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Subordinate housing financialization: tracing global institutional investment into Lisbon's urban development

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ABSTRACT
This article contributes to scholarship on housing financialization and core–periphery relations by exploring the role of transnational institutional investors in housing production in Lisbon. Using a "follow-the-money" approach, I trace current investments into large-scale housing developments, finding a dominance of capital-rich institutional actors originating primarily in core economies. The resulting developments are largely build-to-sell projects, which are framed as a necessary response to existing housing demands. I argue that such investment reflects and reinforces subordinate financialization through housing, as Lisbon's status as a city of the semi-periphery dependent on outside investment provides fertile ground for investors to build projects to fit their criteria. This in turn produces uneven development on the urban scale. Using an independently-built database of projects and investors along with qualitative methods, the paper connects global relations of financial subordination to housing development, and adds to our understanding of institutional investors – increasingly powerful actors in real estate.

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Subordinate financialization; housing; institutional investors; semi-periphery; follow-the-money

Introduction

In recent years, an abundance of literature has emerged on housing and real estate financialization in the Global South and in non-core cities, demonstrating the variegated nature of housing financialization in diverse urban contexts (Erol, 2019; Heeg et al., 2020; Jorge, 2020; Kutz & Lenhardt, 2016; Pereira, 2017; Sharma, 2021). There have also been calls for further exploration of housing financialization and uneven development as products and expressions of colonial relations and global hierarchies more generally (Fernandez & Aalbers, 2020; Tulumello, 2022). The term *subordinate financialization* has been used to explore how national economies are unevenly integrated into global financial hierarchies (Bonizzi et al., 2019), but has only begun to be connected with urban development (Büdenbender & Aalbers, 2019; Socoloff, 2020).

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Institutional investors are key actors in subordinate financialization and contemporary core–periphery relations. Conceived here broadly as large-scale intermediary investors that pool money on behalf of other firms or people, institutional investors own an increasing proportion of the world's assets, concentrated foremost in the United States followed by other core economies, and have substantial power to direct investment flows (Bonizzi, 2013; Fichtner, 2020). These investors have increasingly turned to real estate as an asset class in recent decades, and scholars have begun to grapple with the role of institutional investors in housing, primarily in rental housing (Nethercote, 2020). But more exploration is needed into the uneven engagements of such investors in different geographies and tenure types, and how such investment plays out on the urban scale.

This paper studies institutional investors' role in housing production through the lens of subordinate financialization. I focus on the case of Lisbon, a city of the "semi-periphery" or periphery of the European core, which suffered some of the worst effects of the global financial-turned Eurozone crisis. As a condition of its Troika[1] loan, the Portuguese state implemented austerity measures as well as programs to encourage tourism and real estate investment, most of which was channeled to Lisbon. The result was an unprecedented internationalization of Lisbon's real estate market, manifested initially as smaller-scale foreign investors undertaking rehabilitation projects in the historic center, directed mainly at tourists and mobile wealthy elites (Barata-Salgueiro et al., 2018; Mendes, 2021). Coupled with some of the lowest public investment in housing in Europe (Costa Pinto & Guerra, 2013), this led to a full-blown housing crisis. According to Confidencial Imobiliário, between 2013 and 2018, house prices in the historic center increased 134% (Idealista, 2019a). The IMF reported that rents in Lisbon more than doubled between 2013 and 2018, the highest increase in Europe (Elfayoumi et al., 2021). Meanwhile, in the Lisbon Metropolitan Area there were 22,812 families on the waiting list for social housing in 2019 (Saaristo, 2022, p. 12).

Attracted by Lisbon's newfound status as promising real estate investment destination, large-scale global firms and institutional investors began to take an interest in the city in the late 2010s. A Portuguese association representing national and international real estate developers and investors[2] affirmed a "major change of paradigm in the type of investment" with Portugal now welcoming "the most important global investment vehicles, with much larger investment tickets" (APPII, 2019, p. 3). These investors shifted focus to building large-scale apartment buildings further out from the Lisbon center, reflected in an 87% increase in building permits granted for new construction between 2017 and 2018 (INE, 2019). Industry media heralded the entry of such investors, indicating a transition from the previous "opportunistic" and "speculative" wave of investment to a more "mature" and stable market. "The large institutional overseas investors want quality and responsible non-speculative long-term investment," stated one industry rep (Graeme, 2019). In addition, rather than building luxury and tourist housing, many recent investors have expressed plans to meet the demand of the "Portuguese middle class" (Idealista, 2019b, 2019c, 2019d).

What does the entry of such investors mean for housing in a semi-peripheral context such as Lisbon? How does such investment unfold? This article responds to these questions by examining the dominant actors producing housing in Lisbon and following their investment practices through to their housing projects as manifested in the city. It is thus a multi-scalar, citywide approach connecting global actors to the urban scale. I argue that subordinate financialization allows us to link housing development with global relations of uneven development and financial subordination. In the case of Lisbon, global institutional investment into housing deepens existing economic hierarchies and shapes uneven development at the urban scale.

After a discussion of subordinate financialization as a lens for understanding institutional investors in housing, I provide a brief overview of Lisbon as my research site and outline my methodology. I then explore the landscape of dominant residential investors in Lisbon, along with their projects, and examine the strategies and narratives that shape their production of housing. Finally, I consider the implications of such investment for cross-border power relations and uneven urban development.

Institutional investors in housing through the lens of subordinate financialization

In this paper, I study institutional investment in housing production through the lens of subordinate financialization, a concept that has been popularized by scholars in political economy and economic geography to analyze how peripheral and semi-peripheral economies are unevenly incorporated into global financial markets from positions of subordination (Bonizzi et al., 2019; Powell, 2013). This process in turn may reproduce historic imperial power relations, for example through international currency hierarchies which entrench the subordination of Global South countries. Subordinate financialization offers a lens to understand core–periphery relations within the context of global financialization dynamics. Fernandez and Aalbers (2020, p. 690) have asserted that "Subordinated financialization is the contemporary face of uneven and combined development".

Subordinate financialization or what has also been called *semi-peripheral* financialization can also be used to understand Southern European countries' integration into the European Union. Inspired by world-systems theory (Wallerstein, 1979), Portugal has been theorized as a semi-peripheral country, exhibiting characteristics of core and peripheral countries, with late industrialization and economic development when compared with core European economies (Rodrigues et al., 2016; A. C. Santos & Reis, 2018). The country's uneven integration into the European Economic Community (EEC) in 1986 and to the European Monetary Union (EMU) in 1999 provided an astounding influx of bank loanable capital. This kickstarted economic growth, but also made the Portuguese economy more dependent on outside investment and drove an initial phase of financialization from a subordinate positioning. Unable to compete with core economies, Portugal and the other Southern European economies became focused on non-tradeable sectors such as real estate, and further indebted to core banks. This came to a head with the 2008 global financial crisis: what began on Wall Street and rippled through French and German banks, was effectively displaced onto Southern European governments through Troika-imposed austerity measures. Portugal along with the rest of Southern Europe suffered devastating impacts, with soaring rates of poverty and unemployment (UN Human Rights Council, 2017). As others have argued, the Eurozone represents a hierarchical system that produces inequalities between its "cores" and "peripheries" (Gambarotto & Solari, 2015; Lapavitsas et al., 2010; Rodrigues & Reis, 2012).

There has been little exploration to date on how subordinate financialization manifests at the urban scale, and how it shapes urban development and housing. This requires an understanding of how international hierarchies shape the restructuring of urban space, thus linking global and urban scales. A study by Büdenbender and Aalbers (2019) is one of the few to date that explores this (cf. Pósfai & Nagy, 2018), as they argue that Poland's position as a "capital absorbent" semi-peripheral economy shaped the "chaotic", "de-contextualized" development of commercial real estate in Warsaw's prime business district. For them, real estate development is a "crucial domain in which contemporary core–periphery structures are produced and negotiated" (Büdenbender & Aalbers, 2019, p. 671). I build on this line of scholarship by focusing specifically on institutional investors' production of housing in a unique semi-peripheral context.

Institutional investors are key actors in contemporary core–periphery relations. They have arisen out of capital disproportionately accumulated in North America and Europe, and they may reinforce uneven development depending on how and where they invest their capital. The rise of institutional investors has accompanied a structural economic shift towards "asset dominance", under which the ownership and consolidation of assets is more important than engaging in productive activities (Braun, 2021; Christophers, 2022b; Piketty, 2014). The world's assets are increasingly owned by fewer and fewer actors, who have considerable power in directing investment and shaping the global economy. Bonizzi (2013, p. 14) asserts that "Portfolio shifts by institutional investors are [a key mechanism] that originates gross capital flows in today's world."

The role of institutional investors in housing has only begun to be addressed and requires further investigation. A report by Gabor and Kohl (2022) traces how the "global portfolio glut" led to a growing "institutional appetite for housing as an asset class" (p.8) in order to supplement traditional investment vehicles such as stocks and bonds – essentially a "spatial fix" for overaccumulated capital (Harvey, 2007). In a proprietary database, the authors found 1,325 institutional investors operating in Europe with residential assets in their portfolios, and that an estimated $3.6 trillion was directed at European real estate in 2021 (Gabor & Kohl, 2022, p. 12).[3] Institutional investors can be seen as major agents of housing financialization, as they drive the growing interdependence of housing and global financial channels (Aalbers, 2016).

Most research in this area so far has focused on the "global corporate landlord", referring to institutional firms' acquisition of residential portfolios to hold as rental housing (August & Walks, 2018; Beswick et al., 2016; Fields, 2017) and especially build-to-rent (BTR) (Brill & Özogul, 2021; Goulding et al., 2023; Nethercote, 2020) with several studies on Blackstone, the largest institutional landlord in the world (Christophers, 2022a; García-Lamarca, 2021; Janoschka et al., 2020). There is room therefore to unpack the role of institutional investors in build-to-sell (BTS) housing – the dominant mode of development in Lisbon – from a citywide angle.

Research context and methods

As a major city of the semi-periphery, Lisbon is a compelling location in which to study how real estate investment interacts with relations of subordinate financialization. The largest city, capital, and political and economic core of Portugal, Lisbon contributes nearly half of Portugal's GDP and attracts most outside investment.[4] At the same time, it is emblematic of crisis-era suffering and the subsequent austerity imposed on the country (Tulumello, 2016). This included urban reforms such as the liberalization of the rental sector, new fiscal regimes for short-term rentals and building rehabilitation, and schemes to encourage investment such as the "golden visa" (Mendes & Carmo, 2016; Montezuma & McGarrigle, 2019). Investors searching for cheap assets flooded Lisbon, setting off a wave of rehabilitation projects in the city center, transforming apartments into short-term rentals and luxury flats (Cocola-Gant & Gago, 2021). Lisbon went from a "high-risk" location to a top investment destination, crowned in 2019 with the number-one spot for investment prospects in the *Emerging Trends in Real Estate* European ranking (PwC & Urban Land Institute, 2018). One consultancy estimated that foreign investment represented over 80% of real estate investment in Lisbon in 2018, and that transaction values more than doubled between the 2011–14 and 2014–18 periods (Idealista, 2018).

Housing prices across the city subsequently skyrocketed: just between 2016 and 2017, Lisbon house prices increased 15%, with up to 45% growth in the most central areas of Lisbon (INE, 2018). It is estimated that 62% of Greater Lisbon households must spend more than 40% of their income in order to access housing; meanwhile, there are 160,000 empty homes (Pinho et al., 2022). Though the government introduced new programs in 2018[5] aimed at increasing affordable housing, these programs mainly incentivize investors to offer housing at modestly reduced prices, but do not oblige them to do so (and there has been very little take-up to date) (Alves, 2022).

The financialization of housing in Lisbon and the ability of residents to access housing is intricately tied to Portugal's uneven integration into the Eurozone. Its condition as a semi-periphery with low wages and a less developed financial system has meant the economy has become increasingly dependent on outside investment, specifically into real estate and tourism (A.C. Santos & Reis, 2018). The 2008 crisis and EU-imposed austerity measures entrenched this trend, and reiterated the strict budget constraints to which EU member states must adhere. Between 2016 and 2019, Portugal had the third lowest level of public investment per capita in the EU, behind only Romania and Bulgaria (Mateus, 2019). Lisbon is suffering an acute housing crisis and at the same time experiencing intense capital investment, increasingly through global firms and institutional investors. Though the role of the state in stimulating outside investment while maintaining a system of "permanent austerity" cannot be understated, this has been addressed considerably by others (Mendes, 2017; Tulumello, 2019; Tulumello & Allegretti, 2021). This article on the other hand aims to open the black box of large-scale investors currently connected to Lisbon housing.

To this end, I employed a "follow-the-money"-style methodology (Bassens et al., 2019; Hughes-McLure, 2022) in which I compiled a dataset of 39 large-scale housing developments in planning or construction stages between 2019 and 2021 (see Figure 1) along with the investment actors behind them. I made use of various publicly-accessible sources such as news articles, firm websites, promotional materials, and investor reports to locate projects and map relations of investment. Pinpointing the capital origin behind a project is not a straightforward task, and in several cases was simply not possible. In addition, because I relied on news media and word-of-mouth to find out about new projects, the database is by no means complete or exhaustive. Still, it offers a unique citywide snapshot of current investment processes and development trajectories. I also draw on interviews with investors, developers and real estate professionals, observations at industry events, and industry media to supplement the

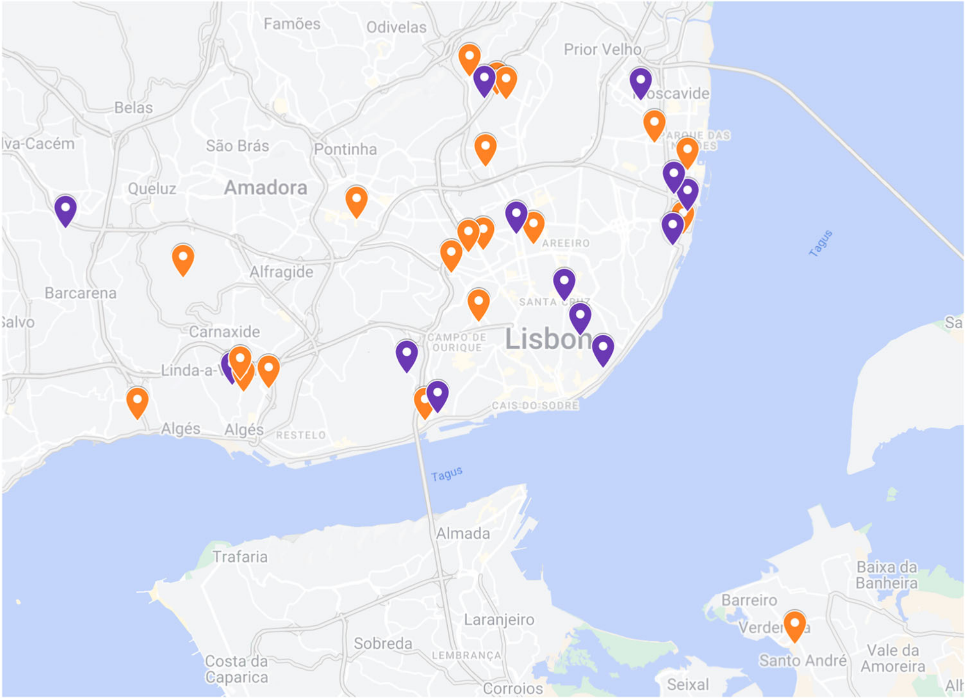

Figure 1. Map of selected large-scale housing projects, under construction (orange) and in planning stages (purple). *Source:* Compiled by author using Google Maps.

Note: To access the online version of this map with labels: https://www.google.com/maps/d/edit?mid=1DR4bl1qwAAzTRARwXDzcgZppnoNn1Zc&usp=sharing

database research and to understand the dominant narratives that contribute to shaping Lisbon housing development.[6] This follows other scholars who have examined the role of rhetoric in market-making (Searle, 2018) while remaining attentive to the "social, spatial, political consequences of markets" (Fields, 2018, p. 133).

The investor landscape

This section provides an overview of the major investment actors currently involved in Lisbon housing development, along with the main strategies they employ to channel investment into the city (see Table 1). Despite the methodological complexity of tracing investment into housing developments in Lisbon, several patterns emerge. There is a clear dominance of international, capital-rich institutional actors, originating mainly in core countries. I traced 29 out of 39 projects in my dataset back to international investment origins, primarily North America and Western Europe, though actors from Spain, China and other countries are also present. The two biggest developers in Lisbon, based on planned number of units, represent European and American investment origins. VIC Properties is owned by Aggregate Holdings,[7] based in Luxembourg-with investment from an Austrian family office, while Solyd represents investment from a Europe-focused fund managed by giant US asset manager Oaktree. For 10

Table 1. A selection of major actors involved in large-scale Lisbon housing development.

Actor name	Year founded	# Units planned	Investment background	Assets under management or other values where available	Other investments and activities
VIC Properties	2018	2600 (2 projects)	Development firm owned by Luxembourg-based Aggregate Holdings, owned in turn by Austrian businessman Günther Walcher.	Value of Portugal developments: €2.5 billion Aggregate Holdings AUM: €7.9 billion	Aggregate Holdings also invests across core Europe, mainly in Germany. Also the largest shareholder of the Adler Group, one of the biggest real estate firms in Germany, focused on rental properties.
Solyd	2015	1048 (14 projects)	Partnership between a Lisbon-based consultancy firm and a fund managed by US asset manager Oaktree.	Linked investment fund AUM: €5 billion Oaktree Capital Management AUM: $164 billion	Oaktree is the largest distressed securities investor in the world and one of the largest credit investors. Also manages numerous pension funds.
CleverRed	2018	988 (4 projects)	Joint venture between Cerquia, a Spanish real estate developer and Acciona, a Spanish conglomerate focused on infrastructure and renewable energy.	Acciona net income: €352 million	Acciona is present in 30 countries and has completed numerous construction projects globally since the 1990s.
Vanguard Properties	2017	800 (9 projects)	Developer established with investment from Swiss-French family office managed by Claude Berda, via a holding company based in Luxembourg.	Value of Portugal developments: €920 million Claude Berda AUM unknown	Claude Berda is the ex-chairman of AB Group, one of the largest audiovisual companies in France, which he sold in 2017. He is also the largest private investor in Swiss real estate.
EMGI Group	2014	710	Chinese multinational with investments in numerous sectors including mining, infrastructure, technology, and agriculture, but which entered Portugal with a real estate focus.	Unknown	Also active in China, Hong Kong, Macau, Australia, Canada and the US.
Reward Properties	2019	489 (3 projects)	Joint venture between Neworld, an investment platform established by South African developer John Rabie, and real estate investment firm RE Capital based in Switzerland. Investment also via Skybound Capital, a global wealth manager headquartered in London.	Skybound AUM: $3.8 billion RE Capital AUM: over $700 million	RE Capital invests in and develops real estate primarily in the UK, Portugal, Switzerland and Germany.

Source: author's database compiled from firm websites and other public sources consulted between 2019 and 2021.

projects, there was little to no information about the origin of investment. Of these, eight involved prominent Portuguese developers, but the origin of investment into their projects was not identifiable. Portuguese investors surely play a role in current house construction, but their presence was not evident in the large-scale projects I followed.

The main investment actors also have substantial capital at their disposal. Table 1 shows the assets under management (AUM) of prominent investors, where available, ranging from $700 million to $164 billion in the case of Oaktree. The premise of a capital-rich global investor can be confirmed by looking at the other activities and investments of each actor. For example, EMGI invests in various sectors across seven countries, and has been involved in large-scale construction projects such as the Shanghai Citigroup Tower. Claude Berda, the main investor behind Vanguard Properties, sold his shares in a massive French conglomerate and is currently the biggest private investor in Swiss real estate, as well as being one of the biggest real estate investors in Portugal. These are actors who already have established investments in other countries, be they in real estate or another sector. In addition, several interviewees indicated that large-scale investors are using mostly their own capital and that bank financing was mainly a matter of convenience given low interest rates, further hinting at large reserves of capital. While some skepticism is warranted, it is clear these are actors with large purchasing power relative to the Portuguese market.

Untangling investment flows from global investor to local urban project highlights the varied opaque strategies used by investors operating in Lisbon. In most cases that I was able to identify, investment flows through a complex constellation of actors and investment vehicles. In some cases, firms "land" in Lisbon to begin development activities there, such as Krest, a Belgian investor-developer that arrived in Lisbon in 2014. The largest investors in Lisbon, however, have set up development firms locally to develop and operate projects on their behalf. The result is prominent "Portuguese" developers such as VIC Properties, Solyd and Vanguard Properties, each representing international capital.

Such investment generally occurs via the use of various special purpose vehicles (SPVs). SPVs are commonly used internationally by investors with higher levels of

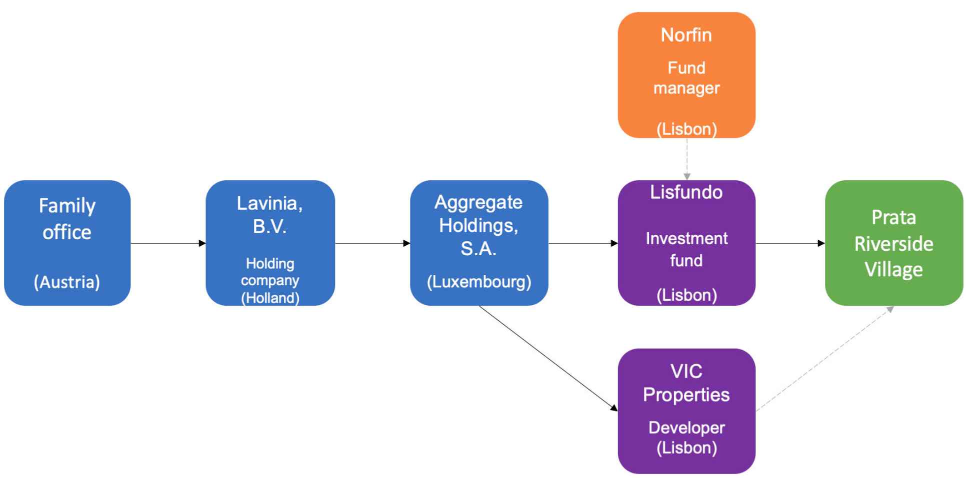

Figure 2. Investment behind VIC Properties' Prata Riverside Village project at the time of data collection. *Source:* Compiled by author.

capital as a way to isolate risk and limit tax exposure (Fernandez et al., 2016). In the Lisbon case, it is common for large investors to establish holding companies outside of Portugal, in order to then invest in locally-established funds or companies linked to development projects. VIC Properties is owned by a wealthy Austrian investor through a holding company registered in Holland, which owns Aggregate Holdings, registered in Luxembourg, which in turn owns VIC Properties (Figure 2). Investors may also set up SPVs in Portugal, usually in the form of a *sociedade anônima*, a type of limited company. One developer explained that for each of their projects, a separate company is set up to be the owner of that asset. This allows projects to be more easily sold off if necessary.

The other common investment vehicle I identified is the real estate investment fund, which can represent single or numerous investors. Funds can offer various tax advantages; while subject to the standard rate of corporate income tax, certain forms of income are not taxed, including investment income, rental income, and capital gains (PwC, 2018). Behind the developer Solyd is a joint venture between Oaktree and Estoril Capital Partners, an investment advisory company based in Portugal (Figure 3). The origin of investment for Solyd's projects is a fund managed by Oaktree's "European Principal Group", but there is no public information as to whether investment originates with Oaktree or other investors. However, the US Securities and Exchange Commission website revealed that at least several of the European Principal Group's investment funds are registered in the Cayman Islands (SEC, n.d.). Funds add to the difficulty of tracing investment as investors to a fund registered in one place may have diverse national origins and can remain anonymous.

Many projects represent investment from joint ventures, usually between international actors, but occasionally with Portuguese actors. One interviewee told me that even when a local actor is a co-investor, it is not an equal investment but more like 10–15%, just to have some "skin in the game" (interview, 20 December 2019). My research also made clear the importance of local expertise in guiding international investors, either via Lisbon-based consultancy firms or through the hiring of mainly Portuguese professionals in development firms set up by international investors. While this is an important part of the picture, and the agency of such actors warrants further exploration, it is clear the bulk of capital originates outside Portugal.

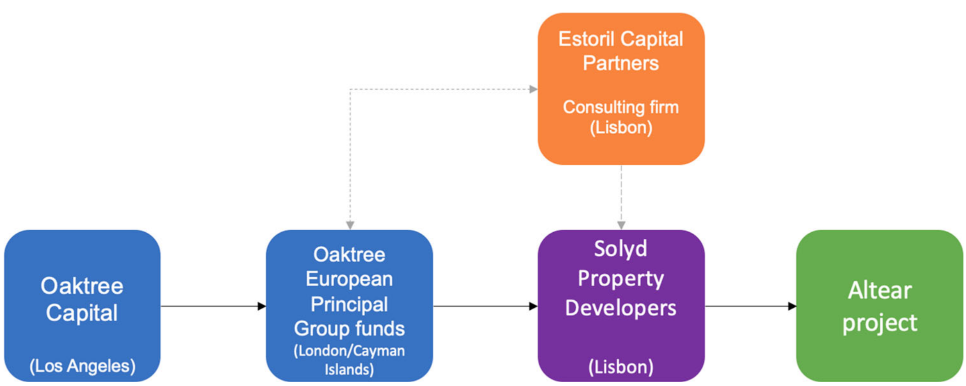

Figure 3. Investment behind Solyd's Altear project at the time of data collection. *Source:* Compiled by author.

While my database cannot on its own explain current investment dynamics in Lisbon, a pattern emerges of global institutional and corporate investors with established investments in other geographies and sectors, for whom Lisbon housing is just another diversification opportunity. This raises questions about the consolidation of assets and development power under a select number of capital-rich global actors who operate behind layers of opaque investment vehicles and in some cases, tax havens. How does this translate into urban development and housing production?

The urban landscape

I turn now to the development projects in my dataset, examining what is being built along with some of the dominant narratives that justify and shape this development. I argue that current projects are foremost a reflection of investor criteria, as Lisbon's dependence on outside investment as a semi-peripheral city shapes investors' ability to build what they want. This is bolstered by certain narratives such as the need to meet "middle class demand" along with complaints about investing in a less professionalized city such as Lisbon, which apparently makes building more affordable housing near impossible.

Seemingly acknowledging the inflation of prices and dominance of foreign buyers in the historic center of Lisbon, real estate actors and especially representatives of large-scale institutional investors have begun declaring the need to now build housing for the "Portuguese middle class." As real estate firm JLL stated: "there are many Portuguese families, essentially middle class, with the desire and ability to buy a new home but who haven't come across adequate supply" (JLL, 2019b, p. 28). This apparent need for more middle-class housing is reflected in industry reports with headlines such as "Housing for the middle class is a major opportunity" (Iberian Property, 2020, p. 69), and "Wanted: Housing for the middle class" (APPII, 2019, p. 12). Accordingly, an increasing number of projects aiming to address this apparent deficit have been announced (Idealista, 2020b). Solyd exemplifies this, stating that prices of residential projects

> … should be adjusted to the reality of Portuguese families […] At Solyd, we are determined to help satisfy this lack of supply in the market, which is why we are currently focused on projects that create new urban centers, reaching new segments through products that offer an attractive quality-price ratio. (APPII, 2019, p. 82)

Investors also regularly refer to themselves as operating for the long term. One developer representing international investment declared: "We're here in the market to stay. We're not here to meet one objective and then leave to another country" (interview, 10 March 2020 – my translation). Real estate analysts maintain that such investment is good for the city: "This gives a great stability to the market and allows for a less speculative market planning. For that reason it's good to have these long-term investors, it's a sign of maturity of the market" (interview, 20 December 2019 – my translation).

With a focus on projects in planning or construction phases, it may be too early to tell exactly what kind of housing is being built, and what impact it will have on Lisbon's overall urban development. But we can begin identifying some patterns among these emerging projects to assess how they fit with the framing described above, and whether they are meeting current housing needs (see Table 2).

Table 2. A selection of planned large-scale housing developments in the Lisbon area.

Project	Developer/ investor	Parish	Description	# Units	Investment €	Unit sale price €	Market segments (as advertized)
Avenida Alfredo Bensaude	CleverRed	Olivais	Plan to build a new "mini neighborhood" with housing, commerce, services and green zones. (Planning phase.)	500	Unknown - 38 million paid for land	Unknown	'National market'
Tapada do Tejo	EMGI Group	Alcântara	New-build project with 10 buildings including parking, offices and retail space. 25% of housing units to be rented under affordable rent program. (Planning phase.)	550	300 million	Unknown	Middle/ "affordable"
LX Living	Reward Properties	Campolide	New-build residential project with swimming pool, commercial spaces, restaurants, parking, private garden. (Construction phase.)	151	90 million	440,000–1.4 million	Luxury/golden visa
Altear	Solyd	Lumiar	New-build project with 10 buildings to include housing, commercial and green spaces. (Construction phase.)	536	200 million	250,000–900,000	Middle/upper
Foz do Tejo (Alto do Rio + Alto do Farol)	Vanguard	Caxias (Oeiras)	New-build megaproject with apartments and houses, offices, commercial space, a hotel, events hall, and publicly-accessible green spaces. (Planning phase.)	425	280 million	Unknown	Middle/upper
Prata Riverside Village	VIC Properties	Marvila	New-build project with 12 buildings, including housing, office and commercial spaces, parking, and green areas. (Construction phase.)	600–700	400 million	410,000–1,030,000	Middle/upper
Matinha	VIC Properties	Marvila	New-build megaproject to include apartments, townhouses, office and commercial spaces, hotels, parking, and gardens. (Planning phase.)	2,000	Unknown	Unknown	Middle

Source: author's database.

Typologies

Target segments

Despite the emphasis on "middle class housing", looking at the data presents a more complex picture. In my dataset, 17 out of 39 projects were marketed at some point in promotional material or news media as being targeted towards this segment. However, I came across no clear definition of "middle class" and what kind of home may be accessible to this group. When sales prices for such apartments are available, these are decidedly high in comparison with local incomes,[8] and when considering current increasing interest rates. For example, Solyd's massive Altear project on the outskirts of the Lisbon municipality, has advertized apartments in its initial buildings ranging from €250,000 to €900,000.

Besides these, for 14 of the projects, I could find no overt claim about the intended end-buyers. Eight were explicitly targeted at luxury segments, while four were specifically advertized to golden visa buyers. Even if not explicitly spelled out, many of these projects include all the hallmarks of luxury privatized condominiums, with private pools, gyms, parking and green spaces accessible only to residents. Only two projects in my dataset included plans to build a portion of units under existing affordable housing programs. With most projects in early stages, it will be important to follow-up on the end buyers of properties, to understand how such housing is used and if there is any interaction with existing (short- or long-term) rental markets.

There is also not necessarily a clear distinction between previous waves of investors aiming to build speculative luxury and tourist housing and new institutional investors arriving to build "middle class" housing. Sometimes these are the same investors who have simply shifted strategy: both Solyd and Vanguard Properties, for example, began their operations in Lisbon with smaller-scale luxury projects, and continue to pursue such projects, while also expanding to larger "mid-segment" projects. For such investors, targeting both segments is simply part of an overall portfolio diversification strategy.

Scale

There was a clear overlap in my research between developers representing global institutional capital and the focus on large-scale projects (Figure 4). Interviews with industry

Figure 4. New developments in the outer Lisbon parish of Lumiar. Solyd's Altear project (left) and Hera Residences (right) representing investment from a British fund. *Source:* Photos by author.

representatives confirmed that for a project to absorb the capital that institutional and corporate investors want to invest, it must be large-scale. While Lisbon's historic center is dominated by small-scale projects, such firms tend to look outside this area to find land suitable for larger projects. As one representative of a large developer explained: "We don't accept projects with less than [approximately] 5,000 square meters. Unless it's something very special. Because a small project does not have economies of scale" (interview, 10 March 2020 – my translation).

There has thus been an increase in large-scale projects being announced, sometimes 500 units or more, and focused not just on housing but mixed uses including retail, offices and green spaces. For example, VIC Properties' Matinha project, if realized, would be a gargantuan development, with 2,000 housing units, offices, retail, hotels and gardens. Developers in these cases would essentially be building new neighborhoods or villages, with the potential to drastically restructure the urban environment.

The need to build large-scale housing reflects international institutional investors' profile as capital-rich actors. This also helps explain the interest in housing aimed at purportedly lower segments i.e., middle class Portuguese families. As investors began to perceive an oversupply of luxury housing and scarcity of land in the city center, the "Portuguese middle class" appeared to be an "untapped demand" (interview, 22 January 2020).

Build-to-sell

Another main pattern of development is the prevalence of BTS over BTR models. Despite institutional investors pursuance of BTR in other countries, I identified only five projects during my period of research that planned to include some form of rental housing. This is despite the fact that rental models such as co-living and multifamily housing were continuously promoted in industry events and literature (JLL, 2019a, 2020; Tavares, 2020). There was also substantial hype in the industry about the introduction of legislation in Portugal for real estate investment trusts (REITs), investment vehicles which focus on rental property over a long term. Yet only one Portuguese REIT has been announced since, focused on commercial real estate (Idealista, 2021).

Instead, BTS is the apparent mechanism of value extraction at work in these projects, relying on the sale of apartments to individual buyers, usually off-plan. Large-scale investors in this case are, at least for now, engaging in more traditional forms of property development rather than amassing a long-term rent generating asset portfolio. The reasons generally given for the low interest in rental models in Lisbon are that local regulations on rental developments are unclear and unstable, implying a greater risk. The dominance of homeownership in Portugal certainly factors in as well (Matos, 2012). But it also fits with investor strategy: in a less familiar location with a greater perception of local risks, BTS offers a safer avenue of investment, providing a shorter-term exit strategy should conditions deteriorate. It also allows for taking advantage of rising land values – the "global rent gap" of Lisbon's real estate (Lestegás et al., 2018). As such, it appears that the heuristic of "financialization 2.0" associated with institutional capital searching for long-term, stable rents – as separate from a more speculative "financialization 1.0" – is not easily applied in the Lisbon case (Wijburg et al., 2018).

"Context risks" and the question of affordable housing

Current development trajectories are more complex and perhaps even contradictory to an account of "long-term" institutional investors seeking to meet "middle-class" demand. But it is important to examine what such narratives achieve. In a context where global investors have disproportionate capital and development power in relation to the local landscape, narratives of middle-class demand serve to shape an ideal market for their operations. Such a framing acknowledges (at least partially) the need for more affordable housing options, while positioning institutional investors as the actors capable of building the "supply" to meet the "demand". Investors even refer to and almost lament Portugal's historic lack of public investment to make the case for their private investment into homebuilding (d'Ávila, 2019). Then, the emphasis on global institutional investors as "long-term" helps to differentiate them from the previous wave of "opportunistic" foreign investors, seen to have a "high-risk-high-reward" mentality, and who had been subject to public criticism for their role in the overpricing of the city center. In this way, institutional investors and the developers that represent them can position themselves as undertaking projects more suited to the city's needs.

And yet little of the housing being built appears to address the acute need for housing by so many of the city's residents. Investment actors have an explanation for this: that amplified "risks" in Lisbon increase costs and make it impossible to offer housing at more affordable prices. Investors also refer to these as *custos do contexto* ("context costs") (Ferreira, 2018). This narrative further serves to shape a market in which investors can build according to their criteria. Because while they are positioned as the ideal actors to respond to the "demand" for family housing, they also evoke the enduring risks of investing in a semi-peripheral city such as Lisbon to explain why building "affordable" housing or even "middle-class" housing is unviable for them.

In interviews, reports and industry events, developers and real estate professionals continuously cite legislative uncertainty and the bureaucracy of the municipality as one of the top risks they face in developing residential projects in Lisbon. In an investment survey of 67 investors and developers, 95% cited bureaucracy and licensing as a top obstacle to their activities (Confidencial Imobiliário, 2020, p. 4). Developers report that it can take years to receive planning approval from the Lisbon municipality. While a couple of interviewees interpreted this as a natural result of such a large influx of investors into a relatively small city, bureaucratic delays and uncertainty were also understood as a lack of professionalization, efficiency and market "maturity" in Lisbon which would not necessarily be a problem in other more established markets. In response to a comment about planning processes in Germany, a local real estate professional stated: "I think that it's examples like this that Portugal needs to follow […] in lack of a better expression, we lack licensing maturity, because we are so bureaucratic, we take such a long time … " (interview, 12 November 2019). One foreign developer cited these bureaucratic delays as their "biggest fear": "licensing procedures which just drag on, it's just the worst. So, my personal fear […] is that this will start scaring institutional investors" (interview, 11 December 2019). Developers and investors also complain of "legislative uncertainty" in the Portuguese context, viewing recent tenant protections and legislative changes as another risk to investing in Lisbon housing (Pincha, 2021), along with rising construction costs due to a lack of construction labor and the rising cost of materials (Relvas, 2021).

From the perspective of a developer, bureaucratic delays and other challenges represent frustrating obstacles. However, the narratives around these "context" risks are also routinely mobilized to explain why pursuing lower-cost or affordable housing models may be unviable (Idealista, 2020a). An industry report noted that "The levels of bureaucracy and response times […] are noted as one of the principal motives that discourage investors, obstructing the launch of many projects for the middle class" (APPII, 2019, p. 12). One developer explained how bureaucratic delays can lengthen the completion of the project which can raise the final sale price: "Who's going to pay [the lost value] in the end? It's the market, the final buyer […] The longer the process, the higher the price, right?" (interview, 16 December 2019 – my translation). Another developer expressed that they were known for their affordable housing projects in their home core European country, but had not been able to pursue such projects in Portugal given the instability and uncertainty in legislation and delays in planning processes (interview, 9 March 2020).

A former municipal assemblyperson offered an alternative explanation for the planning delays: developers and investors often neglect to follow local planning regulations, whether due to lack of knowledge or otherwise, which inevitably delays project approvals (interview, 7 April 2022). Regardless of the explanation, narratives around being unable to meet middle-class housing demand due to bureaucratic delays and other local risks have important material effects, by enabling investors to build projects according to their criteria first and foremost. If this is challenged, investors can threaten to leave: "It's time to collaborate in the country's economic growth," asserted one project manager, "or we may see many investors flee" (APPII, 2019, p. 72). Such narratives bolster the power of capital-rich global actors, especially in a context of subordinate financialization.

Subordinate housing financialization from the global to the urban

By taking a close look at the investment actors and processes behind large-scale residential projects, we can begin to explore how subordinate financialization is being manifested in Lisbon's housing development. Büdenbender & Aalbers (2019, p. 671) assert that subordinate financialization "deepens global economic hierarchies through the one-sided export of financial profits from the semi-periphery to the core and the exposure of the former to the risks and discipline of financial markets." We cannot discount that some portion of value extracted through Lisbon real estate remains in Lisbon, be it through local employees and consultants providing expertise, or through firms registered in Portugal that take part in the development process. Determining exactly how value is distributed among investment actors and jurisdictions would require a critical accounting approach, which itself would require access to corporate accounts – rarely accessible with private firms which dominate in Lisbon. Still, the ultimate ownership of most firms in this study lies outside of Portugal, mainly in core countries, which means the majority of profits from these projects are likely to accrue back to core areas, reinforcing inequalities between core and periphery. Aggregate Holdings, the single shareholder of VIC Properties, reported an increase in total assets from 4.8–8.3 billion between 2020 and 2021, a 73% increase, with their Portugal assets valued at 1.1 billion (MarketScreener, 2021). Through the use of various holding companies and investment funds, their tax obligations to the Portuguese state may be minimal.

Investors are thus able to insulate themselves from the risks of investing in a semi-peripheral location, and can likely leave easily if conditions deteriorate. While the apparent transition to institutional, "long-term" investment has been heralded by industry professionals, investors themselves are transparent that this is a highly contingent situation, as one representative of a global firm illustrated:

> it's also up to each [country office] to ring the bell and say, "I believe now it's become too risky to invest in my country" […] but today we're here to stay, definitely for a very long time, um, but yeah it's my role to say, "let's keep on investing, let's stop investing, now". (Interview, 11 December 2019)

The ability of such firms to pick up and leave increases Lisbon and Portugal's vulnerability to crisis, as investment at this scale is contingent on the economy continuing to do "well" and on the perception of Lisbon as lower risk. As the head of Savills Portugal stated: "investment in Portugal is largely foreign, and if optimism among international investors wavers, we will feel those repercussions" (Iberian Property, 2019, p. 28). For capital-rich actors with investments scattered internationally, the possible failure of a Lisbon housing project may hurt profits but is unlikely to pose an existential threat to them. The stakes are arguably much higher for Lisbon residents and the Portuguese economy as a whole, which could suffer significantly if "long-term" investment proves to be an illusion. In fact, at the time of writing, Aggregate Holdings announced it would sell VIC Properties to a consortium of New York and London-based institutional investors as part of a deal to restructure the firm's debt (Aggregate, 2023).

At the urban scale, examining the narratives of investors along with the emerging realities of what is actually being built enables an examination of the disconnect between discourse and material developments. While investors frame themselves as responding to necessary demand, the projects being built can be read foremost as expressions of their investment criteria. And while the transition to developments aimed below the luxury market is ostensibly a welcome change, it continues to entrench uneven development on the urban scale. This is evident in the continued high prices of apartments for sale, even by very loose interpretations of "middle class", and which certainly continue to be out of reach for poor and working-class residents of Lisbon. In addition, projects of this scale have the capacity to vastly restructure the built environment. Many seem to be following the model of *condomínios fechados* ("closed condominiums") – securitized and socially homogenous developments similar to gated communities, which may further contribute to exclusionary urban development (Tulumello & Colombo, 2018). Such development represents an accelerated enclosure of remaining available land in the city, cutting it off from other uses that may serve public need. This is a process of de-contextualized development or "a problematic detachment of financial logics of land development from local socio-political contexts" (Savini & Aalbers, 2016, p. 879). In Lisbon, developments reflect the requirements of distant international investors, without much regard for the actually-existing housing demand in the city.

Due to Lisbon's semi-peripheral positioning, which implies a local development sector with limited capacity as well as a context of miniscule state investment in housing, international institutional investors are positioned as the only actors with the power and capital to build housing at a scale necessary to meet local "demand" – framed essentially as the need for "middle class" houses for local families. But at the same time, stories around nightmarish bureaucracy and the lack of "maturity" in the Lisbon market are routinely exchanged to justify why housing at lower, more affordable prices would simply be unviable. This catch-22 is a reflection of subordinate financialization: the context of Lisbon/Portugal needing foreign investment sets the stage for large-scale institutional investors to build what they want with minimal intervention, which in turn reinforces its subordinated economic status. Industry narratives of housing demand and the need to overcome local risks to increase supply may or may not be part of a conscious strategy, but they function to naturalize the current choice of development typologies, and to obscure the role of investor criteria in these projects. They entrench subordinate financialization in Lisbon by laying the groundwork for what can be built and who can build it.

Concluding thoughts

Writing about the case of Blackstone in Spain, García-Lamarca (2021, p. 1422), argues that the rise of such investors "point[s] towards an ominous convergence of the owners of land and of money". This convergence will have profound implications for global urban processes, including in housing. In this paper, I have contributed to understanding institutional investors and their investments into housing production, and to exploring subordinate financialization as an urban process. In Lisbon, the dominance of foreign institutional and corporate investors in large-scale housing development represents a consolidation of land ownership and development power that could have profound implications for urban trajectories in the city. It will therefore be crucial to continue to track institutional investors across sectors, scales, and geographies to grapple with the significance of their role in housing production and provision. Future research might scrutinize why such investors pursue particular strategies in certain contexts and not others, and how this reflects and/or reshapes global hierarchical relations. For example, is investors' current pursuance of mainly BTS housing in Lisbon laying the groundwork for future BTR projects?

I have sought to illustrate how housing production and urban development may be shaped by powerful actors, especially in a semi-peripheral context. But it is important to note the limitations of this study which provides a snapshot of development at a particular point in time and should not be taken as a full picture of Lisbon's development or its future. Second, while I contend the importance of global power relations in shaping urban development, it cannot be assumed that such actors will unproblematically bring all their visions to fruition. Examining the strategies and narratives of such actors opens space for contingency and contradiction. For example, the insistence on the need to build new housing may lead to a building bubble and oversupply of such housing (à la Weber, 2015), which, besides risking more housing that sits empty, could undermine investor profits. "I have serious doubts as to whether demand will maintain itself at levels necessary to absorb so much supply," expressed one local developer amid his construction-happy colleagues (Santos, 2019 – my translation). Furthermore, there may be various interventions challenging planned projects and investment flows, from the housing movements which have flourished in Lisbon in recent years (Saaristo & Silva, 2023), or new government proposals (Relvas & Soares, 2023), which may yet succeed in channeling some of the vast incoming investment towards supporting housing rights for all. But continuing to sift through the black box of opaque investment processes will be crucial in order to find the opportunities for intervention.

Notes

1. Decision group formed by the International Monetary Fund, European Commission and the European Central Bank.
2. Associação Portuguesa dos Promotores e Investidores Imobiliários (APPII)
3. The authors note that because transactions are in private markets and data is likely incomplete, these numbers should be considered lower-boundary estimates.
4. World Bank data: https://data.worldbank.org/
5. Namely, the national *Programa de Arrendamento Acessível* (Affordable Lease Program) and the Lisbon-level *Programa de Renda Acessível* (Affordable Rent Program).
6. This research was approved by the Research Ethics Committee at the University of Sheffield, reference number 023551. Participants were briefed on the project and signed informed consent forms.
7. Note that Aggregate recently announced the sale of VIC Properties, see Aggregate (2023).
8. The average monthly salary in the Lisbon district was €1,172 in 2019, but half of workers in the Lisbon area earned less than that (Lusa, 2019).

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