

CHAPTER 1

Introduction: Housing as Asset

Built Up situates real estate where it belongs, at the very centre of the process of urban development and the broader nature of advanced capitalism today.

(Florida 2022)

Houses are built to be lived in not for speculation.

(Xi Jinping, address to the 19th Party Congress,
Beijing, October 2017)

We begin with three propositions:

1. Housing has a new-found centrality in advanced societies due to its expanded role as an investment asset and source of wealth accumulation. Housing matters more both in the macro-economy and in daily life since the financial deregulation of the 1980s and especially following the Global Financial Crisis of 2008–2009, due to an unprecedented low-interest environment and abundant footloose capital. But easy credit also raises the spectre of unstable debt loads and destructive housing bubbles.
2. While the same favourable borrowing terms have been available throughout a nation, housing investment is disproportionately attracted to the property markets of gateway cities, vibrant cosmopolitan portals connected to international flows of trade, capital, and immigrant labour. These cities display exaggerated house price cycles, heightened social inequality, and a political system that typically favours house price inflation as a household asset that offsets declining real wages and welfare expenditures.
3. Heightened investment activity from the globalisation of housing markets decouples an established connection between regional labour markets and housing markets, so that local wage earners are left behind by unaffordable residential prices. Conventional housing market explanations are no longer

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adequate in gateway cities where 'fundamentals' must be re-scaled to include immigration, off-shore investors, and the role of the global real estate industry. Financialisation, a growing sophisticated synergy of housing and finance, has up-scaled housing markets.

These three propositions give rise to a series of consequences that define the housing condition of gateway cities. The creation of housing as an asset in a deregulated global economy brings opportunistic capital flows from investors (both national and global) that are commonly willing and able to outbid local end-use buyers. As well-heeled household and institutional investors flood the market, surplus demand, beyond use or need, drives up prices and availability. Affordability becomes a major challenge to local workers. They make adjustments. Displaced from one housing sub-market they occupy another, themselves displacing less well-resourced fellow citizens. They double up or accept smaller units, they rent instead of own, they return to, or do not leave, the parental home, they enter informal housing arrangements, they accept lengthy commutes, they assume heavy mortgage debt, they leave the region, and sometimes they protest politically. They change jobs, take on a second job, become a two-wage earner family, postpone child-rearing, thereby reducing the birth rate.

But their frustrations and stresses contribute to the benefits and satisfactions of better-resourced households who are already property-owners. A broad separation in the distribution of wealth arises between early and late arrivals to the inflating housing market of gateway cities. Indeed, an egregious transfer of wealth occurs as late arrivals – the young, the poor, immigrants – attempt to leave rental units and enter the unaffordable market for a home whose rising cost builds the land-based portfolio of early arrivals. In their life chances early and late arrivals occupy opposing housing classes.

Some justification and expansion are needed of these propositions.

The New Centrality of Housing

During the house price run-up to the Global Financial Crisis (GFC) of 2008–2009, *The Economist* ran a special feature on 'The global housing boom' (The Economist 2005). Its tone was apocalyptic:

According to estimates by *The Economist*, the total value of residential property in developed economies rose by more than \$30 trillion over the past five years, to over \$70 trillion, an increase equivalent to 100% of those countries' combined GDPs... it looks like the biggest bubble in history.

With reduced confidence in the stock market, investment energies had turned to property as a favoured asset in many western nations. It was not hard to find evidence for *The Economist's* claim that 'Prices are being driven by speculative demand'. Investment instruments like interest-only and negative-amortisation loans revealed the gambler's stake in the continuing rapid inflation of residential properties; it was estimated that these frothy instruments accounted for 60% of new mortgages in California (The Economist 2005). In 2004, almost a quarter of houses in the United States were purchased for investment purposes, another 13% were second homes. *The Economist* ended its analysis with a doomsday scenario:

The housing market has played such a big role in propping up America's economy that a sharp slowdown in house prices is likely to have severe consequences. Over the past four years, consumer spending and residential construction have together accounted for 90% of the total growth in GDP. And over two-fifths of all private-sector jobs created since 2001 have been in housing-related sectors, such as construction, real estate and mortgage broking.

Doomsday arrived in short order. The GFC proceeded from the unravelling of toxic home mortgages, extracted from risk-taking and often vulnerable American households, which then passed through an international financial sector short on ethical judgement and due diligence (Wyly et al. 2009; Forrest and Yip 2011; Bardhan et al. 2012; Farlow 2013). When this deck of cards collapsed, housing market failures brought down financial institutions, with knock-on effects through the economy, and unprecedented levels of foreclosure as financial crisis downed the American middle-class. Contagion into the rest of the economy and ensuing policies of harsh austerity in the US and the UK, amongst others, sustained the social misery (Peck 2012; Clark with Heath 2013). Since then, banks have paid over \$150 billion in US court-imposed fines for their improprieties. The wider cost of the GFC to the US has been variously estimated from \$22 trillion upwards, including lost revenue, incomes, and taxes, and \$9.5 trillion in the UK (BBC 2017). Catastrophic though these events were, their inter-connections were not unique. More than two-thirds of banking crises in recent decades followed a boom–bust housing cycle (IMF 2019c, p. 62); consequently, 'House price dynamics and macroeconomic and financial stability are tightly connected' (ibid.). Housing matters!

Housing crises are not limited to western democracies. In East Asia the developmental state has used housing and property development as the front end of its urbanisation mission (Doling and Ronald 2014). In Hong Kong,

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Singapore, and China large and energetic property corporations harbour global ambitions. Immense wealth is derived from land development (Lin 2009); seven of the ten wealthiest men in China (including Hong Kong) in 2019 led property development or construction companies (Liu, Yiu and Liu 2020). Real estate has been at the heart of the Chinese economic development model (Wu 2015). Substantial land value gains and high real estate profits in urban China have encouraged excessive leveraging, with heavy over-hanging debt loads that threaten both local government and the broader economy. A senior official of the National People's Congress laid out the dilemma:

The real estate industry's excessive prosperity has not only kidnapped local governments but also kidnapped financial institutions — restraining and even harming the development of the real economy, inflating asset bubbles and accumulating debt risk... The biggest problem facing the country is how to reduce reliance on real estate.

(Yin Zhongqing, cited in Wildau 2017)

The dilemma persisted. In the surprising initial boom during the COVID-19 pandemic, China's top financial regulator warned against the excessive exposure of banks to the property sector as 'the biggest grey rhino'¹ faced by the country's financial sector (Ren 2021) – while the debt crisis among residential developers, led by Evergrande, steadily deepened.

The prominence of the property sector in the macro-economy is matched by its growing salience for private households. A conventional distinction has contrasted the use value from the exchange value of residential property. The former describes the utility and purpose of the home for everyday life, the latter its valuation as a marketable commodity. Together they incorporate the expanded mission of the modern home. As Fiona Allon has written, 'We want our homes to be everything: shelter, identity statement, asset, property investment, a ticket to wealth and riches, and even to function as banks' (Allon 2008, p. 12). As a younger urban Australian, Allon emphasised the economic dimension of the home more than an earlier generation might have done. The increasing cost of entry to homeownership and the potential for significant capital gains have raised its economic stake and sharpened the profile of inequality. In Canada, housing accounted for 34% of household wealth in 1990; in 2015 it crossed the 50% threshold (Statistics Canada 2020). Due largely to house price increases, median family net worth doubled in Canada from 1999 to 2016; in Vancouver, the most expensive city, it almost tripled (Gellatly and Richards 2019). In the pandemic boom, during five quarters following January 2020, household net worth in Canada rose by a substantial

18% to CAD\$13.7 trillion, due largely to accelerating house prices; in the final quarter, homeowners absorbed 95% of that growth, leaving the nation's renters with a pittance. Household debt loads also swelled, common to housing booms, with new mortgage debt accounting for 107% of total household credit debt during these five quarters (Statistics Canada 2021a). Striking evidence of the role of housing in wealth accumulation also comes from the United Kingdom. National wealth rose by £7 trillion between 1995 and 2016, and more than £5 trillion, three-quarters of the total growth, was attributable to the escalation in value of the housing stock (Macfarlane 2017; ONS 2017). Unsurprisingly, among a range of investment options, over half the respondents to a UK survey nominated residential property as providing the best return (Lowe 2011). Further finessing of national wealth data showed that while the increase in the value of dwellings was appreciable, more significant was the growth of land value beneath them.² Land is the greatest single contributor to UK national wealth, and its share has been steadily rising. Over the period from 1996 to 2018 the median contribution of land to the annual growth of non-financial assets in the UK's net worth was 67% (ONS 2019a). Land value has been growing at an even faster rate than dwellings and other improvements in the built environment. This has been a constant refrain in gateway cities, providing great incentives for builders and investors, while generating profound policy challenges to the creation of affordable housing.

The Volatile Housing Markets of Gateway Cities

At a Singapore conference in April 2015, Laurence Fink, Chair and CEO of BlackRock, offered his advice on successful investment. 'The two greatest stores of wealth internationally today is [sic] contemporary art... and two, the other store of wealth today is apartments in Manhattan, apartments in Vancouver, in London' (cited in Burgos and Ismail 2015). Housing as asset was given a geography by an interlocutor with compelling global credentials as the founder of the world's largest asset management empire. Fink's discerning eye focused on residential property in designated locations, gateway cities with a history of appreciating housing values (Martin 2011).

Gateway cities are hubs in international flows of capital, trade, and migrants.³ Many are global cities, but whereas discussions of global cities are preoccupied with hierarchies and labour market classifications, the concept of gateway cities highlights interface and mobility, the movement of people, finance, goods, and information. Gateway cities are ports, typically nodes of ocean and air traffic. They are major landing points for international migrants, and immigration is usually the major source of population growth. They have

white-collar, post-industrial economies, with a dual labour market of well-paid professionals and managers, and poorer paid service workers, disproportionately women, immigrants, and young singles. They are typically entertainment, fashion, arts, education, and media centres, disseminating both higher learning and the novelties of popular culture. As cultural and lifestyle centres they are noticed, even branded in the transnational imagination, and destinations of tourists and international students. They are places where national and international capital moves freely, entrepreneurial juices flow, opportunities and opportunism exist for striking a deal, and white-collar crime makes a profitable entry.

Gateway cities like London, New York, Hong Kong, and Sydney, tied into global flows of capital and labour, have become veritable honey-pots for national and global property investors (Fernandez et al. 2016; Ley 2017, 2021; Liu and Gurran 2017; Chung and Carpenter 2022). Global portfolio investment supplemented by wealth migration aided by golden visas have together brought a 'global wall of money' (Aalbers 2016, p. 134) to bear upon selected local housing markets. Within gateway cities, significant residential investment is initially concentrated in prime areas, the blue-chip neighbourhoods where returns are proven; but effects ripple out reaching even distant suburbs (Grigoryeva and Ley 2019). New York's new luxury high-rise condominiums of 'Billionaires' Row' around the southern edge of Central Park, including the Time-Warner Center, attracted many foreign purchasers (Story and Saul 2015). As properties inflated in value, ownership became more difficult to trace, with capital flows leading to tax havens with inscrutable security concerning the identity of beneficial owners. Over half the residential sales of over \$5 million in Manhattan in 2014 were to shell companies, described by an international anti-money laundering agency as the getaway cars of financial crime (Transparency International 2016, p. 6). Some apartment units, bought purely for speculation, were never occupied, and after an early boom ebbed, vacancies were abundant.

Hot money that arrives quickly may depart quickly, creating housing market volatility that festoons instability and financial chaos in its wake.⁴ The Asian Financial Crisis (AFC) in 1997 abruptly punctured housing bubbles in East and Southeast Asia. In Hong Kong, a rapidly inflating market ahead of the handover of the British colony to China had created euphoria, as flat prices rose 70%. But euphoria led to despair as a crash and then a slide removed all the gain by 2003. At that date over 100,000 mortgage holders were underwater, in a state of negative equity, their savings lost and prospects savaged (see Chapter 3). The AFC was a dress rehearsal for the GFC a decade later that brought economic chaos to each coast of the North Atlantic, especially Britain, Ireland, Spain, and the United States. The Case-Shiller home

price index of 20 large US cities revealed the extent of the carnage that *The Economist* in 2005 had warned lay ahead (Wake 2020). Gateway cities (Los Angeles, Miami, New York, San Francisco, Washington) and retirement/leisure cities (Las Vegas, Phoenix), where prices had more than doubled since 2000 displayed the biggest price bubble and suffered the deepest price collapse. In contrast heartland cities like Dallas, Charlotte, and Atlanta had experienced little price inflation and saw limited price shedding. Old industrial cities had gained little and lost more. The volatility of price oscillations was most marked in gateway cities, the national centres of irrational exuberance (Shiller 2000).

The similarity of price behaviour among US gateway cities and their distinction from other large metropolitan areas deserves further comment. House price profiles among 27 large American cities showed that six coastal immigrant gateways formed a recognisable cluster in terms of price peaks and the amplitude of price oscillations (Dieleman et al. 2000). Such national – and international – synchronicity of housing markets in advanced societies has been recognised (IMF 2018b). A striking example are Sydney and Toronto, two gateway cities of similar size but 15,000 kilometres apart, whose parallel house price trajectories showed a correlation of 0.88 over the period from 1977 to 2002 (Ley 2007). Remarkably this robust relationship was much stronger than correlations between prices in Toronto and cities in other Canadian provinces (Ley and Tutchener 2001). A global signal had trumped a national one. Such ‘synchronization of housing prices reflects the key role played by global factors, primarily through interest rates and global economic activity’ (Terrones 2005, p. 2).

The Globalisation of Residential Markets

I recently received an e-mail from a Hong Kong broker working for an international real estate company. He has sent sales information regularly since our earlier conversation in Hong Kong, forwarding new international listings, especially those located in Britain, mainly Central London, a popular venue for Hong Kong investors. This recent alert concerned a new London, Thames-side, condominium with sales about to be launched in an exhibit at the Mandarin Oriental Hotel in Hong Kong’s Central district. The development company for the London project is listed in Singapore, has a Scottish name, Frasers Property, from its colonial founding in 1883, has been owned since 2013 by a Thai billionaire, and the building was about to be marketed in Hong Kong. It is through international networks and institutions such as these that global residential markets function, exemplifying ‘the unprecedented extensiveness of [global]

real estate networks, the high level of intensity of real estate activity, and the speed at which real estate transactions occur' (Gotham 2006, p. 254).

The liberalisation of foreign investment regulations in the 1980s and 1990s permitted increasing capital penetration across national borders. Since then, and especially since the GFC, property companies have made repeated sorties from their national bases. Australia's Lendlease corporation has developed an English niche in the regeneration of London's council housing estates (see Chapter 6), while its 'Global presence... focuses on [15] major "gateway cities"' (Lendlease 2019). Large Asian developers have been particularly proactive, their size and connections giving them substantial economic power. Singapore's CapitaLand has become a significant player in China's urbanisation with extensive residential, retail, and office projects (Chapter 2). Nonetheless, 'Driven by a global vision', the company has a footprint in over 200 cities in more than 20 countries (CapitaLand 2019a). To avoid the cyclical instability of real estate, many Asian property developers have diversified into much broader holding companies. In Hong Kong, Li Ka-shing's Cheung Kong Holdings was restructured in 2015 to include the primary property business, CK Asset Holdings, while CK Hutchison Holdings became responsible for its global interests in telecommunications, utilities, retailing, and other sectors (Chapter 3).⁵ Like other large Hong Kong and Singapore developers, Li used his political connections with the Chinese Communist Party to establish a robust presence early in China's urbanisation, where Cheung Kong undertook over 80 development projects.

Always a pioneer, Li Ka-shing was the first Hong Kong developer to diversify outside East Asia. In 1988 he led a consortium that bought the site of Vancouver's Expo '86 (Chapter 5), and within a few years Hong Kong's four largest developers had an active presence in major redevelopment projects in the city (Olds 2001). As part of his company's later pivot to Europe, Li began two large Thames-side projects in London, including Convoy's Wharf, redeveloping the original Royal Dockyard, where 3500 housing units will eventually be built. Just downstream a subsidiary of Hong Kong's New World Development is building 10,000 units on the Greenwich Peninsula (Chapter 6). After the lifting of state controls in 2012, large Chinese companies bought, sometimes exuberantly, in gateway cities, notably London, New York, and Sydney. Not all were successful, and the then largest in China, Dalian Wanda, and third largest, Evergrande, had to liquidate purchases to meet heavy debt obligations. Their missteps repeated the earlier failure of Canada's Olympia and York that overcommitted its capital in developing London's Canary Wharf.

These property corporations are typically marketing their units both locally and offshore. Their market is global, and eager buyers include Asia's

rising new middle class as well as global high net worth investors (Hay 2013; Rogers and Koh 2018). Real estate comprises a key investment portfolio for the 'super-rich', particularly for investors based in Asia (Hay 2013; Forrest et al. 2017; Atkinson 2020). Their business plans vary (Ley 2010; Montezuma and McGarrigle 2019). The wealthiest may be seasonal residents, moving between holiday homes, or immigrants on a golden visa. Middle-class transnational investors are more likely to purchase a single or a small number of condominium units, in some cases a home for adult children studying abroad. When currency rates, interest rates, and local politics are propitious these overseas investors can exercise significant effects on gateway housing markets, especially in smaller gateway cities like Vancouver (Moos and Skaburskis 2010; Ley 2010; 2017; see Chapter 5). But even London's much larger market is impacted (Chapter 6); in 2013 over 1800 new-build dwellings in London were sold to buyers from Hong Kong and Singapore alone, 10% of all London completions that year (CBRE 2014). Developers routinely sell their prime London flats in Asian cities, including Hong Kong and Singapore. Weekend property exhibits are held at luxury hotels, where international sales are curated by global real estate companies.

In the past decade international sales have been greatly aided by new technologies which permit virtual viewing of a global housing stock (Rogers 2016). The real estate platform Juwai, based in Hong Kong and Shanghai, brings a global menu of real estate properties with separate portals for Asian buyers in China and, from 2020, for the rest of Asia. Juwai claims, under the mission statement 'Empowering Asian property investors to be global residents', to list six million properties a year to 5.5 million active subscribers (Juwai 2020).

The property capital of offshore companies and individual investors is typically welcomed, even invited, at least initially. Senior governments favour investment and facilitate it, while local government may participate in an accommodating growth coalition with the real estate industry. But the cumulative presence of investors can destabilise a local housing market, by ratcheting up prices with the displacement of wage-earner savings by investor capital in residential purchase. This decoupling of a local labour market from its housing market has precipitous social and economic consequences we shall consider in later chapters. It also causes a re-writing of the explanation of housing markets, making former fundamentals like local incomes less salient. Bob Rennie, the most successful condominium salesman in Vancouver, understands this all too well. 'I joked with the CMHC's board⁶ a couple of years ago that the Vancouver market never went up on fundamentals, so why would we go down on fundamentals?' (cited in Gordon 2022). This book aims to extend Rennie's professional acumen into a broader scholarly discussion.

A Narrative of Key Relationships

Housing booms in gateway cities, their causes, consequences, and the role of the state as both instigator and sometimes mitigator of house price inflation, provide the basic architecture for the extended case studies of housing in Singapore, Hong Kong, Sydney, Vancouver, and London. Housing plays a central and distinctive role in the economy and society of each city, and that role is discussed in a detailed regional and historical contextualisation of their residential markets.

At the same time, empirical trends require conceptualisation into a broader set of arguments.

Booms are shaped by a range of economic, demographic, and political factors operating at regional, national, and international scales. In a complex cascading of effects, booms create their own outcomes, notably affordability crises, greater inequality, and grassroots political pressure. Affordability problems then lead to a new round of outcomes in civil society including migration, accommodation, and protest. In systems this complex, local contingencies abound, outcomes and causes are multiple, and the ranking of 'independent variables' is moot. Nonetheless, an idealisation of key characteristics and relationships may be identified in the following narrative that builds out from the three propositions that began this chapter, and highlights key factors to be identified in the case studies, including the role of 'surplus demand' from speculative investment, the participation of transnational housing market actors, and housing policy derived from specific state ideologies.

We start with the recognition that gateway cities are growth nodes, hubs between national and international economic flows, with population increase driven by immigration in contrast to the net out-migration of domestic-born households. There is commonly a crisis of housing affordability in gateway cities, as asset-seeking investment, 'surplus demand', often primed by local growth coalitions, decouples housing markets from local labour markets. That investment includes value-seeking global capital arriving from off-shore investors and wealthy immigrants, sometimes landing with golden visas, as well as regional and national asset-seekers. Off-shore household investors are part of a broader globalisation of real estate in gateway cities, which includes the play of mobile international property development and marketing companies, sovereign, pension, and private equity funds, plus opaque capital from tax havens, including money-laundered funds. Real estate globalisation has been facilitated by declining interest rates over the past 30 years and especially since the GFC, and the availability of new, transnational financial instruments and institutional arrangements. The excess of asset-seeking investment

in a deregulated market leads to house price volatility, with exaggerated boom and bust cycles.

The neoliberal state's default policy is to encourage investment in homeownership, regarding the home as an appreciating economic asset, where capital gains may offset shortfalls of wage income and declining welfare services. Household welfare is transformed as residential property ownership adds a major source to wealth accumulation. But such an arrangement may be politically unstable, in part from growing inequality with growing numbers unable to access affordable homeownership, while others confront serious risk from heavy mortgage debt loads. In some instances, the extent of inequality and marginalisation creates a state of residential alienation (Madden and Marcuse 2016) for those unable to access affordable, decent housing, including newcomers to the market excluded from homeownership. The neoliberal state is then obligated for its own electability to introduce demand management in a succession of cooling measures. State failure to mitigate the affordability crisis for local residents may lead to political mobilisation and possibly even regime change.

Most evident in gateway cities, the empirical prominence of residential real estate in both macro-economic relations and everyday life confers a new theoretical centrality to housing in a financialised, post-Fordist society.

Of course, this narrative is not as linear or chronological or complete in any one city as this idealisation might suggest. Not all relationships are equally evident in each of the five gateway cities. The grassroots residential alienation in Hong Kong and Vancouver is limited in Singapore and Sydney. The state's inflation-cooling measures so prevalent in Singapore are subdued in London. The narrative does, however, provide a framework that aids the introduction of comparative themes in the chapters that follow. Each chapter highlights some, but not all, of these relationships. The Hong Kong chapter features the actions of a property-based growth machine, leading to inequality, residential exclusion, residential alienation, and political mobilisation among young adults denied the wealth accumulation and middle-class status of homeownership. In Sydney the argument stresses the role of state-facilitated local and global investment introducing 'surplus demand' and declining affordability during the 2013–2017 boom. In London tenure inequality is emphasised, within a global housing market primed by vigorous neoliberal marketisation, asset-based social policy, and welfare austerity. The Vancouver story examines the state's daunting attempt to reregulate a deregulated and dysfunctional housing market distorted by transnational investment. Singapore represents the most successful case of homeownership as asset-based welfare, sustained by long-standing, fastidious state management of the housing market, while navigating significant economic and demographic challenges.

Over-theorised discussions of the property market risk presenting a system of relationships whose interlocking parts are too well-lubricated, even functional in their interdependencies. This study presents a more grounded conceptualisation, where institutions and their decision-making are taken seriously, including government departments, development companies, financial corporations, and civil society organisations. An impressive precedent is Rachel Weber's interpretation of real estate speculation in Chicago's downtown area, with her declaration, 'I give voice to agents in these different professions instead of giving agency to abstractions such as "capitalism" or "markets"' (Weber 2015, p. 31). At the same time, she acknowledges that those agents are always implicated in broader geographical and historical contexts which they do not fully understand and only partially steer.

This analysis emphasises the period since the GFC, but more broadly covers the last 30–40 years, an era coinciding with the crisis of the Fordist concordat, and the development of market-leaning neoliberal governance, though the shape of that governance inevitably has a variable expression in each city. The transition period of the 1970s–1980s has significance for housing in the approximate coincidence of three significant developments. First, it represented the crisis of Fordism, and with it the erosion of welfare state benefits, including the provision of subsidised social housing. Major financial reforms, notably in the US and the UK, deregulated banking and liberated the globalisation of finance and the proliferation of financial institutions and instruments (Lowe 2011). Competition for borrowers was accompanied by a lowering of mortgage rates and innovation in financial instruments, giving much more flexibility in credit provision, and encouraging consumers to carry heavier debt loads. The second transition was a phase change in real house prices in many western nations with a sustained upward trajectory beginning in the 1960s and 1970s after a long quiescence; it was only in the 1970s that real residential land values, on average, regained their pre-1913 level (Knoll et al. 2017). But from 1980 to 2012 real house prices doubled, a figure much exceeded in the five gateway cities. Clearly a long-term transition was occurring in the meaning of residential land as an asset. Third, a similar shift is found in Piketty's macro-analysis of the composition of capital in a sample of western nations, with a substantial rise in the share of housing capital in national capital totals after 1950, while private capital (roughly half of it in housing) doubled from 2–3.5 times the value of national income in 1970 to 4–7 times the value in 2010 in a group of advanced societies (Piketty 2014, p. 173). Piketty identifies two changes between 1970 and 2010 relevant here: privatisation, the decline of public capital and the rise of private capital, and also the continuing recovery of asset prices, including real estate. Together, these trends identify the growing

centrality of housing in private capital formation in a post-Fordist society, and its status as an asset in wealth accumulation.

The principal objectives of this book are first, to examine the place of the homeownership market – its price trends, their causes and consequences, and its management by government – in the economy and society of five gateway cities, and, second, to interpret how these relationships fit within the more particular thesis of homeownership and an asset society.

Homeownership and Asset-based Welfare

A conceptual frame usefully binding this study's interwoven relationships is the evolving thesis of homeownership as asset-based welfare, and the broader theorisation of an asset economy (Adkins et al. 2020). The rise of neoliberalism, declining household pension benefits, stagnant real wages, the long-term growth of house prices, and the rising share of private capital (notably housing) as a multiple of national income converge to locate homeownership as the primary household asset in the formation of a system of asset-based welfare. Neoliberal government in its ideological drive to reduce social service costs and marketise social relations encourages residents to transition from state dependency to 'modern investor subjects' as homeowners (Watson 2010). Social housing policies are discontinued and replaced by homeownership incentives. At the same time stagnant or declining real wages and shrinking welfare state benefits require inflating house prices to secure state legitimacy in any partnership with homeowners. The home becomes a household's primary asset for wealth accumulation, while mortgage debt provides an induction to risk society. In some states asset-based welfare is an implicit, default position with limited formal state sponsorship. In others its relationships are guided, even extolled, by explicit state policy (Adkins et al. 2020).

The role of homeownership in a personal investment portfolio to provide welfare and retirement insurance exists in a number of East and Southeast Asian countries (Ronald 2008; Ronald and Doling 2010; Doling and Ronald 2014). This system was instituted in Singapore in the 1960s, and the interactive relations of residential asset and family insurance were underscored by the use of the compulsory retirement savings scheme, the Central Provident Fund, as a contribution to housing expenditures, with capital gain on housing investment intended to cover retirement and other welfare needs (Lee 2014). With the steering capacity of a powerful state, Singapore has continued to achieve, more or less, a medium-term balance between the use and exchange value of its government-leased flats. Hong Kong was another case where homeownership might have dispersed wealth and achieved political

legitimacy in the presence of a weak welfare regime (Goodstadt 2013). The policy worked well enough with rising homeownership in the 1980s and most of the 1990s, but it was undercut by the Asian Financial Crisis and the bursting of the housing bubble in 1997. Unlike Singapore there was no effective government oversight to protect highly leveraged homeowners or provide an adequate continuing supply of quality subsidised housing. Since 2003 the ownership rate has stalled at around 50%.

The place of homeownership in asset-based welfare was also evident in social policy and welfare state studies, particularly in Britain, Australia, and other societies subscribing to a 'liberal-market' model of residential capitalism (Schwartz and Seabrooke 2008; Ronald et al. 2017; Adkins et al. 2020). The argument was set in motion by Kemeny (1980) in an important discussion of the relation between homeownership and welfare state regimes, where in principle, high taxation countries with comprehensive welfare states should have lower levels of homeownership, and vice versa. The private character of homeownership, he argued, created a conservative ethos unsympathetic to collective, public models of social security. In producing a form of 'private insurance' insulating a household from old-age poverty, Kemeny posited that homeownership would make welfare state services and the taxation that supports them less attractive. Not only does pension assistance become less necessary in old age, but also the front-loaded nature of ownership costs inclines first-time buyers to be wary of high taxation policy to support a substantial welfare state. With reduced homeownership costs in later life, homeowners continue to oppose high taxes, for the equity asset of their home compensates for smaller public pensions (Kemeny 1980, 2005; Doling and Ronald 2010a). Complicating this hypothesised relationship, while states with high levels of homeownership should tend toward weaker welfare states, not all European states have the same institutional arrangements in terms of housing and pension commodification (De Decker and Dewilde 2010; Doling and Ronald 2010b; Delfani et al. 2014).

Deregulation in the mortgage market from the 1980s provided many more financial instruments to attract homeowners and residential investors. In addition to more accessible credit, competition and innovation provided greater flexibility to creative uses of housing wealth. As the literature developed it became clear that the trade-off between homeownership and welfare was not limited to pension support, for home equity withdrawal was shown to be taking place at different life-cycle milestones including family and employment transition, medical emergencies, children's (or grandchildren's) education, and aid for children's entry onto the ownership ladder (Smith and Searle 2008). In the British case, a surprising finding was that only 10% of households 55 years and older were likely to make a withdrawal in a given

year, challenging the argument of home equity's primary use as pension insurance (Searle and Smith 2010).

Using the home as equity that may be drawn down is one aspect of the financialisation of the housing market. Financialisation is the process 'by which something or someone is managed as a fund' (Aalbers 2016, p. 2). In a growing synergy, the expanded financial capacity of homeownership is matched by the increasing housing reach of finance, exemplified by the diversity and importance of mortgage loans in the lending portfolio of many banks, and the increased marketability of housing as a result of flexible means of borrowing. Deregulation of the financial sector in the 1980s unleashed a flood of global finance with new instruments and new institutions liberalising the acquisition and sale of property as asset in a growing number of nations (Ronald and Dewilde 2017). Financial instruments like mortgage-backed securities or REITs establish a second-order commodification of domestic property increasing its value and fungibility (Forrest and Hirayama 2015).⁷

Marketisation is a key word of neoliberalism. In Britain, Margaret Thatcher's transformational agenda identified housing as a seminal project where the use value of council housing could be converted to the exchange value of homeownership. Her right-to-buy policy, selling off council housing to sitting tenants at far below market value, was the front end of a larger ideological project to wrest British society away from welfare state services and toward household self-sufficiency, with housing ownership a market solution to create and sustain an entrepreneurial ethos (Watson 2010). Significantly, the spirit of right-to-buy was retained by the succeeding New Labour governments in the UK, and the Coalition that followed, with the positioning of citizens as individual asset managers adjusting to swingeing reductions to public welfare services. In this calculation, the family home was regarded as a leading component of a household's welfare assets, to be deployed as needed in the purchase of market services in lieu of 'free' or subsidised public services (Watson 2009; Lowe 2011). Access to homeownership and the advancement of residential property prices then became a common refrain in the growth coalitions of national and sub-national governments, where incentives to private investment have commonly led to inflating housing markets, especially in gateway cities. In response to good economic returns on house prices, government expects from homeowners the political return of re-election. This informal agreement might also include the advantage of low taxation (and/or tax privileges) to facilitate residential purchase. As long as homeownership rates were high and increasing, the case could be made that a democratisation of national wealth accumulation (though in unequal shares) was taking place (Hamnett 1999).

Since the 1980s, employee pensions have become less dependable and welfare state benefits invariably reduced. But another shortfall beyond state

benefits has afflicted workers, a steady decline in the growth of real wages as the wage share of labour has fallen in comparison with the profit share since the 1980s (Bengtsson and Ryner 2015). A number of reasons for declining rates of real wage growth have been suggested, including competition from low international wages with globalisation, the erosion of unionisation, and the emerging dual labour market of a post-industrial economy, with the decline of middle-income households, and rising polarisation accompanying the expansion of higher- and lower-income groups (Grant et al. 2020). With its welfare state emphasis, the asset-based literature sometimes overlooked this additional wage-based impediment to household budgets. We will see that in the five gateway cities, with the notable exception of Singapore, real wage rates have fallen behind the rate of house price growth.

Observing these trends in Sydney, Adkins et al. (2021) made the connection with Piketty's finding that capital and wealth, notably asset-based wealth, were outpacing the growth of the economy and especially wages. Asset-based welfare became a centrepiece of Australian economic and social policy in the 1980s and 1990s, facilitated by unusually favourable tax structures (Nethercote 2019; Adkins et al. 2021). High house prices then are in good measure 'a product of the way in which public policies have constructed a particular "logic" of asset inflation' (Adkins et al. 2021, p. 553). In its bargain with the electorate, government has to maintain both access to homeownership for new households and high and rising house prices for existing homeowners, a balance that may become unsustainable. Events have been similar in Vancouver though the asset trade-off has not been laid out as explicitly as in Sydney. But Canada's neoliberal transition in the 1980s and 1990s led to a familiar suite of slow wage growth and welfare state cuts, culminating in the 1994 federal budget when most social housing programmes were terminated (Suttor 2016). With housing construction left to the private sector, developers have opted for more profitable homeownership, in detached houses and condominiums, over rental production. In Canada's gateway cities, immigration-driven population growth, speculative investment, and low-interest borrowing have propelled upward cost spirals. As real wages grew sluggishly far below inflationary house prices, homeownership became an aspirational (but often unattainable) objective.

In the post-GFC world, especially in those countries labouring beneath austerity policy, Ronald et al. (2017) observed that assets, notably homeownership, are all the more important in household budgets confronting diminishing welfare benefits, precarious employment, and, recently, the vulnerabilities of the COVID-19 pandemic. The extent to which asset-based welfare, with its primary asset of homeownership, is a sufficient policy to ensure household capacity before these multiple challenges will be an important question in the chapters that follow.

Corollaries of Homeownership in Asset Society

Typically, the literature on asset-based welfare assumes a national frame of reference. But with the globalisation of the real estate market, international actors are also seeking asset value, and a calculus of housing demand limited to domestic buyers will fabricate a substantial undercount (Gallent et al. 2017). Affordability is a primary affliction for home seekers in gateway cities and, in a corollary of the asset society, the dependability of value growth stoked by market stimulus will attract value-seeking investors from near and far alike in an open economy. The decoupling of housing markets from local labour markets provides substantial evidence of the power of speculative property investment to create severe unaffordability (Gordon 2022). While international investors play a significant part in speculative investment, the case of Sydney (Chapter 4) is a reminder that local investors should not be overlooked, especially when residential purchase is accompanied by advantageous tax concessions.⁸ The piling on of individual and corporate investors, both national and global, with easy access to credit and the added liquidity from quantitative easing since the GFC, have led to extraordinary strains on the residential markets of the gateway cities we are examining – and on asset-based homeownership as a normative social policy.

Countering, or at least complementing, the supply-side emphasis popular with the growth machine of politicians and the real estate industry, a focus on investment that is not derived from the local wage economy leads to the specification of surplus demand as a key explanatory factor in creating unaffordable housing (Aalbers 2016; Gallent et al. 2017; Ley 2017; Ryan-Collins and Murray 2020). With its clear policy implications, this is an important argument and the case will be laid out for each city.

A second corollary follows the first. Housing booms may provide a problem for the state, which sees rising house prices but cannot guarantee continuing access to homeownership, leading to a growing minority barred from the property ladder and its promise of wealth accumulation. Having acquired a taste for sales to well-heeled investors, the private sector is often unable or unwilling to build sufficient affordable units, for which there is huge need. Aside from the special case of Singapore with its highly managed housing market, social housing programmes have been cut or abandoned in our gateway cities. Instead, the state has engaged in different forms of demand management to cool price booms, notably credit tightening and various forms of taxation, to be examined in the case studies. These cooling measures are crisis responses, because in general the state facilitates investment flows and rewards growth coalitions, for housing investment can act as a counter-cyclical stimu-

lus to the economy. Consequently, the real estate sector is frequently privileged in its access to power and political decision-making. In addition to Hong Kong, Vancouver provides an illustration of the institutional construction of a real estate growth coalition (Ley 2021). But political mishandling, even denial, of Vancouver's housing crisis led to an electoral reaction at all three levels of government (Chapter 5). The city provides insight into the rare prospect of a political response that moves policy from deregulation toward a degree of reregulation, though to date it is unlikely whether substantial improvements in affordability have followed.

Concerning Method

There has been considerable fruitful discussion concerning comparative urban research of late (e.g. Robinson 2011, 2016; Stephens and Norris 2011; Lees 2012; Peck 2015). While not adding to that discussion directly, I can briefly present my position. Housing markets are embedded in distinctive geographical and historical contexts that shape them, and this study respects, but does not idealise, the richness of the single case. Local similarities and differences permit generalisation within cases as well as between them, and provide the basis for developing, importing, testing, and revising concepts. In past urban research I made extensive use of comparative method to draw out generalisation and permit concept formation. The easier study compared gentrification in six Canadian cities where similar urban forms and related economic, cultural, and political contexts limited potential variation among the cases, enabling generalisation and concept formation to emerge readily (Ley 1996). More challenging was a comparative study of relations between neighbourhood organisations and the welfare state in Vancouver and Jerusalem (Hasson and Ley 1994), where extensive contextual differences between the two nations presented an implausible basis for comparison. Yet by matching neighbourhood types between the two cities, for example elite or minority districts, informative comparative results were achievable as micro- and meso-scale similarities were evident despite major macro-scale differences.

The five cities in this study were selected to include representatives from two regions where homeownership as asset-based welfare has been identified, East and Southeast Asia (Ronald 2008; Doling and Ronald 2014) and western liberal-market nations (Schwartz and Seabrooke 2008; Adkins et al. 2020). The cities are all coastal, gateway hubs open to global flows of capital, migrants, trade, and ideas; indeed, the Singapore and Hong Kong currencies have pegs with the US dollar, facilitating the onset of global impacts. Located

on waterfronts, there is a scarcity of developable land, with physical geography providing limits to urban development. Four cities are located around the economically vibrant Pacific Basin, and share a colonial past with the former imperial city of London, historic connections that have some continuing relevance for orderly legal and administrative systems, for widespread use of English, for student and immigration flows, and for family and corporate property investment. At the same time, London's greater size and more complete global connectivity introduce additional variations to any Pacific Basin homogeneity. The five are multicultural cities with immigration the major contributor to their population growth, and labour markets stratified in part along ethno-racial and gender lines. Though formerly manufacturing centres, they have moved increasingly into a post-industrial employment profile, containing an upper tier of white-collar professional, managerial, and technical jobs, and a large lower-paid tier of service jobs in sales, clerical positions, the hospitality sector, manual work, and a varied group of personal services. Particularly in the post-GFC period, relations between the cities have included flows from trade, immigration, education, tourism, and property investment. Hong Kong and Singapore have been origins, as we shall see, of property investment and post-secondary students directed to the other three cities. The Asian gateway cities have also been destinations for western corporations seeking product, service, and investment markets in the cities and their hinterlands.

In contrast to their similarities, the cities are located on four continents, at varied latitudes, and differ sharply in hinterland populations, resources, levels of development, and modes of government. Two are former colonies, two European settler societies, one a former imperial centre. Both differences and similarities appear in classifications of national housing markets. Australia, Canada, and Hong Kong were categorised by the IMF (2016) as having booming housing markets, with only a small downturn during the GFC. The UK was placed in a bust and boom group; a significant GFC correction was quickly followed by renewed growth in London. Singapore was cast by the IMF among states whose housing market was characterised by gloom, with a GFC price bust not followed by renewed boom conditions – though the IMF overlooked residential price control as a deliberate state policy. A second classification, based on types of residential capitalism, placed Australia, Britain, and Canada within a liberal-market group of nations on the basis of high homeownership levels and debt loads. The criteria imply Singapore could be added to the group, while Hong Kong would form a hybrid case (Schwartz and Seabrooke 2008; Lowe 2011).

An important distinction separates Singapore from the other cities. Its unique governance, blending an open economy with firm, essentially one-party

government, and elements of quasi-municipal socialism, have not only sustained substantial resident ownership of state-subsidised flats on leased government land, but also developed an early model of household accumulation treating the home as a wealth-generating asset. The relative success of its housing regime, in contrast to the mixed experience (at best) of the other cities, makes the Singapore case particularly significant.

The comparative method here is incomplete. Each chapter examines a partial set from the narrative of key relationships outlined earlier, while other relationships remain as background context. So, for example, while all five gateways are immigration cities, a detailed treatment of immigration appears primarily in the Sydney chapter where it is significant in that chapter's emphasis on global effects in the 2013–2017 housing boom. While it is noted that a similar immigration profile characterised Vancouver's 2013–2016 boom, the chapter treats this as background to its main task, examining the rise of a politics to re-regulate the housing market, a development missing in Sydney. Again, while the state's reluctant prescription of cooling measures to address over-heated markets is noted in all cities (but least of all in London), it is highlighted in Singapore, because of the city-state's persistence and post-GFC success in contesting price inflation. Finally, though inequality is a feature of every city, it majors in the Hong Kong and London chapters as a result of the abject failure of asset-based welfare, which has precipitated social, economic, and political polarisation.

I had prior familiarity and existing contacts with the five cities, and the advantage of earlier research in Hong Kong, Vancouver, and (to a limited degree) in Sydney. The research began (for every city except Vancouver, my home base) with field orientation, a visit of 2–6 weeks that included observation, identification of data sources, and conversation with 15–25 local experts on housing and urban development with different professional roles and diverse theoretical perspectives. Interviews were conducted with scholars from different urban disciplines, with representatives of residential real estate companies, and public sector housing planners and managers. In some cities, interviews also included community activists and real estate journalists. The objective was to encounter multiple perspectives rather than lock onto a premature meta-narrative. On-line data bases were informative in providing detailed time series for key variables, notably house prices, while extensive use was made of secondary literature to establish contexts, precedents, and insights. Reports, newsletters, and other relevant materials were derived from organisations with significant research capacity, including the IMF, international property consultancies, planning agencies, government departments, NGOs, and think tanks. To provide relevant detail, the texture of events and places, and retrieve information missing from other sources, considerable use

was made of local and regional media that were regularly reviewed over a 10-year period.

How generalisable are the processes and outcomes documented in these five cities? While each metropolitan area has its own institutional contexts within which housing markets are embedded and modified, asset-based accumulation, with homeownership the principal asset, has long been the explicit or implicit goal of developmental states in Asia Pacific (Ronald and Doling 2010; Izuhara 2016). China might be included in this group for residential ownership is also regarded as a principal economic development tool, a contributor to social stability, and a resource for family-based welfare, leading to extensive household investment in rental properties, with heavy debt loads among households and corporations alike. The principal features of the asset economy have also been located in liberal-market societies like the United States, Canada, Australia, and Britain (Adkins et al. 2020), and in parts of Europe, but not those countries with high rental and/or social housing populations (Lowe 2011; Delfani et al. 2014).

Theoretical expeditions are often tempted to draw *a priori* straight lines through complex empirical terrain, undercutting the power of their own conclusions. In developing generalisable concepts, necessary hard labour comes first, developing a composite empirical portrait of each city within which housing questions are embedded and shaped. The objectives in each chapter are first, to locate the significant place of housing in a local human geography, and second, to select themes from the asset-based housing literature prevalent or especially informative in that city. In this way, various facets of a homeownership-based asset society are examined in each chapter.

Notes

1. A grey rhino is a probable, slow moving, high impact, yet generally ignored threat.
2. Four-fifths of the increased value of the housing stock is attributed to the inflated price of the land upon which it is built.
3. A pioneer in this literature was Burghardt (1971) who stressed the business service function of gateway cities. For a recent review of the economic role of gateway cities, see Scholvin et al. (2019), though my emphasis is on transnational real estate capital and migration flows rather than the city-hinterland link of global production networks.
4. Housing crises do not fall equally on all housing groups. Residential price collapse following the GFC was borne disproportionately by households of colour (Pew 2011).

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5. Li Ka-shing has been one of East Asia's wealthiest men, and in Hong Kong his business prowess earned him the popular nickname, 'Superman'.
6. The Canada Mortgage and Housing Corporation is the housing agency of the federal government of Canada.
7. While writing this section a local news story disclosed that REITS are newly active in buying older rental apartments in Vancouver and Toronto where they see potential for enhanced yield and long-term capital gains. Tenant advocates are concerned about rental affordability and security (Lee-Young 2020). See also Fields and Uffer (2016) and new examples of property financialisation in Aalbers (2019).
8. An analysis of 'non-primary' (investor) home buyers in the US showed they accounted for over 30% of US residential home sales from 2008 to 2012, and more in specific regions, more than enough to impact markets significantly (Alter and Dernaoui 2020).