

# The City: A Collective Good?

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CITIES HAVE GENERALLY SUCCEEDED IN enabling a variety of ownership regimes for their diverse material components, and they have done so across multiple historical periods and governing formats. This points to a remarkable capacity of cities to survive enormous and often radical transformations. By contrast, powerful formal actors—royal houses, government systems, the major enterprises of each epoch—have not. This marks a sharp difference between cities and other major entities, from rulers to private corporations.

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Strong as these features of cities may be, they are not indestructible. In this short paper, I focus on the massive increase in the buying of urban properties currently playing out in a rapidly expanding number of cities. Of particular concern here are two features: 1) the underutilization of those bought properties and 2) the slippage in the capacity of existing urban legal regimes to govern, oversee, or regulate this explosion in acquisitions. While there are only 100 or so cities that seem to be in play at this point, these signal a possibility of legal innovations that may alter long-existing traditions about who owns the city: notably, that no single entity owns the city. The multiplicity of ambiguous regimes that have ruled and enabled cities for centuries are, today, under direct threat from major corporate acquisitions and the accompanying legal innovations.

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## CITIES: COMPLEX BUT INCOMPLETE

A key marker of cities is that they are complex but incomplete systems that cannot be fully controlled. It is this mix of complexity and incompleteness that has given cities their long lives across enormously diverse historical periods. One consequence of this ambiguity is that cities have long been spaces where those without power have been able to develop a history, a culture, and an economy of sorts.<sup>1</sup> The neighborhoods—the spaces of modest, not rich or elite urban inhabitants—have outlived powerful regimes.<sup>2</sup>

These are also the features of cities that have enabled the powerless to make claims—with very diverse demonstrations in cities across the world being one such mode of claim-making.<sup>3</sup> These claims range widely, including demands for better garbage collection, housing issues, and police brutality. The city remains a far stronger enabler of such claims made by those without power than spaces such as mines and plantations, which once played a similar role—with mines being a major space for organizing unions—but today are fully controlled and even militarized. Across the centuries it has also been these features of cities that enabled the bazaar culture, where members of diverse religions could trade with each other and establish merchant traditions that cut across all kinds of differences. When the workday was over, each different ethnic or religious group retreated to its community to engage in its particular culture and religion. Out of this emerged the centrality of trade and urbanity for cities.

These centuries-old urban capabilities are threatened today. They are both figuratively and literally being demolished in more and more of our great cit-

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ies. What could previously outlive wars, power, and time is now being destroyed by new modes of privatizing urban space through the proliferation of massive building complexes. This has certainly also happened in the past—and

history has shown us that a city destroyed is a city ready to be rebuilt. Yet each epoch in time and space is shaped and reshaped in specific ways.

My concern here is with our current period; against the broader historical survival of the urban, I examine sharp trends in a growing number of major cities that point to a disturbing, even if partial, deurbanization. At its most extreme, are we witnessing the repositioning of the city as a valuable commodity—and

perhaps even a financializing of that commodity?<sup>4</sup>

## PROPERTY REGIMES

Historically, most buildings in a city tend to be privately owned. This continues to be the case today, but with one key difference: most corporate purchase of properties in major cities has a weak utility function, meaning that these properties are underutilized. The value of the acquisition increasingly resides in ownership or control of the building itself, rather than how the building might be used. This aspect of current corporate acquisitions remains underexamined. Many of these buildings function rather as a way of storing capital.

This stands in sharp contrast with another accelerating trend in those same major cities, a trend to a large extent shaped by increased purchasing of major properties: the escalating price of modest housing, which is now excluding more and more of the middle classes from home ownership. This has generated major issues in a growing number of cities—for instance, most major European and U.S. cities and particular Asian cities such as Mumbai, Delhi, and Bangalore. Among these issues is the threatened capacity of the working and middle classes to find housing—something that becomes quite problematic in the case of emergency staff, most notably firefighters and nurses. Another trend is the proliferation of mega projects where before there were streets, parks, and public offices that served residents' needs.<sup>5</sup>

The corporate purchase of buildings which remain only partly used also stands in contrast to a third trend: the vast expansion of “the periphery,” an ambiguous zone of mostly low-rise, poor quality housing that is neither city nor slum.

The pronounced trend that took off after the 2008 crisis among foreign and national corporate entities toward buying but then underutilizing urban properties marks a new period in the economic history of cities.<sup>6</sup> The juxtaposition of high prices and the underutilization of those buildings depart from what was typical in past periods. For instance, in the 1980s, an increasingly globalized economy led to foreign firms buying highly priced properties, most notably in New York, London, and Tokyo. But it was a relatively smaller overall investment compared to today's levels, and it had a stronger utility function in that the buildings being purchased in the 1980s were strategic for gaining a foothold in major financial centers. A further difference is that the current underutilization of those properties exists alongside the extremely high demand for housing by the middle classes, who have been priced out in a growing number of major

cities. At the extreme we have, on the one hand, exceptionally dense peripheries, and, on the other, empty, underused mansions.<sup>7</sup>

One possible explanation is that at a time when general crisis combines with a vast concentration of capital at the top of the system, the purchase of buildings in major cities might be one of the better investments for the rich, though its social costs for cities are high. To this I add another major question that has not quite been considered yet but that emerges from my research on

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the subject: is this buying of buildings actually a vehicle to buy urban land?<sup>8</sup> The regime governing urban land is often quite different, older, and more elusive than today's laws governing the purchase of buildings in major cities

across the world. A key issue in my reading of current trends is the possibility that the contracts being developed by today's corporate buyers have begun to take over and neutralize older, often weakly formalized agreements concerning who owns the land beneath each building. In many older cities, rules about land ownership date back to times when such contracts were likely to be shaped by custom. These types of questions provide a key framework for distinguishing what matters about growing corporate investment and the contractual consequences it might entail for urban governance.

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#### **WHAT IS DIFFERENT IN TODAY'S CORPORATE BUYING OF URBAN PROPERTIES?**

The purchase of high-value properties by foreign firms is not a novel event in major cities that function as international hubs. In the 1980s, when I was doing my research for *The Global City*, there was a sharp rise in the purchase of high-value properties by foreign investors in both Manhattan and London.<sup>9</sup> Financial firms from countries as diverse as Japan and the Netherlands moved some of their operations to London, as it was a financial center that enabled easier access to the markets of continental Europe than functioning from inside any continental European city.

But, as already indicated, the current phase is different. A succinct way of marking that difference is the often low utility function of these acquisitions: many of the buildings are underused. And this holds for a very broad range of diverse cities that belong to diverse countries—ranging from the United States

to China.

The latest estimate of the global value of real estate assets, according to the real estate company Savills, is \$217 trillion.<sup>10</sup> This figure refers to all real estate that has been financialized so it can be bought and sold in diverse markets as an asset, without having to bother with the actual building.<sup>11</sup> It includes all types of properties. It is important to recall that most property in the world is modest and has not been financialized. My focus here is on large-scale corporate purchases of existing properties. These properties might be used as they are, renovated, left standing empty as a way of storing capital, or torn down in order to build a more valuable type of building that can deliver higher profits.

Taking just the two most recent years, corporate purchase of existing properties reached over \$600 billion from mid-2013 to mid-2014 in the top 100 recipient cities and over \$1 trillion from mid-2014 to mid-2015.<sup>12</sup> These figures include only major acquisitions; for instance, in the case of New York City this refers to only properties with a minimum price of \$5 million. Further, this list includes only the purchase of property; it excludes large amounts spent on site development.

These top 100 cities as ranked by the value of national and foreign purchase of property in 2013–14 account for 10 percent of the world's population, but 30 percent of the world's GDP and an even more extreme 76 percent of property acquisitions that have entered the financial circuit.<sup>13</sup> It is important to distinguish these financialized properties (a small minority of all properties in the world) from those that trade on more traditional real estate markets, many of which are now also global markets. There are two very diverse circuits: one circuit is the familiar buying and selling of properties, and the other exists only in electronic space as a financial asset. In this second format, the instrument can circulate in multiple markets and be bought and sold rapidly, without many of the features that characterize more traditional ways of buying a building.

What gives added weight to this pattern of acquisitions is that the current period is also one where growing numbers of developed countries have seen massive foreclosures on low- and modest-income households, especially in the United States, several European countries, and some Asian countries. The United States is where this particular type of abusive instrument was invented and has produced, according to the Federal Reserve, up to 14 million foreclosures.<sup>14</sup> This can entail well over 30 million people.

One result has been an abundance of unused houses in fairly central urban land, not an insignificant outcome at a time when urban land is of great interest to investors. This instrument can travel globally, so it has been sold in Europe

where the foreclosures are also accumulating; for instance, Germany has over a million households under foreclosure, which is significant in a country where most households rent rather than buy housing.<sup>15</sup>

The instrument involved is perversely brilliant in that it allows investors to use these mortgages in order to build asset-backed securities. It persuades what are in fact mostly low-income households that they can buy a house and asks them just to sign the contract and, by and large, not to pay anything for years. Simply put, all this financial instrument required in order to function was a signature, no money asked. The profits were to be made—and they were vast—by selling the financial instrument as an asset-backed security to the high-level investor world.<sup>16</sup>

How this newly emptied urban ground will be used is not certain. Corporate acquisitions and site development may well become the next step. The redeployment of urban land toward new uses has emerged as a major trend of the current period and is, of course, part of a long history of urban rebuilding.

This proliferating urban gigantism has been strengthened and enabled by the privatizations and deregulations that took off in the 1990s across much of the world, and has continued since then with only a few interruptions.<sup>17</sup> Its overall effect has been a reduction in public buildings and an escalation in large corporate private ownership. This brings with it a thinning in the texture and scale of spaces previously accessible to the public, a space that was more than just public buildings. Where before there was a government office building handling the regulations and oversight of a given public economic sector and addressing the complaints from the local neighborhood, now there might be a corporate headquarters, a luxury apartment building, or a mall, often guarded by private armed security employees.

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### DENSITY ALONE DOES NOT A CITY MAKE


We might ask, what is a city if it cannot be simply identified by its density of built environments? My answer is that density matters, but the key is that a city is a complex but incomplete system: in this mix lies the capacity of cities across histories and geographies to outlive far more powerful but fully formalized systems, from large corporations to national governments. London, Beijing, Cairo, New York, Johannesburg, and Bangkok, to mention just a few, have all outlived multiple types of rulers and firms across the centuries.

Further, in this combination of complexity and incompleteness also lies the possibility for those without power to be able to assert, “We are here,” and “This

is also our city.”<sup>18</sup> Or, as the legendary statement by the fighting poor in Latin American cities puts it, “*Estamos presentes*,” or “we are present.” To a large extent, it is in cities that the powerless have left their imprint—cultural, economic, social—even if mostly in their neighborhoods. Eventually, each one of these imprints can spread to a vaster urban zone as “ethnic food,” music, therapies, and more. None of this can happen in an office park, no matter its density; these are privately controlled spaces where low-wage workers can work but not make. Nor can they do so in our increasingly militarized plantations and mines—which in the past were spaces where workers were able to organize and set up unions that enabled them to make claims and to succeed. In this process, workers could gain that complexity in their powerlessness by the sheer concentration of their numbers. Today it is in cities, our large, messy, and somewhat anarchic cities, where that possibility of gaining complexity in one’s powerlessness and leaving a historic trace can happen. Urban governments cannot fully control such diversity of peoples and engagements.

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The frontier is a space where actors from different worlds have an encounter for which there are no established rules of engagement. In the old historic frontier this led to either negotiation with indigenous peoples or, mostly, to their persecution and oppression. The frontier space that is today’s large, mixed city offers far more options. Those with power to some extent do not want to be bothered by the poor, and the mode is often to abandon them to their own devices. In some cities (for instance, U.S. and Brazilian cities) there is extreme police violence, and yet, this can often become a public issue, which is perhaps a first step in longer trajectories of gaining at least some rights. It is in cities where so many of the struggles for vindications have in the past and are today taking place. And in the long run, these struggles have partly succeeded.

But this possibility of complexity in one’s powerlessness—the capacity to make a history, a culture, and so much more—is today threatened by the surge in large-scale corporate redevelopment and privatizing of urban space. 

## NOTES

1. While this is not the standard way of describing a city, the notions of an urban economy and urban culture are part of the basic literature on cities. To mention a few major Western books that exist in the English language, including by translation, see: Fernand Braudel, *The Perspective of the World: Civilization and Capitalism 15th–18th Century* (Berkeley: University of California Press, 1992); Peter Hall, *The World Cities* (New York: McGraw-Hill, 1966); Jane Jacobs, *The Death and Life of Great American Cities* (New



York: Vintage, 1992). For a highly informative overview of several major cities, see: “Urban Age,” <https://lsecities.net/publications/conference-newspapers>.

2. There are many histories of cities in multiple languages that describe the changes across time of a particular city. For a masterful example, see: Janet Abu-Lughod, *Rabat* (Princeton: Princeton University Press, 1980). Here I am trying to make a different point, one that has not received much, if any, attention: conceiving of the city, and particularly urban space, as a capability, see: Saskia Sassen, “Incompleteness and the Possibility of Making: Towards Denationalized Citizenship?,” *Cultural Dynamics* 21, no. 3 (2009): 227–54; Saskia Sassen, “Does the City Have Speech?,” *Public Culture* 25, no. 2 (2013): 209–21. I have conceptualized this as speech, even though it is speech that residents of these cities might not hear or recognize.

3. For my examination of very diverse instances, see: Saskia Sassen, “The Global Street: Making the Political,” *Globalizations* 8, no. 5 (2011): 573–9. For a different approach to capabilities, see: Saskia Sassen, “Strategic Gendering as Capability: One Lense into the Complexity of Powerlessness,” *Columbia Journal of Gender and Law*, 19, no. 1 (2010): 179–200.

4. For a detailed explanation of this financializing of buildings, see: Saskia Sassen, *Expulsions: Brutality and Complexity in the Global Economy* (Cambridge, Massachusetts: Harvard University Press, 2014), ch. 3; Saskia Sassen, “The Global City: Enabling Economic Intermediation and Bearing Its Costs,” *City & Community* 15, no. 2 (2016): 97–108. For a more general examination of the buying of real estate in cities, see: Manuel Aalbers, ed., *Subprime Cities: The Political Economy of Mortgage Markets* (Boston, U.K.: Blackwell, 2012).

5. The building of malls, luxury office buildings, and luxury housing has become a familiar trend in more and more rich cities across the world, from Mumbai and Phnom Penh to New York and Hong Kong. For a good overview of several major cities in the world, see: “Urban Age,” LSE Cities, <https://lsecities.net/ua>.

6. See: Saskia Sassen, *Cities in a World Economy* (Thousand Oaks, CA: Sage, 2012); “The Global City: Introducing a Concept,” *Brown Journal of World Affairs*, 11, no. 2 (2005): 27–43.

7. For examples of such empty mansions in London, see: “Inside ‘Billionaires Row’: London’s rotting, derelict mansions worth £350m,” *Guardian*, <https://www.theguardian.com/society/2014/jan/31/inside-london-billionaires-row-derelict-mansions-hampstead>.

8. Sassen, *Expulsions*.

9. Sassen, “The Global City.”

10. Savills is a leading real estate global firm headquartered in London, with offices across the world. See: “World real estate accounts for 60% of all mainstream assets,” *Savills*, January 25, 2016, [http://www.savills.co.uk/\\_news/article/72418/198559-0/1/2016/world-real-estate-accounts-for-60--of-all-mainstream-assets](http://www.savills.co.uk/_news/article/72418/198559-0/1/2016/world-real-estate-accounts-for-60--of-all-mainstream-assets).

11. For my description of the process of financializing, see: Sassen, *Expulsions*, 117–48. For the core function involved in this type of urban development, see also: Sassen, “The Global City.”

12. For instance, see the firm Cushman & Wakefield 2016, <http://www.cushmanwakefield.com>; also includes data from Real Capital Analytics, Oxford Economics, Guardian News and Media Ltd., The World Economic Forum, and Urban Land Institute.

13. Ibid.

14. RealtyTrack provides a straightforward annual count of foreclosures based on data from the U.S. Federal Reserve.

15. For full details, see: Sassen, *Expulsions*, 121–9.

16. For a full description of how this instrument functioned, see: *ibid.*, 117–48.

17. For my examination of this change in policy in detail, see: Saskia Sassen, *Territory, Authority, Rights: From Medieval to Global Assemblages* (Princeton, NJ: Princeton University Press, 2008), 148–272.

18. See: Saskia Sassen, “The Global Street.”