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Real estate and housing: A commentary
Dynamics of a housing crisis – the politics and planning of housing in London and Toronto

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London and Toronto are cities in the grip of housing crises. Buoyed by real estate markets directed by multi-scalar financialisation practices, supportive governmental policies and regulations, and large corporate and individual investment in residential property for financial gain, the resultant impacts on the commodification of housing and, conversely, the availability of affordable housing have been grave in both cities. The production of uneven real estate and housing landscapes has formed stark cleavages in social relations in London and Toronto, where the divisions between investors and/or residents who own property and those who rent, are underhoused or without housing have increasingly become visible markers of either financial ‘success’ or struggle.

These indicators are etched into the aesthetic and visceral experiences of everyday life in both cities: through the presence of tall construction cranes building luxury residential towers, via the real estate marketing of gentrifying neighbourhoods, in the form of costly ‘bidding wars’ for houses, in the prevalence of Airbnb and other short-term lets, in queues for an ever decreasing supply of affordable rental units, and in the growing number of rough sleepers and an amplified reliance on temporary shelters. In Toronto and London, the housing crisis is intimately tied with situations of income disparity and racialisation across both cities, with persons with lower incomes, racialised communities, longer-settled and more recent immigrants and refugees, and other individuals experiencing discrimination and marginalisation significantly bearing the consequences of inadequate and unaffordable housing (Hulchanski 2010; Mensah and Williams 2013; Millington 2012).

In this commentary, we identify and outline two common themes that emerge from chapters in Part II that seek to explain the housing crisis and connected issues in London and Toronto: firstly, the rise of financialisation and assetisation practices
that have worked to further commodify housing and housing tenures, and secondly, the role of local governments in formulating housing policy and planning approaches that connect with the aims of private, market-led residential development. The practices that coalesce to form the contemporary real estate and housing landscape in London and Toronto are numerous and complex. Writ large, we observe complicated relational associations between private market actors and government interests in real estate and housing in both cities.

The real estate and housing sectors in both cities are continually being reconstituted and reformed through networked connections and interactions between markets, governments and individual actors, from a local to a global scale, that mediate and incentivise urban investment. These networks and associations are understood as both active responses to and products of late-stage capitalism, where financial gains are prioritised over community benefits and social justice. The financialised terrain of real estate and housing, as noted in examples of multinational corporate investment in new large-scale residential developments and existing housing, real estate investment trusts and direct foreign ownership, is increasingly connected to practices of state policy formation, deregulation and re-regulation that connect with and generally augment this investment logic. The chapters in Part II reflect on the impact of market-led real estate and housing dynamics and ever changing state systems of governance and planning (for more on London and Toronto’s governance, see Part I). Through the discussions in the six chapters within Part II, we note similarities framed by these relational, and at times contradictory, practices that have emerged in both cities, where private sector and government actors seek multiple ways to address supply-side opportunities and limitations to produce amenable investment spheres. The chapters examine diverse real estate and housing issues such as the policies and implementation of residential densification (Chapter 13 in Toronto, Chapter 12 in London); the forms and functions of deregulated and re-regulated planning systems such as the role of planning gain and development levies (Chapter 13 in Toronto, Chapters 8 and 12 in London), the impacts of financialisation, the creation of housing bubbles and market precarities, and the challenges of housing affordability (Chapters 9 and 11 in Toronto, Chapter 10 in London) and the intricacies of local politics (interwoven through all the chapters).

Across all the chapters we see how policy framings and directives become concrete in the geographies of real estate and housing markets, drawing out antagonisms relating to variegated spatial and temporal experiences and embodying how the local processes at play are inherently influenced by relational processes at a regional, national and international scale. Changes in the global economy are embedded locally in both Toronto and London, as we witness tensions emerging in relation to socio-economic inequalities, the loss of key commercial real estate land use, viability assessments and inflated perceptions of land value, resulting in both cities experiencing and responding to their respective housing crises in differentiated yet similar ways. The housing crisis in both cities – bluntly encapsulated by disequilibrium in demand and supply, deep unaffordability, reductions in
social housing provision and a seemingly ever increasing wealth gap – is explored throughout the chapters in Part II. In this commentary, we consider how historic and global processes have impacted the housing markets and examine local perspectives, policies and responses in both cities.

**Perspectives on housing: Financialisation, assetisation and affordability**

As noted in the previous section, London and Toronto are key financial centres and important seats of governance and regulation, with shifting population trends and demographics. Since the beginning of the twenty-first century both cities have continued to grow in population size (as discussed in Chapters 9 and 10). Similar historic trends have shaped both London’s and Toronto’s housing markets, leading to the current experience of housing crises formed by both global and local processes and transforming housing into a multidimensional investment opportunity through financialisation and assetisation processes. The introduction of contemporary financing strategies in a neoliberal and deregulated world brings the opportunity for change in the market processes of late capitalism, which sees investment and surplus capital as a ‘wall of money’ (Aalbers 2016) consistently branching out into new arenas in search of profit maximisation. Securitised interests in real estate, housing and mortgages become interests to be traded (with varied levels of risk and potential return) as they are repackaged into vehicles for global exchange. As a tangible asset, housing transforms into an investment vehicle with increased liquidity characteristics. Thus housing undergoes a process of assetisation, where it has local, national and international exchange value through the operationalisation of investment vehicles, in addition to maintaining exchange and utility values in the local market.

Growth in such investment vehicles has been facilitated by the expansion and movement of capital globally since the 1980s, as markets have become increasingly interconnected and open to investors anywhere in the world. In a normative sense, the integration of housing-related vehicles (e.g. asset-backed mortgage securities) into wider investment strategies offers the potential for increasingly diversified portfolios for investors and brings a multidimensionality to the function of housing. However, we argue that ‘financialisation’ processes are often broadly defined and are problematic due to subjective and varied interpretations of what the term means. Definitions of financialisation reflect ‘a new form of competition which involves a change in orientation towards financial results’ (Froud et al. 2000, 104), and one where ‘the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, [is] resulting in a structural transformation of economics, firms, states and households’ (Aalbers 2017, 544).

As an umbrella term, however, financialisation successfully illustrates the dynamics across the global investment market and can help us ascertain how market-led processes are forming the real estate and housing markets in Toronto
and London – with uneven spatial and temporal impacts (Bond 2013; McNally 2009). As per Fernandez et al. (2016), Hawes and Grisdale (Chapter 11) observe that the financialisation of housing can be seen as locally variegated but also as a global totality. Both Walks (Chapter 9) and Hawes and Grisdale (Chapter 11) draw our attention to the importance of the ‘wall of money’ and how this global totality is expressed through finance strategies developed to accommodate capital through housing markets via innovative structures such as private equity vehicles, institutional investments such as pension funds and real estate investment trusts (in Canada these are much more advanced in structure than their UK counterparts, especially in relation to housing). Impacts of financialisation are culturally, temporally and spatially specific in both urban markets, where the wider economic contexts are conducive to the development of both direct and indirect investment vehicles, which derive value from housing as an underlying asset.

In Toronto, the local real estate market responded very differently to the 2008 Global Financial Crisis, with a significant construction boom and rapid house price inflation that has formed an over-inflated housing market (‘housing bubble’) due to disconnects between household income and property values, and increased levels of household financial indebtedness. As detailed by Walks (Chapter 9), between 2009 and 2016 Toronto’s housing prices grew nearly twice as fast as the average of the ten other major cities in Canada (with the lowest-income quintile of Toronto census metropolitan area households having a debt-to-income ratio of 420 per cent). This has been stimulated by the availability of cheap mortgage credit and riskier lending as a form of ‘privatised Keynesianism’ (Crouch 2009), which has led to an increase in social inequalities (Chapter 9). In London, house prices dropped off after 2008 and recovered slowly due to a longer-term market recession and a period defined by government-led austerity measures – with the housing market still being out of reach, however, for many residents. The impact and uncertainties of Brexit discussions since 2016, combined with fluctuating housing prices in London, have incited caution in many investors in the residential market, both domestic and international. While Toronto has experienced a recent, albeit small, uptick in foreign investment in the real estate market that has had an effect on housing prices, the London market has noticeably more entrenched networks and forms of investment from foreign capital, which has resulted in housing becoming a ‘safe deposit box for the transnational wealth elite’ (Fernandez et al. 2016). Certain boroughs, such as Kensington and Chelsea, have a substantial number of luxury homes targeted towards foreign investors and the very wealthy, and Kensington and Chelsea is one of the most unequal local authorities across the city in terms of housing. In Toronto, as Walks (Chapter 9) notes, the actual quantity of foreign-owned housing has less of an impact on real estate prices than domestic ownership (in 2017, only 4.7 per cent of Toronto’s housing was owned by non-residents, compared with 13 per cent in London).

Affordability questions are at the centre of discussions across all the chapters in Part II, and like the concepts of financialisation and assetisation, ideas
and definitions of affordability are dynamic, policy dependent, market-led and complex. In Toronto, the commodification and assetisation of housing has been encouraged by policy shifts, as more traditional welfare policies have evolved into approaches related to ‘asset-based welfare’ (see Chapter 11) that encourage people to purchase housing as an asset in order to enhance their financial security in later life. In the UK market we have also seen a consistent drive towards investment in housing as a way to build and secure assets through owner-occupied housing and as a way to derive investment returns from the purchase of rental properties. On the other side of this residential investment landscape, we see an increased struggle for renters who lease housing through growing private rental markets rather than through the social housing sector. Walks (Chapter 9), in reference to Toronto, and Gabrieli (Chapter 10), in relation to London, reflect on how the housing crises in both cities have shifted relations of owner occupation and widened the income and social gap between renters and owners. In Toronto, the financialisation and investment focus of the private rental market, coupled with regulatory changes such as the eradication of vacancy control, has led to skyrocketing rental prices over the past few years, a very low vacancy rate for low and moderately priced rental units (around 1 per cent) and a market that is increasingly geared towards luxury rentals (ACTO 2019). In Toronto, nearly half (47 per cent) of the population are renters, and 47 per cent of these renters spend more than 30 per cent of their income on rent (see Figure 11.2 in Chapter 11). In London, anecdotally, spending more than one-third of your income on rent and housing costs is generally considered to be unsustainable.

In both cities there are strong correlations between instances of poverty and lack of housing affordability that impacts renters. Gabrieli (Chapter 10), for example, notes that the high cost of housing in London largely contributes to the higher rates of poverty in the city by comparison with the poverty rate for the UK. In terms of affordability in London, Gabrieli discusses how the cost of housing in London remains substantially higher than the rest of the UK and too expensive for the majority of first-time and local-income earners: the mean affordability ratio, representing the cost of property as a ratio to earnings, sits at 20 in London, double the UK average. If you are unable to purchase a house in London and become entangled in the private rental sector, the concept of ‘affordable rent’ sits at 80 per cent of the local market rent. Considering the discrepancies between local boroughs, this 80 per cent can demonstrate significant differences in affordability across the capital (as per Gabrieli).

As well as affordability issues, changes in tenure, accessibility, use class and other pressures on markets, including densification practices (Chapters 12 and 13) and loss of industrial land (Chapter 8), contribute to the imbalance of both residential and commercial stock in both city markets. Additionally, the rental landscape is further complicated by the rise of short-term rentals such as Airbnb and other short-term lets (see Chapter 11). As Hawes and Grisdale (Chapter 11) note, in Toronto, nearly 5,000 homes were rented on the Airbnb platform between 2016 and 2017, taking much-needed long-term private rental units out of the market.
and further accentuating a low vacancy rate. In London, the short-term rental mar-
ket is similarly impactful, with Airbnb especially prevalent in areas where there are
high levels of private rental sector housing, with some areas currently seeing up to
20 per cent of the local market lost to platform rentals (Shabrina et al. 2019), con-
tributing to an already overheated residential market and exacerbating underlying
housing inequalities.

New configurations of local government involvement in
housing policy and planning

The housing policy terrain in London and Toronto is tied together with the afore-
mentioned processes of real estate financialisation and housing commodification.
The formation of housing policies and the planning regimes in both cities have
rapidly adapted to neoliberal market dynamics, in keeping with the notion of
neoliberalism as being a series of ‘roll-back and roll-out’ processes of government
deregulation in order to reduce public investment and re-regulation to ameliorate
other investment conditions (Peck and Tickell 2002). State-led housing policy and
legislation approaches, apart from market regulation tweaks to modulate some of
the tensions between household debt and property over-inflation – such as ‘mort-
gage stress tests’ and the implementation of provincial non-resident buyer taxes
in Canada, as noted by Walks (Chapter 9) – have largely emphasised ‘innovative’
methods by which to decrease public responsibility for housing provision and
encourage more flexible forms of private–public activity. In both Canada and the
UK these methods have been constituted by changing ideological strategies of gov-
ernmental austerity, an agenda which has been more intensely felt in the UK con-
text, particularly in the last decade.

New arrangements for the public–private governance and planning of hous-
ing that emphasise the private delivery of housing alongside mitigated forms
of government involvement are noted in the Toronto context by Biggar and
Siemiatycki (Chapter 13). They discuss the rise of private sector-developed con-
dos in the city and the role of local government in utilising planning regulations
to ensure community benefits. They describe the role of ‘uplift’ planning mecha-
nisms such as Section 37 ‘density bonusing’, which allows for increased height
and density in a private development in return for the construction of public infra-
structure, such as libraries, parks and day care centres in the development area,
as well as the ad hoc and inconsistent local government use of Section 37. Similar
issues are present in the London market, where planning gain is captured through
larger ‘hard’ densification projects, with a payment from the developer to the local
authority, typically towards amenities, infrastructure or affordable housing via
Section 106 and Community Infrastructure Levy contributions. However, as dis-
cussed by Short and Livingstone (Chapter 12), recent consultations around the
density matrix and the new London Plan (due for completion in 2020) have seen
those consulted question whether the matrix remains fit for purpose as well as whether density should be ‘optimised’ rather than ‘maximised’. If the former, then how can a notion of optimal be consistently defined? As with Toronto, the impact of density and the concomitant contributions extracted through the planning gain system are on a site-by-site basis and can be subjectively interpreted across local authorities and between public and private actors.

In Chapter 8, on industrial/employment land in London and Toronto, we can further observe tensions embedded at local levels of governance through the planning mechanisms in place as industrial land is lost, frequently to accommodate residential development: the Greater London region lost 16 per cent of its industrial capacity (2001–15), and land zoned for employment in Toronto has shrunk by almost 10 per cent (2006–18). As the new London Plan is reconsidering its approach to dealing with density, it is also reconsidering how best to address the issues surrounding loss of industrial land through policies E4 and E7, which aim to ensure there will be ‘no net loss’ of industrial space and promote the idea that housing can be accommodated through intensification, by creating mixed-use environments on industrial land. As Ferm (Chapter 8) reflects, the journey to this point was informed by local consultants and lobbying groups such as Just Space, who are acting to preserve and protect industrial land. However, concerns remain over how the policies can be implemented, especially considering the viability mechanisms used to measure and assess the potential of a scheme by developers. Ferm expresses concern for the effectiveness of these new policies and how they will be enforced, considering their application at the local level and on a site-by-site basis; benefits captured through a discretionary planning system are not necessarily always as effective as they could be, as they are negotiated between public and private actors, and could result in actual loss of industrial land and increasing real estate speculation. In Chapters 8, 12 and 13 we note increasingly complex arrangements between local governments, local consultants and private developers in both cities, where private investors and developers lead new housing and mixed-use developments and local governments pursue these interests while at the same time attempting to generate some public benefits from this housing.

Other housing policy and planning approaches of local government that are evident in Toronto and London include an emphasis on ‘intensification’ or ‘densification’ as a way to encourage more compact urban form through taller and more dense housing developments. However, in line with the points outlined in the previous paragraph, enforcing densification strategies at local level can be complex and problematic. Toronto’s government has employed intensification as an official comprehensive planning strategy since 2002. Intensification has been packaged by politicians and planners as an environmentally sustainable planning strategy that encourages more compact use of land within city boundaries and decreases sprawled development on the suburban fringes of Toronto (Bunce 2004, 2018). At the same time, policies for intensification have dovetailed with the logic of new private sector-delivered, market-led housing in Toronto and, indeed, have coalesced
to rationalise the planning and development landscape of Toronto’s ‘condo boom’ over the past two decades (as described in Chapters 11 and 13), a form of densification that has been particularly visible in brownfield areas such as the central waterfront and along major arterial streets of the city.

Short and Livingstone (Chapter 12) detail the continued interest in densification planning in London, directed by the London Plan that is due for publication in late 2020. They note that densification is employed as a way to address the lack of available land in London for new residential development and that this strategy encourages the identification of ‘growth areas’ within borough and neighbourhood boundaries for new housing, the primary delivery of which is market-led. Their three case studies reflect on the differentiated impacts of densification and how it can be interpreted, with diverse implications. Although each case study demonstrates how densification can definitively increase housing provision in London, in the Victoria Opportunity Area, Woodberry Down, and Elephant and Castle, there are differences in relation to social housing production and contribution (or the lack thereof), as well as varied levels of density. There are also issues and differences between hard and soft processes of development across a variegated spectrum of size and scale, in planning guidance at local level, and in developer contributions and discretionary negotiations. In the chapters in Part II that address housing policy, it is clear that the complexities in the form, function and production of policy mechanisms in London and Toronto are dynamic and flexible; however, these processes also create tensions and difficulties in the interpretations of their purpose, with subjective impacts.

Conclusions

The chapters in Part II carefully point to the nuanced dynamics that constitute and shape the housing crisis in London and Toronto. In particular, two important themes that emerge from the chapters are the impacts of an increasingly complex financialised housing market and the directives of new housing policies that join together well with, and in some instances help to guide, housing market dynamics in both cities. As the chapters in Part II illustrate, the complex processes and outcomes of the housing crisis require the need for multifaceted solutions that work to address issues of social disparity and injustice. It is simply not enough to explain the financial processes and impacts of the housing crisis in London and Toronto. An articulation of its social fallout is increasingly necessary as the landscapes of both cities become more uneven and the experiences of people facing daily cost of living struggles become more visible. We end here by suggesting that a comparison of housing contexts in London and Toronto, as shaped through the chapters of Part II, offers valuable insights for other global cities facing similar issues and outcomes of financialisation, affordable housing constraints, and housing policy transformation.
References


