Asset Urbanism: Ghosts, Zombies, and the Simultaneity of Amplified Growth and Decay

In the late 20th and early 21st Centuries, seismic shifts in the scope, scale, and tactics of global investment capital have made the closely aligned phenomena of market dynamics and urbanization ever more complex, producing a wholly new form of socio-spatial conditions.

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This novel mode of urbanization is marked by the financialization of built space, where the physical increments of the city increasingly function primarily as financial investment assets complete with stock market like instability. Such things as rapid development, the over-supply of built space, mass vacancies and volatile fluctuations between growth and decay mark the resulting urbanism and present unique socio-spatial challenges and opportunities. The name that this research applies to these conditions of the contemporary city is "Asset Urbanism." While the physical components of urbanization—units, buildings and parcels of land—have long functioned, at least in part, as investment assets, the degree to which this role has increased has not been met with a corresponding conceptual or operational framework on the part of architects and planners. Current design discourse appears largely outmatched by the agility and complexity of capital that is now driving the processes of urbanization across much of the globe.

In 2012, the federal government of Canada's Social Sciences and Humanities Research Council funded a multiyear project to document and analyze the characteristics of asset urbanism in selected locations around the globe. This research aims to help establish a framework upon which newly operative concepts of the city may emerge. This paper attempts to articulate some of the dominant attributes of asset urbanism that have been explored in the research thus far.

The growing magnitude of global capital is a basic backdrop to the emergence of asset urbanism. There are a variety of methods used to measure the amount of investment capital that exists in the world as a whole, but by all estimations the total amount of global capital has mushroomed in recent decades. One convenient metric looks at "global assets under management"—the aggregate amount of capital savings under some form of management fund. Of the different types of management funds, the most common are "conventional management funds" which include pension funds, mutual funds and insurance funds and from 2002

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to 2011, the amount of global assets within these conventional funds more than doubled from $37 trillion to $80 trillion.[1] An award-winning 2008 episode of National Public Radio's *This American Life* referred to this exponentially expanding amount of capital as "the giant pool of money" and the show's guest experts, including Ceyla Pazarbasioglu of the International Monetary Fund, described its growth as resulting from new wealth creation in rapidly growing economies such as those within China, India, and the Middle East.[2] In essence, the productivity of global economic systems and their dramatic role in "emerging" territories have resulted in a historically unprecedented amount of capital. The relevance of this for architecture and urbanism relates to how and where the growing pool of capital is deployed.

Within the context of contemporary capitalism that has engendered intensified capital accumulation is a heightened imperative for capital investment into asset categories that are perceived to offer profitable returns coupled with reasonable risk. While this imperative may be understood as a basic premise of capitalism, with the "perpetual need to find profitable terrains for capital-surplus production and absorption shap[ing] the politics of capitalism," it can be argued that the drive to newly profitable terrains is amplified in the context of the "giant pool of money."[3] As business and economics journalist Adam Davidson has described, for most of modern history the majority of capital that was invested went into relatively safe and stable locations like treasuries and municipal bonds.[4] But as capital grew, for a variety of reasons, those historically safe and relatively stable locations became less attractive while the imperative to search out new terrains resulted in more and more capital being absorbed by real estate—or put another way, the terrain of architecture and urbanism.

As David Harvey describes, the processes of contemporary urbanization are increasingly "driven by the need to find outlets for overaccumulating capital."[5] Indeed, for Harvey, "urbanization has played a particularly active role, alongside

Figure 1: 'Ghost Estate' in Drumshambo, County Leitrim, Ireland. Credit: Author.

such phenomena as military expenditures, in absorbing the surplus product that capitalists perpetually produce in their search for profits."[6] This absorption through the trajectories of architecture proceeds in relation to a complex web of parallel and interconnected phenomena. Through the territorialization of urban/suburban/exurban expansion and the reterritorialization of urban densification, built form itself captures larger and larger amounts of capital—resulting in new correlations between finance and physical form. But simultaneous to this constructed capturing of capital are the cyclical dynamics of market value fluctuations in which capital is further channeled into property markets throughout the globe. While the quanta of architecture and urbanism have served as assets since at least the time of Vitruvius, when Roman properties were bought and sold in markets not entirely dissimilar to contemporary capitalist models, the degree to which built space functions as an asset is increasing and in diverse ways of which the effects on the city are under-conceptualized.

The actors and agents animating the urbanization of capital fall along a spectrum of investor types that span from private individuals to corporations and institutions embedded within systems which financialize the built-environment. At the individual end of the spectrum, the proliferation of housing units that function as remote outposts for the wealthy is resulting in a new form of empty density in cities around the globe. As Sam Roberts reported on the case of Manhattan in 2011, "[w]ealthy out-of-towners have always had pieds-à-terre and unused investment properties in the city. What is new is how many."[7] Between 2000 and 2011 the number of units in Manhattan occupied by absentee owners and renters jumped by 70%, from 19,000 to almost 34,000.[8] According to the 2005–09 American Community Survey, an owner or renter who spent less than two months there per year occupied one in twenty-five Manhattan housing units.[9] That same survey identified 102,000 units of empty housing in Manhattan—12% of the total.[10] In certain parts of central Vancouver, another city with a heated and internationalized real estate market, recent data indicates that up to 25% of condominiums sit largely empty as investment properties.[11] The increased prevalence of empty investment properties can be traced far beyond Manhattan and Vancouver, effecting "global" cities almost everywhere, from London to Miami to Dubai and to such a degree that it appears that this "zombie urbanism" is now a defining attribute of the contemporary city.

But zombie urbanism arising from direct individual investment is only one aspect of asset urbanism—and a relatively straightforward one at that. Much more significant are the systemic transformations that constitute the financialization of the built-environment. These transformations range from the emergence of the global market for mortgage-backed securities to the dynamics of international credit markets that fuel the production of the built environment.

Capitalist economies are, of course, defined by cycles that oscillate between expansion and contraction, with periods of economic expansion sometimes accelerating into speculative bubbles that are followed by pronounced busts—as most recently witnessed in the global housing boom and bust pivoting around 2007-08. However, with the backdrop of the giant pool of money, some seasoned observers now point to a new normal in which speculative real estate bubbles increase in frequency and scale. Yale University's Robert Shiller, of the widely referenced Case-Shiller Home Price Index, which tracks home prices in twenty US cities from 1890 to the present, remarks that the "volatility of real estate may be going up in a long secular path. I don't believe home prices will go up [over the long run], but they might be more vulnerable to bubbles."[12] In an interview in the summer of 2013, Shiller remarked that the resurgence in home prices in many American cities was the result of the markets becoming "very speculative," using California as an example in which the markets now fluctuate "up and down like a roller coaster," adding "none of this is real."[13] This heightened volatility in property markets has significant ramifications for the built environment since periods of pronounced rises in property values are typically coupled with major upswings in construction while periods of dropping prices result in a decline of construction activity and a reduced demand for built space bound up with an oversupply. If the new contours of real estate cycles are defined by a larger amplitude between boom and bust and the frequency of these intervals is increasing, the corresponding result is that social and spatial challenges of rapid production and price escalation followed by oversupply and vacancy are defining attributes of what can be called asset urbanism.

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 some of 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. Ireland and Spain are among the countries in which these characteristics are most severe. In all geographic instances, asset urbanism can be understood in terms of how global drivers mix with local particularities. One common attribute to localities that exhibit more pronounced examples of asset urbanism is that they offer what are widely perceived as undervalued pre-conditions prior to a speculative boom. The scale of perceived undervaluation can extend from a city-block to an entire nation. In both Ireland and Spain, perceived undervaluation extended to the scale of the nation.

The Irish sociologist Mary Corcoran has described "Ireland's rate of construction [as] unprecedented for any western economy in the 21st Century."[14] Between 1995 and 2007, more than 750,000 units of housing were constructed.[15] In 2006 alone, at the height of the boom, more than 90,000 units of housing were completed.[16] 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.[17] In the same period over 10 million square feet of shopping malls and 13 million square feet of office space were constructed.[18] In the four years leading up to 2008, over 18,000 new hotel rooms were completed.[19] This intense construction activity occurred in concert with dramatic property value increases. 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]

Like Ireland, Spain also experienced an explosion of new construction activity leading up to 2007-08, but while Ireland's per capita construction rate was the highest, Spain's far larger national population resulted in a sheer volume of construction that exceeded anything in Europe. "Between 2001 and 2008 around four million new houses have been built and the average number of housing units completed per year was 565,000, more than double the figure of 250,000 for the previous decade," reports Isabel Concheiro in her analysis of spatial morphologies of the Spanish boom.[23] According to analysis conducted at the London

School of Economics, Spanish home construction accounted for two-thirds of the housing units built in Europe between 1997 and 2007.[24] Also like Ireland, but more pronounced, residential construction was coupled with vast amounts of new infrastructure and commercial space.[25] In terms of price increases, in the ten years leading up to the 2007 collapse, Spanish property values rose nationally by 150%, but much more so in certain regions.[26]

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While the transformations to the built environment during the recent booms in western nations are dramatic, the ongoing boom in China dwarfs them. From 2007 to 2011, property values in China rose 150% nationally but much more in key urban centers like Beijing where property values have increased by more than 800% over the past eight years.[27] According to an increasing chorus of economic observers, China's current property boom is likely the largest in history.[28] The scale of urbanization in China is well understood, but what is now coming into sharper focus is the degree to which it has been animated by the products of architecture functioning as assets for China's growing middle class. According to an array of analysts, China's middle class has invested heavily in real estate because of the country's unique financial investment landscape in which citizens are prohibited from owning foreign stocks and bonds while Chinese banks offer comparably low returns on investment.[29] As *60 Minutes* has recently reported, it has become common for many in China's middle class to buy five to ten apartments each.[30] As such, the real estate market in China has absorbed the vast majority of household investment, with the value of China's urban residential market now standing at 115 trillion yuan, compared to 23 trillion for the stock market and 26 trillion for the bond market.[31] As Peter Calthorpe has stated, "[t]he result is a string of large, empty developments that remain speculative investments rather than real homes and communities."[32]

David Harvey noted that "[u]nder capitalism there is … 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

Figure 2: 'Zombie Hotel' in Limerick, Ireland. Credit: Josimar Dominguez.

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crisis, at a subsequent point in time."[33] The contemporary landscapes of Ireland, Spain and parts of China offer poignant portraits of the ruthless vicissitudes of built territory operating primarily as an asset category. In 2011, 290,000 units of housing sat empty in Ireland 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 … apocalypse space.[34] This haunted landscape is dotted with 'zombie hotels,' the Irish term for hotels that were built to exploit a government program in which taxes could be sheltered through investment in hotel construction. These often strangely sited and oversized structures were commonly built by developers to shelter income made through the construction of housing in what amounts to a tightly synchronized circuit of built form matched with the particular nuances of capital's flow. Considered primarily as tax sheltering devices, these structures are barely occupied with a skeletal staff

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denoting their undead operations.

In Spain, twenty percent of the nation's housing units now sit empty. Large numbers of mega developments on Madrid's periphery, each with thousands of units, are entirely vacant. The city's southeastern territory is "currently a 'stand-by' landscape, defined by land works and … new roads and infrastructure" that signify once promised projects that have disappeared with tightening credit markets.[35] Spain has two totally empty 'ghost airports,' constructed during the boom and now slowly decaying without ever having a plane land.[36] The Mediterranean

Figure 3: 'Ghost City,' Kangbashi, Ordos, Inner Mongolia, China.

Figure 4: 'Ghost Airport,' Ciudad Real Central Airport, Spain. Credit: Getty Images

Coast from Valencia to Malaga is perhaps where Spain's version of asset urbanism is most pronounced. Intertwined with the tourist economy, foreign investment capital poured in from Northern Europe, amplifying the production of what Concheiro labels 'leisure investments' which took the form of seaside megaprojects of up to 10,000 units that now coalesce in a vast linear city running the entire length of coast.

China is said to currently have over 60 million vacant housing units, many situated in 'ghost cities' like Chenggong in Yunnan or Ordos in Inner Mongolia.[37] Vast tracts of super block high-rises now sit empty despite often being entirely purchased by investors. As Peter Calthorpe reports, since China has no property tax, it's relatively easy for investors to hold empty apartments.[38]

The particular dynamics of global capital that animate asset urbanism differ within different contexts. The rise of speculative development and investment in Ireland and Spain worked in tandem with the liberalization of international credit markets which resulted in a flow of lending capital from German and French banks to Irish and Spanish banks. But in Spain, market accelerations were amplified by property purchases made by foreign investors from Northern Europe who were attracted to the experiential pleasures of the Mediterranean coast. In contrast, speculative purchasing in Ireland was almost entirely domestic. Asset urbanism in China arises from the unique attributes of the rules and regulations of internal markets and tax regimes. However, the complex interconnections of relatively fluid global economies enmesh local differences in a larger system of interconnectivity. For example, China's domestic property market increasingly fuels the overall Chinese economy, but the capital generated through that internal market stretches into and inflects global property markets through the investment strategies of the Chinese government that finance architecture and urbanization in locations throughout the planet. This allows David Harvey, in his work on the urbanization of capital to ruminate, "[i]s the urbanization of China, then, the primary stabilizer of global capitalism today? The answer has to be a qualified yes. For China is only the epicenter of an urbanization process that has now become genuinely global, partly through the astonishing integration of financial markets that have used their flexibility to debt-finance urban development around the world."[39] This integration ties into a myriad of ways in which the built-environment is increasingly financialized – or in what Saskia Sassen calls the "the financializing of non-financial domains."[40] A prominent case in point are mortgage-backed securities, which were first invented in the 1970s but have only become widely utilized within the recent emergence of asset urbanism in America in particular. While mortgage backed securities do not play a direct role in the Irish and Chinese real estate markets, where mortgages are not securitized for the purpose of trading as in the United States, the market for these securities is highly internationalized in a manner that interlinks diverse global capital markets. In this way capital emanating from the local particularities of the Chinese real estate boom is integrated in the international market for securities backed by American mortgages.

It remains to be seen what will become of the ghost cities now dotting China. There is good reason to expect that they will be populated in the not-too-distant future. As the most recent bubbles in Ireland, Spain, and the United States popped, 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.[41] What's more, in the

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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 construction continued at a remarkable pace throughout the bust even as billions of square feet of space sat empty.[42] In a crisis of ostensibly epic proportions, America actually added millions of houses to its unprecedented oversupply.[43] 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 newly dynamic terrain for architecture. It is an unprecedented topography shaped by ever shifting investment flows where states of radical growth are beginning to be collapsed upon and simultaneous with states of dramatic 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 and carcasses of growth that amplified real estate booms are producing? 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 dynamics that asset urbanism presents, architecture runs the risk of feudal servitude to the financial operations that it facilitates but remains largely indifferent too.

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