All That Is Solid: Asset Urbanism and the Financial Dynamics of Post-Industrial Space

The material realities of architecture and urbanism have always been coupled, in some manner, with the immaterial systems that societies have established to account for value. As early as Vitruvius' writings, Roman buildings and land were bought and sold in an economic structure that resembled modern real estate markets complete with their ebbs and flows in value.[1] Sometimes specific architectural types are attached to unique market dynamics. In 1920s America, a speculative boom fuelled the proliferation skyscrapers as investors saw in the new building type an emergent opportunity for profitable returns.[2] In the early 21st Century, the near global hegemony of capitalism has fortified the degree to which the products of architecture are bought and sold as assets in increasingly powerful dynamics with increasingly profound effects.

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That a financial investment dimension to buildings, cities, and regions exists is obvious enough, yet architectural praxis and pedagogy remain remarkably impotent in terms of articulating vocabularies and methodologies for productively accounting for and operating within the ecology that connects spatial systems with real estate economics. The recent and ongoing property booms and busts that have radically shaped the built environment across vast swaths of the planet and in locations as far flung as Vancouver and Beirut lend a pressing dimension to this conceptual blind spot.

While buildings and parcels of land have long played an investment function – that is, operating as assets, their asset function appears to be expanding. Shifts in the scope, scale, and tactics of globalized investment capital along with local particularities have made the closely aligned phenomena of market dynamics and urban development increasingly complex and have produced a wholly new form of urbanization within recent decades, what can be called 'asset urbanism.' This novel mode of urbanization is identified by built space being treated primarily as a financial investment vehicle for speculation, the rapid development and oversupply of housing and commercial space occurring in tandem with a dramatic upswing in property values, and subsequent mass vacancies and their concomitant socio-economic problems once property values begin to drop.

While real estate markets are inherently cyclical, oscillating between periods of expansion and contraction, it is becoming clear that an increased frequency

and intensity of booms and busts may be a defining feature of 21st Century capitalism and its physical materialization in space. With the growth of economies throughout the world over the last twenty-five years investable capital has increased exponentially. The International Monetary Fund (IMF), for instance, has calculated that the savings of the entire planet breathtakingly doubled from $35 trillion to $70 trillion (USD) between 2000 and 2007 alone.[3] The contemporary ethos of investing money into high-return assets is facilitated by legions of professional money managers and results in new wealth searching for investment assets to acquire. In 2009, for example, the assistant director of the IMF described the growth in the securitization of subprime mortgages as a response to the unprecedented increase in demand for investment assets for new wealth to acquire.[4] Urbanization has thus become to play, as David Harvey says, "a crucial role in the absorption of capital surpluses, at ever increasing geographical scales."[5] Given that the operations of capital absorption are dynamic and agile, a heightened instability between amplified booms and busts might just become a new normal within the context of asset urbanism. "Under capitalism there is, then, a perpetual struggle in which capital builds a physical landscape appropriate to its own condition at a particular moment in time, only to have to destroy it, usually in the course of a crisis, at a subsequent point in time."[6] Asset urbanism is a condition in which the increments of the built environment find themselves functioning more and more like stock market shares in a highly volatile system of creation and destruction.

The contours of asset urbanism can be traced in diverse locations around the planet but the worldwide property boom leading up to 2008 and the subsequent bust offer particularly poignant examples where the phenomenon's defining attributes are most pronounced: A dramatic rise in property values coupled with intense construction, followed by a precipitous drop in property values in parallel with mass vacancies that signify a major over-supply of built matter. Spain, the United States, and Ireland are the three countries in which these characteristics are most severe. The Irish context, demonstrating the most dramatic relative transformation into a state of asset urbanism, is an exceptionally appropriate case study.

The Irish property boom, commencing in approximately 1995 and lasting until roughly 2007 radically altered the nation's landscape. During this period more than 750,000 units of housing were constructed (689,000 by the private sector) amounting to approximately 40% of total housing stock in Ireland.[7] As the boom gained momentum between 2001 and 2007 an average of 70,000 units of housing were constructed each year.[8] As sociologist Mary Corcoran states, "Ireland's rate of construction is unprecedented for any western economy in the 21st Century."[9] More than 90,000 units of housing were constructed at the peak year of 2006 alone.[10] In a country with a population of nearly 4.6 million, this translates into 18 units/1000 people/year, which along with Spain, was the highest in the EU and nearly triple the next highest nation, France.[11] What's more, housing construction was not concentrated in the Republic's single large city, Dublin, but blanketed the entire island in new housing estates. In the same period over 10 million square feet of shopping malls were constructed, resulting in Ireland having the highest per capita area of shopping malls in Europe, at almost five square feet per person, compared to the European average of two square feet.[12] Just as housing and retail space mushroomed, office space did as well, with nearly 13 million square feet being constructed between 2000 and 2007.[13] Hotels also

represented a significant portion of construction, with over 200 hotels being constructed between 2004 and 2008, representing over 18,000 new hotel rooms.[14]

At the zenith of the property boom in 2006, the construction sector in the Republic of Ireland accounted for €39 billion, or nearly 25% of GNP.[15] In an asset urbanism ponzi scheme, the labor required to populate the construction sector required the immigration of workers from Eastern Europe who in turn required housing. In 2007, the construction industry employed 48,000 non-Irish nationals, who constituted 17% of the industry's workforce.[16] In effect, construction workers were housed in new homes while constructing the next raft of housing only to depart when the construction boom was over, thus amplifying the number of vacant and unneeded units during the bust.

Shortly after the boom shifted to bust in around 2008, it became painfully clear that Ireland had built far too much. In 2011, 290,000 units of housing sat empty, with many situated in what the Irish call 'ghost estates,' housing projects which are sometimes finished construction but mostly or entirely empty and other times partly built, with one or two occupied dwellings sitting amongst a bleak context of homes frozen in various states of construction as if a catastrophe had forced the builders to flee.[17] To put this into comparative perspective, the proportion of vacant housing in contemporary Ireland is like Brooklyn having 160,000 empty housing units or the City of Los Angeles having 240,000. The contemporary Irish landscape is interpenetrated with various combinations of fenced off and cleared land waiting for development, roads and infrastructure that go nowhere and feed nothing, arrays of concrete foundation slabs sitting empty, buildings with no roofs, shells of homes without their siding or glazing, and row upon row of perfectly completed dwellings awaiting a population that doesn't yet exist, with the stains of weather and biotic growth conveying their slow descent into ruins. While ghost estates capture much of the popular imagination because of their intimate connection with the struggles of individuals and families, there exists a related world of 'zombie hotels,' phantom golf courses, and large amounts of vacant retail and office space. Sometimes a finished hotel sits empty as a target for vandals, other times only thirty percent of the rooms are finished and offered at rock bottom rates. Mixed-use developments lumber along with empty ground floor retail and the carcasses of half finished shopping malls hulk on the horizon. Golf courses without patrons are converted to agricultural fields for the production of silage or the roaming of horses. Contemporary Ireland presents an indelible picture of the ruthless vicissitudes of asset urbanism.

Instances of asset urbanism need to be understood in relation to both global and local parameters. Ireland's economy started to grow intensely from 1995 onward in large part because of a set of favorable attributes in the context of global economic competitiveness. Multinational corporations set-up operations in the country because of its comparably low tax rates and wages coupled with a highly educated, English speaking workforce and its EU membership providing tariff free access to the single European market. This international investment increased employment and reversed the country's out-migration to strong immigration for the first time in decades as workers poured in to participate in the Celtic Tiger economy.[18] This economic and demographic expansion resulted in increased demand for housing and rising property values. As the value of real estate rose, like a contagion, more and more people sought to profit from the escalation. In parallel to this globally configured local milieu of demand, the liberalization of international credit markets resulted in a flow of lending capital

from German and French banks to Irish banks in the early 2000s that fuelled the height of the building and buying boom. This credit inflow translated into Irish banks responding to the heated demand for mortgages with increasingly lax lending requirements in the form of longer mortgage terms and diminishing down payment requirements, ultimately landing on the infamous zero down mortgage with a forty-year term.[19] The ease with which to acquire mortgages, and therefore property, combined with various government policies designed to encourage construction and home ownership in a perfect storm of both speculative construction and speculative property purchasing.

Between 1995 and 2006, Irish house prices rose by over 300% nationally, and by over 400% in Dublin.[20] Raw land prices increased in the same period by approximately 1200%, jumping from about €5,000 to almost €60,000 per hectare.[21] The value of commercial real estate grew by 200-350%.[22] A pervasive refrain of those living in Ireland during the boom was that the possibility of earning spectacular gains from investing in real estate was hard to resist and everybody wanted to participate.[23] Many people describe owning their own primary residence and additionally, a second, third, fourth, and fifth home as investments.[24] Banks commonly cold called customers and encouraged them to acquire more property and more mortgages – 'the banks were giving away money.'[25] From a statistical vantage point, one way to account for the degree to which speculation fuelled the purchasing of homes in Ireland is to look at the distribution of two dominant mortgage types: Primary Dwelling Home (PDH) mortgages and Buy-to-Let (BTL) mortgages. Most buyers of homes as investments sought to rent them out and therefore acquired BTL mortgages to finance their purchases. Of the nation's total outstanding mortgages in 2011, 94,000 are BTL, amounting to approximately 16% of total mortgages.[26] That 94,000 units of housing can be attributed to speculative purchasing represents a significant portion of the total stock produced during the boom and conveys the degree to which the speculative function of built space took on an expanded role. But the BTL statistics only capture one aspect of built space's asset function, as the function also attracted new primary home purchasers to the market, with many 'entering the market' with the aim to build capital and leverage into future purchases. The prominent Irish economist, John Fitzgerald, has noted a different disposition on the part of home purchasers that emerged during the 1990s and continued into the 2000s. According to Fitzgerald, Irish families were formerly more likely to buy a property that they intended to live in for their entire lives, whereas during the boom a new norm emerged in which individuals and families approached home purchases as investment categories to jump between as equity was created through rising property value.[27]

SPATIO-FINANCIAL FORM

The spatio-financial morphology of asset urbanism has multiple avatars. From a land-use perspective, a rise in asset based buying tends to generate what can be called price escalation spread as buildings are constructed further and further from the high priced central city to exploit low cost land where lower cost units are built and purchased in the hope that property value increases will generate substantial capital gains. The footprint of almost every Irish city, town, and hamlet grew considerably during the boom as a result of this spread. Metropolitan Dublin, for example, expanded by 20% in just the six years at the height of the boom, from 2000 to 2006.[28] At a finer scale, the Irish form of asset urbanism includes numerous investment archetypes. What follows are three examples.

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MIXED-USE CITADELS

Both the centers and edges of cities throughout Ireland experienced a proliferation of 'mixed-use citadels' during the boom. This urban type is fortified from the existing city fabric by often strategically occupying high ground or situating itself between bodies of water, infrastructure or historic walls. Vehicular access is typically from one control point while the interior is predominantly pedestrianized. These mini-cities incorporate a mix of office, residential, and retail space and are the preferred territory of multinational corporations.

The financial dynamics of this typology orbit around what can be labeled as maximum profit phasing. In a strategy aimed to maximize profits developers and architects work to align physical morphology to phasing for escalating capital returns. The first phase is designed to attract maximum attention with minimum investment, therefore being located along the most visible edge of the site and taking the form of generic office blocks. The prototypical deployment of phase one attracts brand name international technology corporations that fortify the aura of the development and with this in hand the subsequent phases can be built and marketed at premium returns for the developers. To achieve the maximum results the latter phases of development operate doubly; increased volume and amplified subdivision. The divide and sell mantra resulting aimed at the highest possible profits.

From an investor-buyer perspective, the fortified citadel-like environment ensures protection from potentially contaminating neighbors while the presence of blue-chip companies offer prestigious cache. Think living next to Vodafone and dining with Microsoft in a discretely identifiable and ostensibly protected asset.

TAX SHELTER HOTELS

Asset urbanism's tendency to condense global trajectories with local particularities almost always involves exploiting local rules and regulation for maximum profit. Well meaning government policy is often no match for the tireless drive to highest returns. During Ireland's economic growth the government sought to fortify the burgeoning tourist economy by incentivizing the construction of new

Figure 1: 'Mixed-Use Citadel,' *Central Park*, Leopardstown, Dublin, Ireland. Credit: Author.

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hotels through rules enabling hotel investors to deduct any hotel related capital investment from taxable income generated elsewhere. In a synthetic merging of finance and spatial ecologies, this often resulted in developers protecting their income made through residential construction by building hotels that were primarily conceived as tax sheltering devices. One programmatic category then began to work with another in a financial circuit.

The scale and location of many of the resulting hotels are often out of synch with any reasonable demand. A particular nuance of the government regulations is that these hotels must operate for a minimum of seven years to maintain their tax sheltering function. Hence the term 'zombie hotel' that the Irish use to describe the prevalence of strangely situated hotels operating in a skeletal, undead fashion.

INVESTMENT ESTATES (AKA GHOST ESTATES)

The form of housing constructed during Ireland's property boom occupies the full the spectrum of typologies, from single detached homes to apartments in high-density mixed-use developments. However, not all housing types are perceived as equally desirable. Similar to many locations in the world, the ideal form of housing for much of the Irish population is the single family detached home imbued with a small town and quasi-rural ambience. In fact, of the housing produced between 2002 and 2006, approximately 35% were detached homes, 30% semi-detached duplexes, 12% row houses (what in Ireland is called terraced housing), and 22% apartments.[29] Moreover, in the period between 1997 and 2007 around 40% of total house completions took place in rural settlements of less than 1,500 people.[30] The prototypical housing development constructed in the boom is a clearly distinct development parcel, called an estate, usually with one access point feeding an arrayed combination of single detached homes, semi-detached duplexes, and various lengths of three to six unit row houses. These estates blanket the country with almost every city, town, and hamlet witnessing amoeba like growth at their periphery in addition to estates popping up seemingly out of nowhere within agricultural fields.

Figure 2: 'Tax Shelter Hotel,' *Lough Allen Hotel & Spa*, Drumshambo, County Leitrim, Ireland. Credit: Author.

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Figure 3: 'Investment Estate,' *Battery Court*, Longford County, Ireland. Credit: Lőrinc Vass.

In a strategy aimed at amplifying the investment value of these estates, developers and planners often deployed a desirability gradient in their layout. More desirable single-family structures occupy the front and most visible portion of the estate to generate positive appeal and value, while semi-detached structures and then row housing being layered sequentially behind in relation to diminishing desire. The presence of the front-positioned single-family homes allows the larger number of less desirable units to be sold at a higher profit.

AFTERMATH

Faster than investment in the built environment had swelled during the boom, in 2008 the contagious perception that the supply of Irish real estate was radically de-coupled from real demand resulted in an almost overnight freezing of the market. In tandem to the global financial crisis, mortgage markets collapsed, property purchasing halted, and prices plummeted. In 2012, according to Ireland's Central Statistics Office, the national residential price index was 50 per cent lower than its 2007 peak.[31] As the whole system gave way, mortgage holders frequently found themselves in negative equity and developers buried in debt. Builders packed up, leaving a landscape of partially completed projects.

While the property boom can be associated with numerous lasting improvements to Ireland's built environment, from a new light rail system in Dublin to regenerated post-industrial waterfronts in cities like Cork and Limerick, a distressed wasteland is one unmistakable and profound immediate result that endures to this day, some seven years after the bust. Ireland has constructed a sort of instant Detroit, in reverse fast forward fashion, building itself into a state of new vacancy and invented decay. While it is unclear how long the current landscape will persist, it's certain that it represents one of the defining attributes of asset urbanism. Once the physical structures of the built environment function more like traded stock market equities, the inherent slowness of design, development, and construction – its 'stickiness,' to use the terminology of real estate economists, results in it always out of synch with the more liquid immaterial

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financial instruments within the system. Once investors leave the system en masse, searching out new horizons of profitable returns, the physical deposits of investment are left as a largely indelible residue of architecture's asset function.

Many unique conditions of wasteland space form a key component of asset urbanism. While countless conditions can be identified, some are more prominent than others.

UNFINISHED ADJACENCIES

In Ireland the locations in which the juxtaposition between inhabited buildings and various manifestations of vacant, partly constructed structures and territories is stark: Families living alone amongst a sea of half built, empty homes, patrons of roof top bars overlooking abandoned construction sites, and commuters driving through uncanny landscapes defined by construction hoarding or security fencing that has become permanent. It is common for children ages ten or younger to believe that growing up among decaying relics of half built housing is normal.

ELECTRIC FIELDS

The degree to which plant life and rural activities are overtaking many abandoned sites is striking. The first step in construction is, of course, to install utilities and many projects were halted after only this initial phase of work was completed. The result is a new category of field landscapes with entire below grade electricity, water, and sewage infrastructure in place. The distribution of conduit and pipe emerging from the growth, along with the position of manholes, are the only clues of the development that was intended. These electrified fields are now being informally adopted by recreational and agricultural users, complete with roaming horses and children playing ball.

CARCASS OCCUPANCY

While many unfinished structures sit totally empty, there's a parallel set of instances in which one or two tenants occupy an otherwise raw structural

Figure 4: Example of an 'Unfinished Adjacency,' Ireland. Credit: Josimar Dominguez.

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Figure 5: Example of 'Carcass Occupancy,' *Beacon South*, Sandyford, Dublin, Ireland. Credit: Lőrinc Vass.

carcass: A fully operational retail bank outlet tucked under the scaffolding of an incomplete concrete tower structure, a supermarket with raw apartment shells above, or even at the scale of a house, families living only on the ground floor of a large two floor home, with no stair to access the unfinished second floor. This partial occupation conveys the situational agility and resilience of those inhabiting the conditions of asset urbanism.

BOOM/BUST SIMULTANEITY? WHAT ABOUT ARCHITECTURE?

As the bubble popped in Ireland, Spain, and the United States, what went less noticed were the new booms gaining momentum elsewhere. Property values and construction in Beirut skyrocketed, for example, as investment capital sought new geographies of opportunity.[32] What's more, in the United States, where the subprime mortgage crisis is widely perceived to have catalyzed an economic collapse surpassed only by the Great Depression, new research is now demonstrating that the construction continued throughout the bust even as billions of square feet of space sat empty.[33] In a crisis of ostensibly epic proportions, America actually added to its oversupply of housing units.[34] In Ireland there are murmurs of a new boom, with a focus on returning to the property prices of 2007. What these phenomena convey is the way that asset urbanism produces a new terrain for architecture. It is a topography shaped by ever shifting investment flows where states of radical growth are beginning to be collapsed upon and simultaneous with states of decay and waste. How architects respond critically and productively to this new terrain remains to be seen. What opportunities lurk within built form operating more and more like stock market shares? What hidden potential resides within the unfinished adjacencies, electric fields, and carcass occupancies? How can the simultaneous dynamics of expansion and collapse provide currently untapped energy for architectural invention? Without a novel form of agency emerging in response to the spatio-financial ecologies that asset urbanism presents, architecture runs the risk of feudal servitude to the financial operations that it facilitates but remains indifferent too.

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ACKNOWLEDGEMENTS:

This research was generously supported by the Government of Canada's Social Sciences and Humanities Research Council. Research assistants are Josimar Dominguez and Lőrinc Vass, both graduate students at the School of Architecture and Landscape Architecture, University of British Columbia.

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