

Financialization of Mass Rental Housing in Germany: Understanding the Transaction Cycles in the Mass Rental Housing Sector 1999–2015

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1. Introduction

In Germany, since 1999, more than three million rental housing units have been traded in the context of large-scale transactions. Sales to “financial investors” played a dominant role among these transactions. In this article, I propose elements for a narrative that may help to understand the reasons for these transactions.

The idea of *austerity* (in terms of budget cuts) has often been used as an argument for the privatization of public shares in housing companies. However, this does not explain much. Privatizations are only one form of housing transaction and they hardly contribute to lower public costs. One important example from the German context is the abolishment of legal regulation of the tax-privileged non-profit housing sector, the so-called *Wohnungsgemeinnützigkeit*, in 1989. At first glance, this can be understood as an austerity measure. The conservative-liberal government argued that the “reform” would be able to increase tax income. In the debate, however, the government had to acknowledge that the abolishment would cause significant additional costs for individual housing support. The real motivation for the reform was not fiscal: the government just wanted to “liberate” the regulated housing sector for commercial business (Lammert, 1988; Unger, 2013). The decision opened Pandora’s box. Fundamental regulations for more than 3.3 million housing units in Western Germany (Holm, 2015) disappeared at once. As this example shows, it makes more sense to describe such acts as being part of a broader process of *neoliberalization*, which includes privatization, market deregulation, labor force wage cuts, and tax reduction for the wealthy as basic components.

As an institutionalized paradigm under a neoliberal regime, austerity reduces the capacity of states to organize housing in a socially satisfying manner. This aspect, however, neither explains the financial transformations in the private housing sector nor the origins of privatized assets. Concepts of austerity as an institutionalized European project (Stützle, 2013) or as the “wrong” reaction to the crash of the Bretton Woods system (Varoufakis, 2012) may help us understand the general macropolitical and macroeconomic context. However, these concepts hardly deal with the specific history of mass housing and can hardly anticipate specific progressive transformative policies in this field.

For these reasons, I prefer to read the housing transactions of 1999-2015 and their consequences as specific battles of marketization (Polanyi, 1978; Ebner, 2014) and financialization (Epstein, 2005; Lapavistas, 2013) within the history of accumulation regimes (Hirsch, 1986; Aglietta, 2000; Arrighi, 2010).

The role of financialization in the housing sector and within the context of the current crisis has been mainly discussed in regard to the securitization of mortgages for private homeowners in the United States (Aalbers, 2012), Spain (López & Rodriguez, 2010; see Muñiz, Chapter 14 in this book), etc. Here, I try to show how the large-scale transactions in the mass rental-housing sector, in Germany, also served the “creation of liquidity” (Gotham, 2009) from *spatially fixed* real estate values. I understand *financialization of housing* as the production, letting, trading, financing, maintenance, and management of housing according to the logic of financial product creation for institutional and rich private customers in transnational markets. In the following, when we focus on *ownership transactions*, we must be aware that they only mark one aspect of the transformation and that, in this context, the function of *ownership* is also

changing. Property (i.e. ownership of land and houses), for the financial industries, is hardly more than a legal and fragile fiction, which is necessary for the construction of asset classes.

2. Mass housing transactions in Germany between 2000-2015

According to the German public research agency Bundesinstitut für Bau-, Stadt- und Raumforschung (BBSR) (2008-2014), more than 2.8 million housing units were traded by way of larger transactions (i.e. more than 700 units), in Germany, between 1999 and 2014.¹ If we add recent and smaller transactions, we can estimate the number of trades to be more than 3.3 million units. Figure 1 shows the annual development.

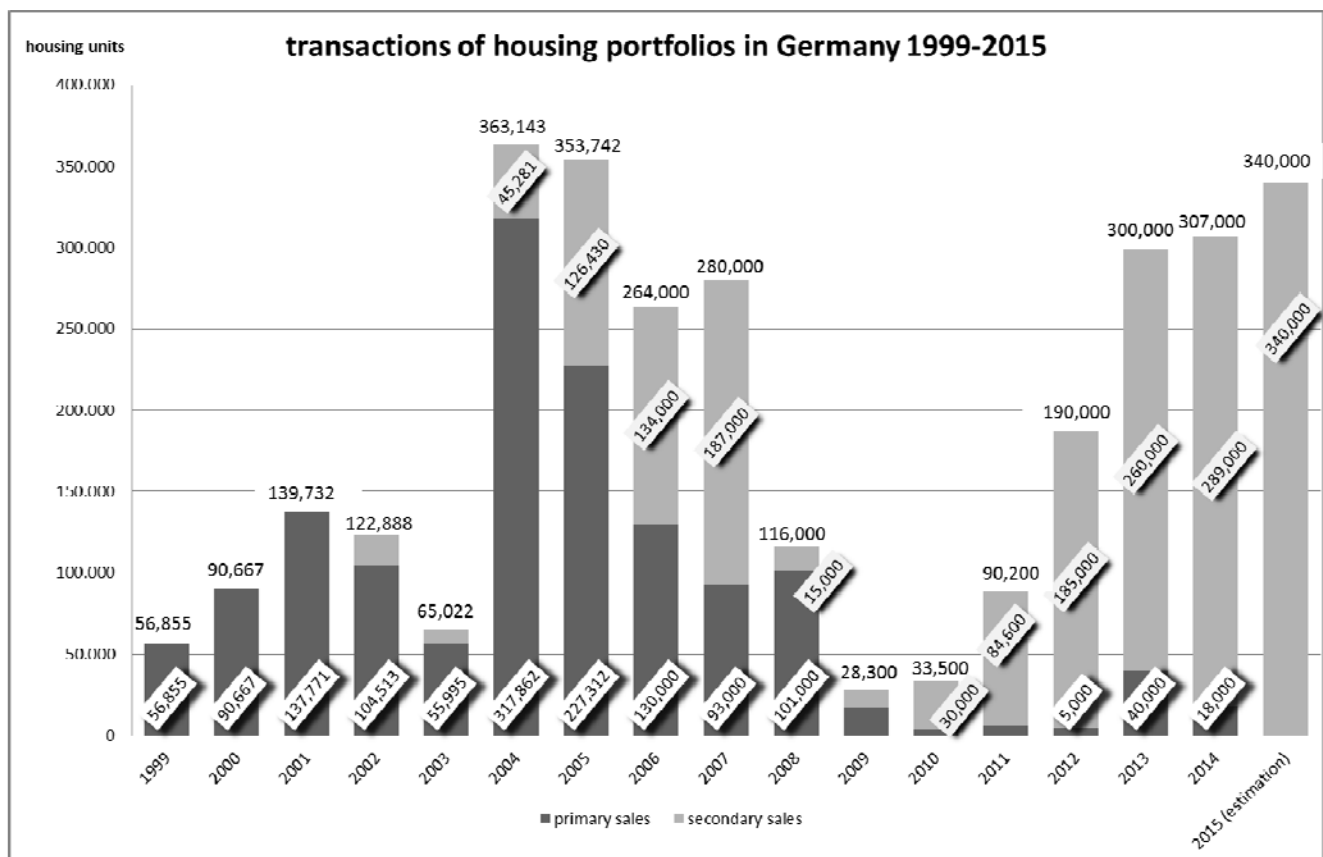


Figure 1: Large (>800 units) housing portfolio transactions in Germany, 1999-2014 (Primary and secondary sales) (Source: Bundesinstitut für Bau-, Stadt- und Raumforschung, 2008-2014; own estimations)

The correlation with macroeconomic trends is obvious: the first peak in transaction numbers coincides with the dot-com-crash (2000) and the Federal Reserve’s low interest-rate policies that followed (2001-2005) and stimulated speculative investment. The extraordinarily high transaction numbers of 2004-2007 also correlate with the heated global financial and real estate markets during those years. The low transaction numbers, after 2008, reflect the financial crisis, which began in 2007. Finally, the high transaction figures of the last few years correlate with the special conjunction of the German economy within the European debt crisis regime since 2011.

¹ The BBSR data set is not very accurate. It mixes asset and share deals. It also partly measures the trade of housing company shares at stock exchanges, as if each share corresponds to a part of a house. For the demonstration of long-term trends, however, the data are very helpful.

This cycle obviously consists of two phases: Until 2004-05, the so-called “first sales” of big housing portfolios were dominant. This means that original long-term property holders (e.g. public institutions, formerly regulated non-profit housing companies, old-school landlords) sold their properties to other corporations. Later, the vast majority of annual deals (about one-half of all transactions between 1999 and 2014) were secondary sales. Once the properties were sold for the first time, many of them entered a new market sector, in which, contrary to former times, permanent property trades were normal.

Large sales within a changing landscape

The process, embedded in macroeconomic trends, was driven by a limited number of very big deals. Let’s briefly recapitulate some of them:

In the second part of the 1990s, the position held by Germany’s large banks as the long-term holdings of the national industries (*Deutschland AG* model) shifted to shareholder value-orientated financial investors, which also included the housing sector. The affected housing stocks, constructed by major industrial companies for their employees without a specific interest in generating high returns, now emerged as *hidden reserves*² with potentially high market values, the so-called *Betongold* (concrete gold). Property sales also were motivated by a *focus on the key business* (i.e. specialization on world markets and the construction of *transparent assets*)³ and by ideas of cost reduction through flexible *lean production* and *industrial re-engineering*.⁴ The driving force behind the sales of industrial homes was the technical optimization of surplus production and rent extraction under the conditions of an increased organic composition of capital, globalized markets, *flexible labor*, and over-accumulated private capital. However, as *lean production* had its parallel in the idea of a *lean state*, public entities also started to sell their housing stocks.

Around 1997, a number of industrial and publicly owned housing companies were sold, especially in Bremen and Kiel. In 1998, a housing portfolio, which was originally owned by the pension fund of the Hoechst chemical trust and the state of Rhineland-Palatinate, was transformed into assets controlled by Deutsche Bank. This constituted the origin of Deutsche Wohnen AG, which, after buying out other privatized housing companies (e.g. GSW Berlin and Baubecon), is now the second largest publicly listed private landlord in Germany. Currently the management of the No. 1 in the business, Vonovia SE, is planning to buy out the shares of Deutsche Wohnen. The result would be a company controlling half a million housing units.⁵

In 2001, the sale of 117,000 railway homes marked a milestone of the handover of Germany’s public housing stocks to Anglo-Saxon *Real Estate Private Equity* (REPE) funds. The sale was an element of the transformation of Germany’s public railways into a more market-orientated structure under private law.

² From a financial viewpoint, land and buildings, which so far have been treated as public infrastructures or non-monetary production factors, can bear potential market values that do not appear on the balance sheets of municipalities or factories. The financialization business calls these *hidden values*.

³ *Focus on key business* was a prominent management trend in financialized industries before the financial crash. Financial shareholders were not interested in a deep involvement in complex trusts and their social and political environment. They just wanted a clear business story. At the same time, the concentration of the activities in specific segments (e.g. chemistry, steel) was intended to improve productivity and global competitiveness.

⁴ *Lean production*, since the 1980es, has been the idea of reducing the costs of production by outsourcing the supply chain and other factors (e.g. magazines, workers’ land and housing) and by recomposing the division of industrial labor based on new technologies. Industrial re-engineering is the implementation of a systemic optimization of the production, which may include the expropriation of the creativity and mentality of the employees.

⁵ A decision on the necessary increase of the capital stock will take place at the shareholder meeting of Vonovia on 30 November 2015.

This transformation must be understood rather as a consequence of neoliberal market ideology and the previously mentioned process of industrial re-engineering than as a consequence of austerity. The new owner was a private equity fund, which later became Terra Firma Capital Partners in London. Its CEO, Guy Hands, created a new platform, the Deutsche Annington, for the management of the housing stock. In 2005, Deutsche Annington/Terra Firma purchased the Viterra property company, which owned more than 130,000 units. In the late 1990s, Viterra, which was originally a group of diverse low-profit corporations under the control of the VEBA energy trust, started a wave of private housing developments and portfolio transactions. These increased the market value of the properties. After fusions in the energy sector, the new trust, E.on, sold the housing company and invested the return into transnational energy markets.

The sale of the housing company GAGFAH, which was originally owned by a public pension fund, was also among the largest transactions of 2004-05. The sale was the result of a neoliberal pension reform, in the 1990s, which aimed to reduce wage costs and state responsibility for pensions. The US-based private equity manager Fortress purchased the housing portfolio. Fortress later also bought Dresden's municipal housing company and housing companies owned by the state of Lower Saxony. Especially in the Dresden case, the local public deficit was a main argument behind the privatization. In 2006, the resulting housing platform and holding company, GAGFAH, was transformed into a publicly listed company and registered in Luxembourg. Some of the shares were publicly offered, while Fortress and its managers kept a majority of the shares. It was an early partial exit in favor of the Fortress investors. As a result, dividends were paid over the years with no regard for the consequences for the assets and buildings.

Another big deal, in 2004, was the sale of the public company GSW (60,000 housing units), in Berlin. Legitimated by the public deficit, Berlin sold the GSW to a consortium of funds managed by Goldman Sachs and the private equity house Cerberus. In 2011, the GSW was transformed into a publicly listed company; in 2013, it was taken over by Deutsche Wohnen AG (see above).

In 2004, the ThyssenKrupp housing company, which owned more than 45,000 company flats in the Ruhr region, was sold after demands of financial market actors on focused business emerged. The purchaser was a consortium of Morgan Stanley funds and a local saving banks corporation. One year later, the resulting new platform, IMMEO, was handed over to *Fonciere du Logement* (FdL), with a high return for those who arranged the transactions. FdL is a French *Real Estate Investment Trust* (REIT, French: SSIC), a tax-privileged joint stock real estate company.

In those years, a fundamental conflict emerged about the question of whether Germany, like so many other countries before, should introduce a legal framework regarding REITs (Unger, 2006a). While financial actors lobbied in favor of this idea, tenant associations and the left wing of the Social Democratic Party (SPD) were against it. They feared a further increase of privatizations. In the end, the German REIT law excluded existing housing construction. It was one of few victories the German tenant movement could achieve in conflict with the financial business lobby. However, financial managers found alternative ways to create cross-border holdings for the "optimization" of taxes.

Most of these major, expensive transactions would not have been possible without new ways of financing, especially securitizations in the form of Commercial Mortgage Backed Securities (CMBS). In the most important cases (e.g. Annington, GAGFAH, Immeo), the refinancing structures were not initiated by banks, but by the financialized housing corporations themselves (Kofner, 2012). In finance-friendly places, such as Dublin, Special Purpose Vehicles (SPVs), which served as non-bank lenders for time-limited credits, were created. These SPVs refinanced the purchasing costs and were securitized by the mortgaged properties and rent cash flows. The SPVs issued commercial papers in tranches of different risk, which were rated by private agencies. Between 2006 and 2011, the inflexible conditions of these complex securitizations, as well

as the critically rated *balloon risks*,⁶ used to refinance the loans at the end of the loan period, intensively determined the management of the affected housing companies.

When a conservative-liberal coalition came into power of the traditionally “red-green” state of North-Rhine-Westphalia after the 2005 elections, it immediately started to realize its central slogan in the field of housing: “market before state.” In 2007, against broad protests, including a referendum initiative, the government sold the state-owned LEG (about 100,000 units) to funds that were mainly managed by Goldman Sachs. Because the LEG was mainly financed by public mortgages, the effects on the public budget were very limited. Today, the country is painfully missing a public housing company as a possible rescuer for failed investments and as a developer for necessary new social housing constructions.

At the same time, around 2007, it became clear that the REPE funds, which were purchasing, had overestimated the return from the transactions, especially the probability of profitable condo-conversions. The unavailability of large-scale liquidity after the financial crisis nearly put a stop to the transactions entirely. Exits planned by the REPE funds were postponed, the refinancing of the new housing empires became a major issue and some of the created investment platforms went bankrupt.

After the German crisis recovery, the second cycle of mass housing trade included some new privatizations. In 2012, the state of Baden-Württemberg’s public bank, LBBW, sold a portfolio of 20,500 housing units to a fund of institutional investors, which was managed by the publicly listed German company Patrizia. The motivation was a European Union regulation on public banks. In 2015, this housing stock (Südewo) was sold to Deutsche Annington. Also in 2012, the federal state-owned TLG (a residual of the former Treuhand, which privatized former GDR property) sold 11,500 units to the publicly listed TAG AG.

The main trends, however, were the exit of REPE funds through secondary sales and public share offerings and, since 2014, huge mergers and acquisitions within the publicly listed sector.

3. Origins of the affected housing stocks

With only few exceptions, the affected housing units were built before German reunification, in 1989, under conditions of public or regulated ownership and finance. The units were mainly produced and maintained as use values for the reproduction of the labor force during the Fordist period of mass production and state interventions. However, this situation also has its history.

A rental house is not just a product, commodity, and property. It is also a form of interest-bearing capital. Landlords invest capital to purchase the land and cover construction costs: this capital is incorporated in the house. Tenants pay a monthly rent to the landlord, the largest part of which covers the interest on the invested capital. If the landlord has borrowed most of the capital, the bank or creditor has a right to participate in the interest. This right is legally secured through a mortgage or other types of property-secured credit.

Through these mechanisms, rental housing is always a kind of financial investment, linking rental-housing markets to financial markets. Markets, however, never exist in a pure form; they are always organized through institutions. The institutions of the nineteenth-century national liberal state gave much power to landlords, but the catastrophic consequences for mass housing resulted in a strong demand for tenant protection. Since World War I, systematic housing policies developed from emergency acts.

⁶ The term *balloon risks* is used by rating agencies for the accumulation of diverse risks. The risk in this case was not a bad performance of the single loans, but the fact that the periods of many of the securitized loans ended around 2013. Under crisis conditions, it was not sure that all these loans (more than 13 billion euros) could be refinanced in time.

After World War II, the construction of necessary housing was a key issue in the process of West Germany's recovery. Supported by the Allied Forces, the reorganization of housing was based on pre-war approaches, but according to a much more systematic public investment strategy. After a first post-war phase, the construction of mass housing became an integrated element of the "Fordistic accumulation regime" (Hirsch & Roth, 1986) in its West German form, also known as *Rhineland capitalism*.

Under these conditions, social housing became an instrument for the subsidization of housing provision in the context of industrial growth. The construction of affordable homes was (and still is) subsidized by public mortgages with low interest rates. Any type of owner (e.g. public or commercial company, small private landlord or owner-occupier) can receive the mortgage. During the period of public mortgage, the housing units are only available to people below a certain income level. According to the traditional system, rent should only be cost covering. After the owner has paid back the mortgage, he is free to rent the apartments at free market conditions. This temporary character has led to a rapid loss of social housing over the past decades. Since all types of owners can receive the support, the system has worked as a gigantic engine for the accumulation of assets in the hand of institutional and small private landlords. Large sections of the traded housing stocks originally consisted of social housing.

Since the 1930s, there has also been a specific sector of *housing for public benefit*. In these tax-exempted companies, profits were limited: rents should only cover the companies' costs and income had to be invested in new construction. Privatizations of larger housing portfolios were not attractive for the companies or their shareholders. Shareholders included mainly states, municipalities, industrial companies, trade unions, and the renters themselves (i.e. renting cooperatives). After the war, this sector became a major actor in social housing construction. The temporary character of social housing regulation was not a big problem for the housing stocks they controlled. Even after the public loan period ended, the property remained in a sphere outside of the free market. The termination of the regulation of this sector, in 1989, was a main condition for the mass sales after 2000. Nearly all affected houses and companies in West Germany were originally part of the housing for public benefit sector.

By using social housing mortgage, the regulated sector, in the 1960s, became a main developer of urban renewal and new satellite towns, which are typical for the late Fordism period in Europe. These structures promoted the lifestyle of consumerist nuclear families aiming for upward mobility within a car-friendly urban environment, which functionally separates them from their workplaces. The whole housing sector was subjected to a regime of urban functionalism, inflexible norms, industrial growth, and consumerism.

This *Fordist city* did not result from state activities alone. During the era of full employment and growth, major industrial companies had a fundamental interest in providing affordable housing to their employees. Industrial homes reduced the employees' costs of mobility and housing. It helped to discipline workers and integrate them into co-determined industrial developments. As unemployment rates increased, beginning in the late 1960s, the importance of these interests diminished. The provision of housing became a cost factor and, later, an under-performing asset. Meanwhile, unemployment and anti-cyclical state policies resulted in increased public costs. During the 1970s, high interest rates made the construction of housing complexes according to the social housing model expensive.

At the same time, the popularity of large-scale social housing construction and car-friendly urban restructuring decreased. New left-wing and grassroots groups protested against the inhumanity of large urban housing structures and the destruction of traditional neighborhoods. These sentiments became one of the origins of the *new social movements*, which, since the 1970s, changed mentalities in German cities and further delegitimized mass housing schemes as well as the associated institutions.

In the 1980s, the long-term conservative-liberal coalition led by Chancellor Helmut Kohl opened up the path to neoliberalization on the basis of a homeownership ideology and by using corruption scandals within

the trade unions' housing segments as a pretext. In 1989, the abolishment of the housing for public benefit law was not only a consequence of this policy, but also the changed balance of power in society.

After German reunification, the transformation and modernization of the former state-owned GDR housing stock, as well as the necessary state support for new constructions during the 1997-1998 housing crisis created significant public costs, which were partly carried by the still publicly owned housing companies. The idea that the state could get rid of related costs by way of privatization was a major factor in the legitimization of the sale of public housing stocks. In the second half of 1990s, the idea of a free housing market was also established within social democrat and green party hierarchies. The fact that the housing crisis of the transition period following German reunification was over became a widespread argument for privatization. Since the late 1990s, local protests and referendums prevented many of the planned privatizations (Unger, 2006b). However, an unstoppable wave of privatizations had been created before these protests could gain influence.

4. Purchasers and their business models

The purchasers of German mass housing stocks during the first transaction cycle were mostly *private equity funds* that refinanced their buy-outs through huge securitizations.

Private equity funds are only temporarily invested into their target companies. After a period of normally three to seven years (*management phase*), the funds attempt to sell the company at a high profit (*exit*). During the management phase, they work to increase the market value of the target.

The second most important aspect is the fact that investors in private equity funds (e.g. pension funds, insurances, foundations, wealthy private persons) are not directly involved in the target company. They give their capital to fund managers expecting it to be paid back with a high return after the exit. If it were not for the credit conditions, fund managers would be more or less free in their treatment of the target company during the holding period. They do not earn their money from the target's business, but through the charges paid by their investors. However, fund managers also often personally invest in the funds.

The strategies during the management phase can be very harsh on employees, customers, and other stakeholders. In contrast to publicly listed companies, the private equity fund managers do not have to care much about public opinion: they also can accept phases of losses. However, compared to the lifetime of a building, their time horizon is very limited. The financial investment cycle can become relatively independent from the development of the actual value of the purchased property at the housing markets. In the perspective of the REPE manager, a rented house is mainly material and a source for financial operations. Therefore, it is no wonder that all large transactions of the period 2004-2007 were associated with huge securitizations.

4.1 Strategies of REPE in German mass housing

If large-scale cheap capital is available, it can be very profitable to only use the leverage of low interests for a high return on the investment of a small amount of equity. Around 2005, it was possible to buy entire housing companies and do nothing with them other than burden them with the debt of the securitized purchase loan. However, this model is rather risky in the long run. Consequently, some of the purchases were sold again after a short time. The funds that missed selling their indebted assets in time failed bitterly.

The largest REPE funds, however, went another way and intervened intensively in the financial and operative management of their target companies (e.g. GAGFAH, LEG, GSW). The most active REPE manager was TerraFirma/ Deutsche Annington.

The core business of a private equity company is the construction of asset classes for their customers: institutional investors. The management of the constructed asset classes includes: management of the

transactions (e.g. new acquisitions, due diligence, integration, tax optimized transnational holding structure, etc.), financial engineering (i.e. refinancing and permanent optimization of the capital structure), and the operative management of the property or the housing platform. At this level, the task is to increase the real or fictitious value within the holding period.

We can identify the following main strategic fields for increasing the property and company value within the period:

- The task of *facility management* is the optimization of the rental income and the physical standards of the housing stocks. This includes measurements for vacancy reduction, rent increases, optimization of charges and necessary repairs. The aim is to maximize the rental cash flow with a minimum of costs. The main interest is the extraction of rent (i.e. profit) from the property and not the property's physical improvement.
- *Industrial reengineering* focuses on the cost optimization of the directly or indirectly employed workforce. This can mean a reduction or outsourcing of employees and an intensification of work through IT-based Taylorization and centralization. It can mean a reduction of customer services (e.g. repair, maintenance, control) and that tenants are forced to contribute their own time to the maintenance of the property (e.g. waiting for the call center, painting the floor without payment). Under better finance conditions, it also can mean that landlords extend their control over the supply chain for material and services (i.e. hiring of necessary employees without regarding tariff contracts with trade unions, etc).
- *Portfolio management* aims to optimize the property's composition in regard to the expected development of rental income, costs, and purchase opportunities. Normally, the portfolio of a large housing company is separated into segments, which often reflect different strategic interests regarding value increase. Within these segments, there can be sub-segments for the different treatment methods (e.g. increasing the value through modernization investments, managing the status quo, condo-conversion sales, block sales).
- A fourth important field of practice focuses on business *accounting*. The main relevant measurement is the annual adjustment of the estimated market value of the property and other financial assets. The traditional German accounting standards applied historical costs, but transnational businesses use IFRS standards, which, since 2006, allow for a very pro-cyclical valuation of the property (Perry & Nölke, 2006; Cooper, 2012). Annual property valuation takes expected rents, interest rates, etc. into consideration. If there is a trend of increasing rents, the results normally contribute substantially to the annual balance. In crisis situations, the value rapidly is downgraded. It is a specific sphere of creating fictitious capital.
- A principal fifth strategy is value creation through new construction or investments in *modernization*. REPE platforms were not able to invest in modernization during the management period, which was determined by debt and the financial crisis. This situation changed totally since the exits, the refinancing of the original securitizations and the return of "cheap money" on the financial markets. Today's publicly listed companies use the current time window of accessible capital for an excessive strategy of construction improvements, which leads to heavy rent increases.

At the end of the management period, the funds' financial returns also depend on the clever management of the exit. Managers have to identify the right time to promote and prepare public offerings, etc. In most cases, the value increase is realized with this step.

4.2 Main effects on the German housing stock

Physical divestment and service reduction were the main effects on the German housing stocks purchased during the REPE period. Nearly everywhere, expenditures for maintenance of the aging housing stocks were reduced and new constructions were stopped entirely. Problems in the flats, such as mold, increased. Tenants often did not receive correct annual balances of their service charges. Some landlords or underpaid servicers were hardly accessible or failed to pay public charges for the supply of water. Sometimes, they were not able to manage new rentals. Vacancy rates increased, even in large companies.

Deutsche Annington, especially, decreased employee numbers on an extraordinary scale. In 2008, local representatives of the landlord were replaced through a centralized IT-based call center for all of Germany, which was outfitted with a mobile facility service. As a consequence, the vacancy rate increased by one percent within a year and local newspapers published negative articles. Today, the bad reputation continues.

These experiences provoked critical reactions from tenant organizations, promoted the interest of mass media and led to the politicization of the problems. Between 2011 and 2013, a parliamentary commission in North-Rhine-Westphalia analyzed the problems and proposed various political responses (Landtag NRW, 2013).

If we look at the available data, about 40 percent (one million housing units) of all transactions between 2003 and 2013 consisted of sales by public owners (BBSR, 2014). More than 15 percent of the transactions were sales by municipalities and 24 percent were sales by entities controlled by the federal republic or the regional states. In the end, the public sector lost 630,000 housing units between 2003 and 2013, including 219,000 municipal flats. The sector of cooperatives and churches lost another 98,000 housing units. Within the same time period, the private sector gained 726,000 units through transactions.

In regard to primary sales, we can estimate that about 60 percent were real privatizations. This is the majority, although other actors – especially industrial companies – also played an important role.

In more than 60 percent of the privatization cases, the decision was made at the federal level or by regional states. The federal level, at least, had decision-making sovereignty and was not forced to sell the housing stocks due to an external austerity regime. If we look at the federal cases, we can see that each case was part of a larger neoliberal project not primarily related to housing.

The current state of transactions is mostly determined by concentrations within the publicly listed sector. Key elements of the current business models include mergers and acquisitions as well as the cleansing of portfolios from non-strategic properties, large scale bonds for financing, rent increasing investments into existing constructions, the *insourcing* of value producing chains, low wages,⁷ and industrial standardization of services and products. After a period of transition managed by REPE more than 1.2 million housing units today are subjected to the permanent speculation at global stock exchange markets.

4.3 Financialization of rental housing assets

In conclusion, we can identify five phases of mass housing transactions in Germany since the 1990s:

1. In the first phase, structures were created at micro- and macro-levels for offering mass housing to the financial market as well as for acquisition through financial actors.

⁷ 80 percent of the 6,000 employees of Vonovia have salaries and working standards below the tariff agreements of the real estate sector.

2. The years of the 2004-2007 global real estate bubble can be considered the boom years of primary transactions to Real Estate Private Equity.
3. In the years after the crash, new transactions disappeared and different types of crisis management shaped the existing REPE-controlled housing platforms.
4. In the context of crisis recovery in Germany, REPE-investors restructured loans and shares and initiated exits, mainly via public offerings.
5. In the fifth and ongoing phase, a rapid concentration of publicly traded housing capital is occurring.

The transition of former non-profit housing stocks in Germany to private equity funds can be understood as a perfect example of mass housing financialization. The transformation includes commodification and privatization, but goes further. It transforms a locally fixed good, which is produced and delivered to meet concrete physical or economical needs and serves specific interests, into abstract material for the generation and/or securitization of financial operations by arrangements of trans-territorial agencies of the financial industry.

Social housing policies not only have to fight against austerity. Rather, they must fight against a much more complex institutionalized market and private homeownership ideology. These ideologies and related policies are the result of specific crisis reactions. Today, new financial corporations directly control a mass of apartments and are becoming important actors in housing policies, not only in Germany. If we want to oppose the increasing economic and political influence of these corporations and overcome the determination of the housing sector by financialized markets, we must understand how they function.

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