in NPLs but at a slower pace, since their large portfolios have already been cleared (Trincado 2019). Given the above figures resulting from the 2013 policy package, the Spanish banks have nearly come into compliance with Basel III despite the country's economy returning to housing speculation as the main driver of growth and another crisis of housing affordability, dispossession and debt (both public and private).

Conclusions

In this paper we have demonstrated that the Spanish government launched a policy package in order to reignite a financialized real estate sector as a response to the 2008 crisis. The policy package consisted of three measures: (1) the jurisdictional reform of REITs that prompted the conversion of the built environment into a liquid resource by attracting global investors; (2) the reform of the urban rental law in order to facilitate the rental housing liquidity; and (3) the sale of public housing to Blackstone and Goldman Sachs to generate global expectations of future business opportunities in the Spanish real estate market. This state intervention aimed to produce a well-crafted spatial fix able to transform the previous financial and real estate crisis into a new financialization boom. In this way, the built environment was revalorized, and the banking crisis was solved at the expense of new social and economic instabilities, high inflation in housing rents and prices, less state control and social scrutiny of capital, less tenants' rights and more fiscal advantages for investors.

According to the literature, capitalism overcomes its crises by moving capital into the built environment (Aalbers and Christophers 2014; Gotham 2009; Harvey 2001), creating a spatial fix. And this is true not only for the overproduction of goods but also for the overaccumulation of capital. However, investments in the real estate sector may trigger new crises under the dominant capitalist logic and, in turn, become further enclaves for new cycles of accumulation. The 2008 GFC was the result of a period of intense financialization of housing and the real estate sector, particularly acute in the Spanish case. The post-2008 GFC years, as shown here, nurtured a return to the same process of real estate financialization driven by substantial state-led deregulation and the owner-interests of the previously created "wall of money", the global pool of liquid assets seeking investment opportunities with high short-term returns (Aalbers 2020; Fernandez, 2016). The Spanish case is paradigmatic because, as has been widely revealed (Alexandri and Janoschka 2017; García-Lamarca 2020; López and Rodríguez 2010; Vives-Miró 2018; Yrigoy 2018), the devaluation of real estate assets and the banking crisis after the 2008 collapse created extraordinary opportunities for global vulture funds. This body of research has also argued that the Spanish state played an active role in fostering housing financialization in both cycles. Specific financial policies, in line with the rule of European authorities, bailed out banks, forced the concentration of financial firms, established a "bad bank" (SAREB) and opened up the Spanish market to global investors. Monetary policies such as quantitative easing, historically low interest rates and the promotion of private pension funds also contributed to increasing the wall of money and investors' need to find safe havens, such as the real estate sector, to store their value. As one opportunity fund manager expressed, "If you feel that equity markets have had their run, you can't make money in bonds, and money in the bank is negative, then real estate wins by default" (PwC and Urban Land Institute 2018, 18).

We build on the above findings and go a step forward in the explanation of how state-led actions reanimated housing financialization in the context of a deep economic recession. On the one hand, we argue that financial policies such as the deregulation of REITs and tax benefits following the sanitization of the banking sector were insufficient at recreating a finance-friendly environment to attract global investors. We have demonstrated that these policies had to be strategically and finely coordinated with other policy reforms such as rental legislation and housing privatization. We call this coordination a *policy package* in order to show that it is in the legal arrangements and the timing of these measures where we can appreciate the state authorities' efforts to reignite a financialization cycle.

On the other hand, we confirm that the policy package instigated a full-fledged "regulated deregulation" – one not just operated on a single state level, but at various scales (central, regional and local) and with different policy (e.g. privatizations) and legal (e.g. the *regulation* of REITs and rentals by eliminating previous restrictions) instruments related to each other. Compared to former financial policies, these became soft de jure instruments and more opaque to society. The transfer of public wealth to private hands was channelled through shock measures such as the privatization of social housing, which, apparently, only affected the poor tenants in those estates. However, the quick, multilevel and coordinated implementation of all those crucial instruments produced the perfect conditions to reignite the housing boom in Spain along with broader devastating social consequences.

Finally, our analysis discloses that these state interventions cannot be implemented without undermining the public interest. Vulture funds were attracted thanks to unique fiscal benefits that would not contribute to the public wealth. In addition, they managed to purchase cheap bank-owned real estate assets that resulted from massive home foreclosures and to become GCLs, triggering a rapid inflationary cycle in the rental sector, which caused more housing unaffordability and painful socio-spatial displacements. The deregulation of rentals eroded various previously established tenants' rights which sparked manifold contentious protests. GCLs often abused their privileged position to raise rents and force tenants out in order to revalorize and q2017uickly resell the properties they purchased from bailed out banks, although the 2020 pandemic partially delayed this project. Instead of making the rental sector more professional and efficient and increasing the supply, GCLs sought high profit returns by not investing in their properties, pushing rents up and paying low taxes. Furthermore, the privatization of social housing avoided public scrutiny and accountability, sparking political and social contestation as well, including the engagement of housing movements.

As a consequence, the 2013 policy package succeeded in its intentions to attract international equity firms to the Spanish real estate sector and to revalue property assets. State-led actions helped global investors to exploit the rent gap created by the 2008 crisis (Christophers 2021). Those firms were not freely navigating the global market in order to invest and professionally manage housing. They lobbied governments in order to get tax exemptions, grab state-owned and bailed-out bank assets, and buy cheap and sell high as quickly as possible. Supranational pressure from European institutions was also behind the poor democratic quality of the processes examined here because the so-called stability of the European financial markets and the performance of the euro currency in international trade were at stake if a deeper collapse of the Spanish financial system occurred. The policy package that was implemented in Spain was not only effective but proved difficult to remove. A more progressive central government slightly modified the rental law in 2019 by, for example, reinstating the duration of contracts to five or seven years, depending on the type of landlord. However, GCLs are now the main opponents of rent controls, stricter regulation of REITs and any other measure that would help guarantee the right to housing for all.

According to our findings, we suggest that future research in housing financialization can pay more attention to the coordination of different policies and state levels, but also to their timing, reach, outcomes and involved actors. Likewise, state-led approaches may keep demystifying the natural functioning of markets and the smokescreen of economic growth discourses that hide increasing real estate speculation and the deterioration of general housing conditions. The response of housing movements to both pro-financialization policy packages and GCLs also appears to be a promising avenue of investigation.

Notes

1. The reform was passed on 27 December 2012 (Act 16/2012) and came into force a few days later, in 2013.
2. https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Empresas/Impuesto_sobre_Sociedades/Periodos_impositivos_iniciados_hasta_31_12_2014/Regimenes_tributarios_especiales/Regimen_Especial_de_SOCIMI.shtml
3. https://corporate.solvia.es/que-son-las-socimi-cual-es-su-papel-en-el-sector-inmobiliario/
4. *Ley 4/2013, de 4 de junio, de medidas de flexibilización y fomento del mercado del alquiler de viviendas*.
5. This figure excludes the four largest SOCIMIs which are listed in the IBEX 35, the benchmark stock market index of the Bolsa de Madrid.
6. These figures were over 50% in the cases of Madrid and Barcelona.
7. According to major private real estate agencies such as Idealista because there are no public statistics available.
8. The portfolio was initially worth €30 billion but was readjusted for the sale to €10 billion.

9. Or even more if we take into account estimations such as Gabarre's (2021).
10. https://www.inquilinato.org/madridvsblackstone/
11. https://elpais.com/economia/2013/10/23/vivienda/1382522673_260543.html

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