4CITIES
MASTER IN URBAN STUDIES

BETWEEN HOUSING AND INVESTMENTS

The Financialisation of Housing in Zurich

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Master's Thesis
4CITIES | Erasmus Mundus Master in Urban Studies
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Submission: 01.09.2024

ABSTRACT

This thesis examines the financialisation of housing in Zurich in the aftermath of the 2008 financial crisis, exploring the underlying conditions and effects on the city's housing market. Using a critical realist approach, the research goes beyond traditional economic explanations of supply-demand imbalances to uncover deeper, often hidden mechanisms driving urban housing market dynamics. The case study concludes that the financial crisis acted as a catalyst for the influx of global capital into Zurich's real estate market, driven by low interest rates, deregulation and the city's strategic position as a global financial centre. Institutional investors increasingly dominate the housing market, which has led to a significant increase in land and rental prices, particularly in previously affordable neighbourhoods. This financialisation has led to gentrification, the displacement of vulnerable populations and a shift in ownership structures, with institutional bodies now holding the largest share of the market. The thesis also criticises local and national policies favouring these trends and argues for a reorientation towards socially more just housing solutions. By using critical realism as a research paradigm and integrating interdisciplinary perspectives, this research contributes to the broader academic discourse on urban research and the financialisation of housing, particularly in rental contexts. It highlights the need for further critical examinations of urban housing policy.

Keywords: Financialisation; housing; financial market; rents; Zurich

ABSTRAKT

Diese Arbeit untersucht die Finanzialisierung des Wohnungswesens in Zürich nach der Finanzkrise von 2008 und erforscht die zugrunde liegenden Bedingungen und Auswirkungen auf den Wohnungsmarkt der Stadt. Mit einem kritisch-realistischen Ansatz geht die Forschung über traditionelle ökonomische Erklärungen von Ungleichgewichten zwischen Angebot und Nachfrage hinaus, um tiefere, oft verborgene Mechanismen aufzudecken, die die Dynamik des städtischen Wohnungsmarktes antreiben. Die Fallstudie zeigt, dass die Finanzkrise als Katalysator für den Zustrom von globalem Kapital in den Immobilienmarkt Zürichs wirkte, begünstigt durch niedrige Zinssätze, Deregulierung und die strategische Position der Stadt als globales Finanzzentrum. Institutionelle Investoren dominieren zunehmend den Wohnungsmarkt, was zu einem deutlichen Anstieg der Grundstücks- und Mietpreise geführt hat, insbesondere in zuvor erschwinglichen Stadtvierteln. Diese Finanzialisierung hat zu Gentrifizierung, Verdrängung schutzbedürftiger Bevölkerungsgruppen und einer Verschiebung der Eigentumsstrukturen geführt, wobei institutionelle Einrichtungen nun den größten Marktanteil halten. Die Arbeit kritisiert auch die lokale und nationale Politik, die diese Trends begünstigt, und plädiert für eine Neuausrichtung hin zu sozial gerechteren Wohnlösungen. Durch die Verwendung des kritischen Realismus als Forschungsparadigma und die Integration interdisziplinärer Perspektiven trägt diese Forschung zum breiteren akademischen Diskurs über Stadtforschung und die Finanzialisierung des Wohnungswesens, insbesondere im Zusammenhang mit Mietwohnungen, bei. Sie unterstreicht die Notwendigkeit weiterer kritischer Untersuchungen der städtischen Wohnungspolitik.

Schlüsselbegriffe: Finanzialisierung; Wohnungswesen; Finanzmarkt; Mieten; Zürich

ACKNOWLEDGEMENTS

This work arises from dissatisfaction – a frustration countless individuals feel in cities worldwide. It is the dissatisfaction of those impacted by the housing crisis. To those seeking affordable housing, those burdened by skyrocketing rents, tenants forced to move from one temporary home to another, those evicted from their cities, the squatters, and everyone resisting the capitalist market's logic on housing provision – you have my solidarity!

Alongside feelings of dissatisfaction and solidarity, I also experience profound gratitude. This thesis was only possible with the help, support, advice, and constructive criticism of many individuals.

Firstly, I would like to thank my supervisor, Walter Matznetter. You provided me with immense freedom, and over a cup of a Viennese Melange, you restored my courage and confidence whenever I lost my way. *Herzlichen Dank!*

I also want to express my deep gratitude to all those who agreed to be interviewed, a significant contribution to the success of my research. Your willingness to engage in meaningful exchanges at eye level was crucial, and I am truly thankful for each of you.

A special thanks goes to Thierry Theurillat for his helpful input and for providing the data that you and your team have collected within the Swiss National Science Foundation (SNSF) project. *Merci beaucoup!*

To my fellow 4CITIZENS of Cohort 14, you have made these two years truly unique. I feel incredibly fortunate to have shared this adventure with all of you, and I am eternally grateful for the unique moments and memories we have created together.

To my family, Walter, Beatrice, Hannes, and Andrina, thank you for making this unique adventure possible over the last two years, supporting me, and having my back. *Schampar dankbar, danke mässi!*

Finally, I would like to thank my partner, Nina, for motivating me at the correct times, always giving me invaluable feedback, and simply always having an open ear. It is wonderful that I could experience incredibly memorable moments with you in the four cities. *mir händ vieles gseh, aber es wartet no vieles meh* ♡

ZÜRI BRÄNNT![1]

[1] ZURICH IS BURNING! (Pamphlet of the youth protests in May 1980)

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1 INTRODUCTION

Just as the world was slowly getting used to the wide-reaching consequences of the 2008 global financial crisis, another global crisis has since emerged: the urban housing affordability crisis (cf. Wetzstein 2017). Due to the accelerating trend of housing-related household expenditures, rising rents have become a major challenge for cities. At the same time, real estate prices have risen at breathtaking rates, benefiting investors and speculators (cf. D'Lima & Schultz 2021; Goldman & Narayan 2021). The price increase is most substantial in the big cities (cf. van Doorn et al. 2019). Metropolises such as Toronto, Munich, Hong Kong and Tel Aviv are among the cities that were classified as at risk of a bubble in 2022 (Holzhey et al. 2022). The global rise in inflation and interest rates over the last two years has, on average, led to a decline in imbalances in the real estate markets of global financial centres. Not, however, in Zurich, Switzerland's largest city and financial centre. Property prices continued to rise in 2023, albeit slower than in previous years. The relationship between purchase prices and rents remains unbalanced, particularly given the rise in interest rates. Zurich – the only city apart from Tokyo – therefore continues to experience a highly speculative property bubble (Holzhey et al. 2023; Lutz et al. 2023). Looking at the recent history of the Swiss housing market, this current development is astonishing. While many European housing markets recorded a sharp increase in house prices even before the global financial crisis 2008, there was hardly any inflation in the Swiss housing market after the real estate crisis of the 1990s (Kraft & Kempf 2021: 37-39). Spain and Belgium, for example, recorded real residential property price inflation of over 300 per cent between 1985 and 2007, while Switzerland recorded a real price decline of 2 per cent (Hilbers et al. 2008: 13). Even immediately after the global financial crisis, which led to financial turmoil in most European housing markets, real estate prices in Switzerland fell only slightly and briefly, leaving Switzerland a beacon of stability (cf. Budliger 2022). However, this image of a stable Swiss housing market – experts spoke of the Swiss property market as a special case during the crisis (cf. Prien 2008) – is inconsistent with the price increases recorded after the global financial crisis 2008. While real estate prices rose only slightly in the immediate aftermath from 2009 to 2010 – typical for phases of economic or political uncertainty – price increases peaked at around 12% in 2012 and remained high until 2023 (Bodmer 2023: 43). Since 2008, Swiss real estate prices have risen by an average of almost 81% (Steiner 2024), while the general Swiss rent level has increased by just over 25% (Lennartz & Lareida 2024). Current rents in existing tenures (*Bestandsmieten*), that is, the prices of all flats that had already been rented (in some cases for a long time) at the time of the census, have increased by around 18% (BFS 2023c) while asking rents (*Angebotsmieten*), the prices in advertisements for flats for new rentals, in other words, the rental prices offered on the (free) market (transaction rents), have even increased by 33% (Wüest Partner 2024). However, the development is not evenly distributed across the Alpine country, as prices in the cities have risen more sharply than in rural regions. Especially large cities such as Geneva (Le Goix et al. 2021), Basel, Bern (Balmer & Gerber 2018) and Zurich (Lutz et al. 2023) have been hit hard by high real estate prices and rent increases. In the city of Zurich, real estate prices have risen by over 300% since the financial crisis (cf. Metzler & Rey 2024), residential rents for non-profit flats have increased by 40% (Rey 2022) and asking rents in 2020 averaged over 28 Swiss francs (CHF) per square metre, making a flat of 90 square metres cost just over CHF 2,500 (Lutz et al. 2023: 23-24). By comparison, the Zurich consumer price index rose by 7.3% in the same period (Stadt Zürich 2024i), while the nominal average wage grew by fifteen per cent (BFS 2024).

I argue that it is of great social and economic importance to understand why this development has occurred in Switzerland since the 2008 financial crisis. One main reason is that the inflationary development of real estate prices exacerbates income and wealth inequality (cf. Goda et al. 2020). While on the one hand, (institutional) owners benefit from this, and high profits are achieved (cf. Saiz 2010), on the other hand, rental prices are increasingly becoming a burden for the population who (must) rent. This is even more important because Switzerland is a country of tenants. Most people in Switzerland (61%) live in a tenancy, with the proportion of rented flats in urban regions such as Zurich (92%) being exceptionally high compared to rural areas (BFS 2023c; Stadt Zürich 2024e). According to a study by Kaufmann et al. (2023), the increases in rents, especially the sharp rise in asking rents, ultimately lead to displacement in Zurich – especially of vulnerable groups of people. Accordingly, Zurich residents also perceive the housing crisis as the city's biggest problem today (Stadt Zürich 2023: 31). Even the tiny proportion of the population that has enough equity (at least 20%) to buy real estate must take out ever higher mortgage loans to be able to afford housing. This increasing private debt is leading to growing financial instability at a macroeconomic level. The financial crisis 2008, when the subprime mortgage crisis developed into a major international financial crisis, clearly demonstrated that this development harbours a significant risk (Gotham 2009; Jordà et al. 2016; Adelino et al. 2018). From both a micro and macro perspective, rapid property inflation, therefore, has potentially severe consequences. Despite the issue's importance, academic understanding of the topic is insufficient. The global financial crisis of 2008 indeed triggered an intensified examination of the impact of early 21st-century economic and financial policies on housing (Edwards 2016; Madden & Marcuse 2016; Beswick et al. 2016). However, microeconomic studies examining the housing market and housing shortages do so regarding supply and demand imbalances (cf. Molloy et al. 2020; Howard & Liebersohn 2021). For example, Bodmer (2023) and Salvi and Schnell (2023) explain the sharp rise in real estate prices and rents in Zurich due to high demand and scarce supply. The social and political context is ignored by treating the economy as a separate, self-interested sector subject. To move beyond these abstract and generalising approaches, which lead either to econometric studies of optimal investment portfolio structures in the neoclassical model (especially in the mainstream literature) or to the neglect of actors in the classical Marxist model, various authors have attempted to shed light on the opaque nature of the real estate market (Theurillat et al. 2015: 1416). While urban production began to be considered as part of the neoliberal institutional system from the turn of the century (cf. Swyngedouw et al. 2002; Fainstein 2008), a growing number of scholars have examined the interdependent links between real estate and finance from an institutionalist perspective, considering the territorial context (Aveline-Dubach 2008; Theurillat 2011; Theurillat & Crevoisier 2013). While the institutionalist approach considers and emphasises the importance of institutions for the housing market, the theory remains simplistic as it lacks a deeper analysis of the driving and competing actors and their structural links in the economic system (Brandsen 2001). Thus, I argue that the institutionalist approach limits them to describing the status quo and cannot explain how certain institutions came into being nor whether they will change. The institutionalist understanding of urban housing markets has thus turned out to be inadequate.

Instead, this thesis analyses developments in the Zurich housing and rental market following insights from the critical political economy (CPE) approach, which has recently gained popularity (e.g. Wijburg & Aalbers 2017; Fields 2018; Adkins et al. 2019; Soederberg 2020). This approach originates from the research field of political economy within sociology and critical geography, which is strongly influenced by Marxist thinking (Aalbers & Christophers 2014) – as we can see in the work of David Harvey (2022). While both institutionalist theory and the CPE approach highlight the importance of social and political contexts in understanding market developments, the CPE approach offers a more dynamic view of institutions. Unlike institutionalist theory, the CPE approach suggests that institutions can evolve due to actors' actions, structural economic shifts, or a combination of both. As Fraser and Jaeggi (2018) discussed, the critical political economy perspective helps research the intricate connections between production, distribution and the broader social and political structures that influence and are influenced by these economic activities. The CPE approach not only provides a distinctive framework for understanding social power relations but also critically examines various forms of capitalist exploitation. By challenging these exploitations and refusing to accept them as given, it aims to generate knowledge that promotes socioeconomic emancipation and strengthens the political engagement and resilience of urban struggles (Farrands & Worth 2005, Bailey et al. 2017, Powell & Yurchenko 2020, Berglund & Bailey 2023). “Thus, while giving ontological primacy to the negative, Critical Political Economy is essentially committed to a positive ontology by animating and awakening radical imagination about alternative futures” (Wigger 2022: 188).

Several contributions to the (critical) political economy literature contend that changes in the financial sector are pivotal to the recent transformation of capitalism and urban environments (cf. Ascher et al. 2022). In this context, CPE has mainly focused on structural economic shifts, such as the global rise in financialisation, when examining the housing market. The 2008 financial crisis and its repercussions on urban landscapes have intensified research on the financialisation of housing (Fields 2018: 1). Aalbers (2016: 2) describes financialisation in its most basic terms as “the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households.” Whether in terms of the rise of institutionalised companies in the rental sector (August & Walks 2018; Charles 2020), the (transnational) investment practices of investors (Rogers et al. 2015; Fernandez et al. 2016), the advent of mortgaged homeownership (Fernandez & Aalbers 2016), the development practices of financialised private developers (Brill & Conte 2020; Nethercote 2020) or the aggressive expansion of housing finance to emerging markets in the Global South (Soederberg 2015; Rolnik 2019), the concept of financialisation has become crucial for understanding significant transformations in modern urban housing markets (Wijburg 2021: 1276). Although the financialisation of housing is sometimes critiqued

as a vague concept (Christophers 2015), its ability to encapsulate various financial practices across different housing systems proves highly beneficial for empirical research (Aalbers 2015). Jacobs and Manzi (2019) argue that financialisation's utility is particularly evident when considered alongside other significant concepts of the era. They highlight globalisation as the backdrop that facilitated the spread of financialisation practices, neoliberalism as the ideological support for the expansion of these financial practices, and privatisation, marketisation, and commodification as the specific manifestations of financialised housing markets.
Despite significant advancements in the literature researching the connection between financialisation and housing, I argue that the topic remains insufficiently theorised, particularly regarding the diverse relationships between financialisation and housing across different countries (Fernandez & Aalbers 2016: 75). Research on the financialisation of mortgage debt at the European level has primarily concentrated on countries such as Spain and the United Kingdom. This focus, however, overlooks other financialisation mechanisms in countries not dominated by homeownership, such as Switzerland. Additionally, the literature has predominantly addressed countries with already highly financialised housing markets, often neglecting those where financialisation has been a recent development. At the urban level, Schönig and Vollmer (2020) highlight a lack of studies on medium-sized cities despite increasing financialisation and stress the need for more localised studies that could be relevant for understanding smaller cities. Zurich is, therefore, an excellent example of how to remedy this research gap. Unlike many other European countries, Switzerland has a low culture of homeownership. The increases in real estate and rental prices have so far been attributed to factors such as the supply-demand imbalance coupled with immigration (Bodmer 2023; Salvi & Schnell 2023), densification policies (Gerber & Debrunner 2022; Kaufmann et al. 2023), and insufficient tenant legal protections (Debrunner et al. 2020). While existing studies on Zurich's housing market have begun to highlight the dynamism and growing presence of financialised actors (Jans et al. 2011; Theurillat et al. 2015), they are few. Like most financialisation literature, these works focus primarily on describing the mechanisms and effects of financialisation without analysing the underlying causes that support this trend. Zurich is, therefore, an interesting and theoretically very relevant case study.
Consequently, this thesis will focus on the central question: What conditions have contributed to the financialisation of housing since the 2008 financial crisis? The research question is complemented by the sub-question exploring how financialisation impacts Zurich's housing market. The purpose of this thesis is to address the issue of the production of the built urban environment in the light of the links between land ownership, finance as well as politics and no longer put real estate “under a bell jar in order to examine it more closely” (Aveline-Dubach 2008: 13, cited in Theurillat et al. 2015: 1416). The intention is not to prioritise the city or urban areas as the primary focus for applying a critical political economy (CPE) approach – the housing crisis continues beyond the city’s borders. Instead, it is a practical choice to demonstrate how CPE can enhance research in financial geography and support activist housing movements. My understanding of the urban is similarly pragmatic; here, I use it primarily as a container term, as this thesis is not the appropriate venue for delving into the discussion about the nature of the urban. In doing so, this thesis contributes to not only financialisation research but also a deeper understanding of Zurich's real estate and

rental market and the critical approach that economics, politics and social relations are inherently interconnected and cannot be studied in isolation (Van Apeldoorn & Horn 2018: 6), I also hope to make a meaningful contribution to the necessary and ongoing struggles to preserve affordable housing and, ultimately, the right to the city.

1.1 Structure of the Thesis

The thesis is organised as follows. The literature review commences with an overarching discussion on the financialisation of the economy, accompanied by an exploration of three predominant strands within the financialisation literature. It then progresses to an analysis of how the 2008 financial crisis is perceived as a result of financialisation and as a confirmation of its conceptual framework. Building upon this foundation, the third chapter delves into the financialisation of housing, illustrating that real estate and housing have emerged as central elements of contemporary financialisation. Beginning with an examination of the financialisation of the urban built environment, the chapter traces the transformation of real estate and housing from mere shelter to significant financial assets, now traded as global investments by institutional investors. This is followed by a chapter on methodology, where the research paradigm of critical realism underpinning this thesis, the mixed-methods research design and the data collection and analysis processes are detailed. Chapter five outlines the recent history of urban development in Zurich, which is essential for understanding the city's current housing market and policy, and it also highlights the unique characteristics of the Zurich and Swiss housing markets. Chapter six contains the empirical analysis, in which the impacts on the Zurich housing market and the underlying causes are discussed. The final chapter of this thesis summarises and discusses the findings, offers suggestions for further research, and provides concluding remarks.

2 UNDERSTANDING FINANCIALISATION

"In contemporary Western societies, financial activities are a defining characteristic not only of the corporate economy, but also of politics, the welfare and social security system, and general culture" (Knorr-Cetina & Preda 2005: 1). Since the 1970s, financial markets have grown increasingly integral to the daily operations of states, cities, companies, and households. Ordinary individuals found themselves intertwined with these markets as their savings, pensions, and insurance policies were funnelled into mutual funds, and their mortgages and loans were transformed into bonds sold to global investors (cf. Krippner 2011). Corporations adopt various structures and strategies primarily to meet obligations to their shareholders, and the primary purpose is to maximise shareholder value (cf. Fligstein & Shin 2007). Following the takeover wave of the 1980s, the once expansive conglomerates that had offered long-term employment and stable pension benefits were dismantled. In their place, fragmented corporate structures emerged, which the financial markets rewarded with higher valuations (cf. Davis 2013). Urban governances have increasingly adopted an entrepreneurial attitude to promote local urban development and attractiveness (cf. Harvey 2017). In the rapidly changing and globalised playing field, cities are "maintaining and enhancing the locational advantages of their delineated territorial jurisdictions" (Brenner 1999: 440). This logic of inter-urban competition led to a location policy that aims to improve a city's economic competitiveness and attractiveness by developing and utilising particularly competitive city-specific advantages (Davis & Kim 2015: 204). States are also pursuing financially friendly policies, from the liberalisation and deregulation of markets (cf. Drach & Cassis 2021), the dismantling of capital controls and international trade agreements to the creation of domestic stock markets (cf. Weber et al. 2009) and the independence of central banks (cf. Polillo & Guillén 2005).

Scholars of contemporary political economy attribute this development of capitalism in cities after the 1970s to three interlocking processes. The first is globalisation, which has led to a concentration of resources, infrastructure and intellectual capital in global cities, where the dynamics of capitalism are realised on a scale increasingly approaching the global (Sassen 2001). The shift towards a new global economic framework has catalysed the development of a novel system encompassing global production, distribution, and consumption, which in turn has spawned new urban forms (Soja 2000; Sassen 2001; Swyngedouw 2004; Harvey 2022). The second is neoliberalisation, a significant force that has shaped urban studies literature. The conceptualisation and use of the term neoliberalism and the processes it refers to are contested and unclear. "The concept has become, simultaneously, a terminological focal point for debates on the trajectory of post-1980s regulatory transformations and an expression of the deep disagreements and confusions that characterise those debates. Consequently, 'neoliberalism' has become something of a rascal concept – promiscuously pervasive, yet inconsistently defined, empirically imprecise and frequently contested" (Brenner, Peck & Theodore 2010: 183). In simple terms, the notion of neoliberalism encompasses a combination of the following components: an overarching belief in the efficiency and importance of free markets and the associated view that state intervention in the economy is unnecessary and harmful, the dismantling of state regulation and the associated rounds of

privatisation, as well as the parallel commitment to reducing taxes and transfer payments (Berry 2014: 2).
The third and final defining feature of contemporary capitalism in urban areas is financialisation, a process either resulting from or initiating the transformative effects of globalisation and neoliberalisation. While the interdependence of these processes is evident, the sequence of their emergence and the direction of causality remains debated (cf. French et al. 2011; Christophers 2015: 184). The phenomenon of financialisation, which has gained significant attention since the 2008 global financial crisis, has sparked a wealth of new literature. However, financialisation's diverse perspectives and conceptualisations can be intriguing and challenging, depending on the context and theoretical approach. The following two chapters follow Christophers' call that “the term financialisation has come to be used relatively promiscuously, so it is vital to clarify the meaning intended” (2012: 273).

2.1 The Financialisation of the Economy

Like the definition and conceptualisation, the origins of the term financialisation are also unclear. The fundamental problem of an increasing shift towards financialisation in capitalism began in the late 1960s (Foster 2007: 1). Around the same time, Sweezy and Magdoff began to analyse and document developments in the US and global economy, publishing a series of articles in the independent socialist journal Monthly Review that traced the process of what was later termed financialisation (D'Mello 2009: 28). The current use of the term financialisation, according to Foster (2007), owes much to the work of Phillips (1993, 1994), who defined financialisation as an ongoing split between the divergent real and financial economies. While the concept of financialisation received little attention in the mainstream economic literature after the turn of the millennium and terms such as financial growth or financial development dominated the literature instead (cf. Sawyer 2013), it became clear with the global financial crisis of 2008 at the latest that we are living in financialised times. Following the crisis and the beginning of the heyday of financialisation research, Epstein's (2005) definition was often used initially. The rather broad definition describes financialisation as “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein 2005: 3). This definition has the advantage of being broad, allowing it to be tailored to a specific market within the economy by simply replacing the last four words with the market being analysed. However, Epstein (2005) underestimates the impact of finance on society. Another definition that plays an important role in establishing the concept of financialisation comes from Krippner, who defines financialisation “as a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production” (Krippner 2005: 174). Krippner thus sparked a debate regarding the significance of financial profits and the trend of financialisation within the economy and non-financial companies (cf. van Treeck 2009; Christophers 2018). A key similarity between the two perspectives is that both regard the expansion of financialisation as an ongoing process rather than a static historical moment. Additionally, they differ slightly in their focus: Epstein examines the financial sector as a whole, whereas Krippner concentrates on the sources of profit.

Despite their utility as starting points, both definitions are more explicit about their subject matter and lack detail concerning the period and geographical area they address, as well as the mechanisms behind the financialisation and analytical framework.
Despite a growing academic consensus on the increasing importance of financial institutions and markets in shaping contemporary economic, social, and cultural life, Lee et al. (2009) identifies up to 17 distinct definitions of financialisation. Concerning this definitional conflict, which results in either a vague concept of financialisation or a plethora of precise definitions, three types of criticism emerge. First, the diversity of definitions renders financialisation an extremely flexible concept, encompassing a wide range of contested approaches. The diversity of these definitions reflects the interdisciplinary nature of financialisation studies, which has been examined from multiple perspectives, leading to a loosely integrated project (Engelen 2008). Heires and Nölke (2013: 259) argue that the extensive scope of the financialisation debate is both a strength and a weakness. On the one hand, it allows for the integration of diverse theoretical and empirical contributions, each shedding light on different facets of a complex phenomenon. On the other hand, there is a risk that the concept becomes overly broad and loses its analytical value (Heires & Nölke 2013: 259ff). Secondly, Aalbers (2016: 2), along with Christophers (2015), contends that the concept of financialisation is neither a fully developed nor a complete theory, making it appear imprecise, vague, or confusing.
Moreover, the evidence supporting financialisation theories is often disputed. “Furthermore, sometimes financialisation is the explanandum (the phenomenon to be explained), sometimes the explanans (the thing that explains) and sometimes as a mechanism intervening between causes and consequence” (Aalbers 2016: 2). Aalbers' criticism is valid in that financialisation is a highly complex concept fraught with contradictions and inconsistencies, and the debate often lacks clear distinctions between causality and correlation. For instance, academic literature presents divergent views on what constitutes a cause versus an effect and which changes can be specifically attributed to financialisation. In this respect, the concept of financialisation is not so different from other concepts “whose academic and media popularity rose quickly and which are simultaneously criticized for being imprecise and vague – globalization and neoliberalism are cases in point” (Aalbers 2016: 3). Or as Dore (2008: 1097) put it eloquently: “‘Financialization’ is a bit like ‘globalization’— a convenient word for a bundle of more or less discrete structural changes in the economies of the industrialized world”. Nonetheless, the concept of financialisation reflects the realisation “that we do not live in a closed system in which causations are linear, one-dimensional, and single-scalar. The literature on financialization thus is part of a larger attempt to understand the nonlinear, multidimensional, multiscalar complexity of contemporary societies/economies” (Aalbers 2019b: 3). A third critique challenges the simplistic application of Anglo-American capitalist concepts to other regions. “While few would deny the power of the Anglosphere, expressed in part through the location of dominant financial centers, the universalization of the Anglophone trajectory towards financialization simply does not do justice to empirical developments elsewhere” (Mader et al. 2019: 10). Contextualization that considers specific places and times is essential to identify the diverse paths of financialization in both advanced

and emerging or developing economies (cf. Engelen & Konings 2010; Lapavitsas & Powell 2013; Mertens 2017; Aalbers et al. 2020).

Despite the contentious definitional landscape, or precisely because of it, financialisation encompasses a diverse array of empirical phenomena across various levels of analysis. To address this diversity, the following section provides a review of three particularly significant distinct approaches, each corresponding to a different level of analysis – even if the boundaries between the levels of analysis should by no means be regarded as rigid.

2.2 Antecedents to Financialisation

Within the multidisciplinary field of financialisation research, various schools of thought address distinct problems, leading to diverse explanatory approaches. Engelen (2008: 117) identifies four major research traditions in the literature on financialisation, each characterised by its choice of explanatory mechanism. These traditions include the functional role of finance in capitalism (Marxism, systems theory, and modernisation theory), the role of social power (political science and conflict sociology), the influence of (class) interests (microeconomics and rational choice theory), and questions of legitimacy. Among the most active and coherent main strands within contemporary research (cf. van der Zwan 2014; Besedovsky 2018; Mader et al. 2020), three approaches can be identified that "have been particularly significant in the formation of the debate: regulation theory, which seeks to identify the role of financialisation within different regimes of (national) accumulation; a critical social accountancy approach, which is chiefly concerned with the relationship between financial markets and corporations; and a sociocultural approach that focuses on the financialization of everyday life" (French et al. 2011: 801).

The first approach looks at financialisation at the macro level from a regulatory theory perspective and consists of understanding financialisation as a new accumulation regime. Although regulation theory primarily highlights the financial system's role in establishing and disrupting regimes of accumulation over time (cf. Jessop & Sum 2013), it has historically been used mainly to examine changes in the nature of production and the related forms of social regulation (cf. Peck & Tickell 1992; Brenner 1997; Jessop 2000). It was not until the turn of the millennium that renewed interest emerged in understanding the financial system's role in developing a new accumulation regime in the wake of Fordism (cf. Boyer 2000). French et al. (2011: 801) contend that the new finance-based accumulation regime has driven the creation of institutions that stabilise and normalise it. They highlight the growing influence of credit rating agencies (cf. Sinclair 2008) and financial ratio producers (cf. Froud et al. 2000) as evidence, noting their roles in an increasingly disintermediated financial system (cf. French & Leyshon 2004). The starting point for the study of financialisation as a new accumulation regime is the seminal work by Krippner (2005), where she notes that the size of the American financial sector has grown significantly since the 1970s. More importantly, non-financial companies have increasingly derived their earnings from interest, dividends, and capital gains rather than from productive investments. At the same time, a reverse process is also taking place: Non-financial companies have had to increase their payments to the financial sector through interest payments, dividend payments and share buybacks (cf.

Crotty 2003). This dual governance of non-financial firms puts them in an interesting predicament, as they have limited capital available for productive investment despite the increased profits from financial activities and led to a crowding-out effect. This explains why investment has shifted from the production of goods and services to the financial sector and illustrates the financial origins of the new accumulation regime (van der Zwan 2014: 104). Krippner (2005) aligns with Arrighi (1994), who posits that financialisation is a recurring phase in capitalist development. Arrighi argues that financialisation occurs during periods of hegemonic transition, as capitalist elites respond to intensified international competition by shifting their investments from production to the financial sector. This process leads to a slowdown in accumulation, marked by reduced investment in fixed assets (Orhangazi 2008). This slowdown is what Crotty (2003) terms the neoliberal paradox: As markets globalised and international competition intensified, coupled with ongoing demands for profits, companies were compelled to withdraw from productive activities and relocate their production to more cost-effective foreign countries. Instead of reinvesting the productivity gains back into the company, these gains were distributed to shareholders or used to purchase financial products (cf. Crotty 2003; Milberg 2008; Baud & Durand 2012; van der Zwan 2014). Although most of the studies analysed the financial market in the USA, research by Stockhammer (2004), Duménil and Lévy (2001) and Akkemik and Özen (2014), among others, showed that these processes can also be observed in European economies. Heterodox economists refine the perspective on financialisation by integrating the accumulation regime approach into a more comprehensive class analysis of finance-driven capitalism (van der Zwan 2014: 105). This perspective reveals that the significant rise in the income of financial owners and institutions during the 1980s and 1990s (cf. Epstein & Jayadev 2005) can be attributed to financialisation, which has notably empowered those who earn their income from financial investments and transactions. However, the ascent of these rentiers occurred at the expense of wage earners and private households, who faced stagnant real wages and increasing debt, thereby exacerbating income inequality (cf. Demirović & Sablowski 2012; Stockhammer 2012). The accumulation of debt, stagnating real wages and the volatility of asset prices increase the systemic risk in financialised capitalism and make the system susceptible to recurring crises (cf. Stockhammer 2012). This increasing financial fragility has created a growth regime based on debt-driven consumption and real estate bubbles – “an enormous superstructure of debt, critically undermining its own liquidity and solvency” (Lapavitsas 2009: 138). From the perspective of the accumulation regime approach, the subprime mortgage crisis of 2008 can, therefore, be seen as the climax of the financialisation process, which means that alternative explanations such as investor irrationality or regulatory failure can be rejected (cf. Blackburn 2008; Lapavitsas 2009; Deutschmann 2011). As a result, the approach of viewing financialisation as a new accumulation regime, including the inherent instabilities, has produced an important corrective to neoclassical assumptions about the efficiency of financial markets. Financialisation can thus be linked to the global spread of neoliberalism, even if the correlation is still controversial (cf. Duménil & Lévy 2004, Kotz 2019). A notable criticism of this approach to financialisation is its deterministic nature, which presumes both intention and effectiveness from the capitalist class. Although it considers significant events like the demise of the Bretton Woods system (cf. Eichengreen 2013), it lacks a political analysis of these occurrences. This perspective reduces the state to a singular entity. It overlooks the political struggles that underpinned the neoliberal shift, including the significant role of non-elite actors in the expansion of financial markets (cf. Seabrooke 2006). Without recognising political-historical contingencies, the specific mechanisms driving financialisation remain unclear. Consequently, financialisation becomes abstract, impersonal, and teleological, with finance portrayed as the sole force driving its expansion (van der Zwan 2014: 106).

A second approach to financialisation research builds on the accumulation regime approach. It examines the phenomenon at the meso level, using the rise of shareholder value orientation as the guiding principle of corporate activity as a starting point (van der Zwan 2014: 107). The central assumption is that financialisation is accompanied by a shift in power within and between companies, with the financial sector ultimately taking precedence over the manufacturing sector (cf. Nölke 2009: 125). In contrast to the accumulation regime approach, this approach also conceptualises financialisation as a redistribution process. Still, the focus is no longer on rentiers but on the social class within companies: Shareholders, managers and employees. This second approach takes up the concept of shareholder value described by the Critical Social Accountancy School, which emerged in the 1980s as a value-oriented management tool (cf. Froud et al. 2000). The shareholder value orientation can be traced back to the principal-agency theory, which describes the optimal coordination of decision-making behaviour between economic entities (cf. Ross 1973). This is because, unlike managers, in the classic corporate finance case, shareholders have no contractual guarantee of investment returns (cf. Boyer 2005; Dobbin & Jung 2010). At the same time, managers have no incentives to maximise shareholder returns and merely implement corporate strategies to maximise their wealth. The self-interested actions of the manager and his room for manoeuvre due to asymmetric information distribution result in an agency conflict: the agent will still maximise his benefit even if the advantage he gains is offset by greater harm to the principal (cf. Clarke 2014; Knafo & Dutta 2019). Ownership and control must be reunited to resolve these agency conflicts, which can be found wherever decision-making powers are delegated and where the agents' actions cannot be fully observed. Principal-agency theory describes resolving these conflicts through efficient organisational forms by disciplining corporate managers through shareholder activism and creating a community of interest between managers and owners through (incentive) contracts and performance-related remuneration (cf. Panda & Leeps 2017). This creates a financial conception of the firm in which firm efficiency is redefined as the ability to maximise dividends and keep share prices high (Fligstein 1990: 298). Since the introduction of agency theory in the 1970s and 1980s, institutional investors have utilised their substantial holdings in large conglomerates and exercised their shareholder rights to undertake extensive restructuring. This has led to a variety of business practices being associated with the concept of shareholder value: The adoption of international accounting standards, the introduction of financial performance metrics such as return on equity, mergers and acquisitions (hostile and leveraged), and outsourcing of productive activities (cf. Davis et al. 1994; Widmer 2011; Christiaens 2020). This has also led to the fact that, in contrast to companies in the industrial age, financialised companies today no longer reinvest the financial profits from their operating business in the company's production facilities but instead distribute dividends and share buybacks to shareholders (cf. Lazonick & O'Sullivan 2000). Empirical evidence supports these observations and shows a steady increase in dividend payouts and share buybacks since the 1980s (cf. Lazonick 2010). Nevertheless, there is something particularly paradoxical about shareholder value (cf. Boyer 2005). Although intended as a tool to solve the agency problem and thereby empower shareholders over self-maximising managers, shareholder value policies have enabled top executives to enjoy unprecedented levels of wealth, making shareholder value part of the agency problem itself (cf. Boyer 2005). By switching from salaries to stock options, a process that can also be observed in the European context (cf. Chizema 2010), executive compensation has increased exponentially since the 1990s, even in times when corporate performance was declining (cf. Bebchuk & Grinstein 2005; Boyer 2005). In the USA, corporate restructuring aimed at enhancing shareholder value is often linked to job losses, cutbacks, and precarious employment conditions, contributing to the emergence of a dual labour market (cf. Lazonick & O'Sullivan 2000, Tomaskovic-Devey 2013). However, in Europe, several mediating factors have alleviated the adverse effects of shareholder value-driven policies. These include the strength of organised labour, the level of autonomy granted to company managers, and the investment time horizons of international investors (Gospel et al. 2011). The perspective that considers financialisation as a new regime of accumulation characterises it as a global phenomenon, largely driven by the dominant financial influence of the USA. In contrast, the shareholder value approach recognises the institutional diversity among national economies. Nonetheless, this framework's expansion of financial ownership across borders complicates analyses, which typically pinpoint corporate managers and international investors as the primary beneficiaries of financialisation. As capital ownership becomes more widespread, wage earners find themselves entangled in a complex network of financial relationships (van der Zwan 2014: 110).

This development is taken up by the third approach, which looks at financialisation from a sociological or cultural studies perspective at the micro level. The focus here is, on the one hand, on how money and finance shape and mould everyday life in contemporary societies and, on the other hand, on the rise of the citizen as an investor (cf. Martin 2002; French & Kneale 2009). According to Erturk et al. (2007), the democratisation of finance acted as a gateway for the entry of finance into everyday life, as financial products and services are no longer the prerogative of an elite rentier class but have been made accessible to large parts of the population. However, financial capitalism and the specific narratives and discourses that have emerged as a result impose financial demands on individuals and households so that "people from all walks of life to accept risks into their homes that were hitherto the province of professionals" (Martin 2002: 12). Martin (2002) argues that the financialisation of everyday life stems from the retreat of the Keynesian state and its social support systems, which private-sector alternatives have replaced. These alternatives are funded through individual and household incomes and increasingly through investments in financial markets. Households were thus inevitably financialised, an observation already described by Dore (2000). This approach to financialisation shifts away from an exclusive focus on the global, instead highlighting how finance is intertwined with everyday life practices. The emphasis is on what Aitken (2007) refers to as "popular finance", which includes, for example, consumer credits (Montgomerie 2006), funded pension schemes (Waine 2006), or home mortgages (Langley 2006). These mechanisms aim to integrate less financially strong households into the financial markets. “Coinciding with the financialisation of the everyday is a shift towards financial markets for the provision of people’s basic needs. Whereas such ‘cradle to grave’ services were previously provided by the welfare state, the employer or the savings account, the individual is now required to purchase financial products to protect against the uncertainties of life” (van der Zwan 2014: 111). Technological and institutional developments have accelerated and facilitated this integration into the financial market and the resulting financialisation of everyday life. For example, advances in information technology led to the advancement of investment banking, making it easier for people to become investors (cf. Davis 2009). Furthermore, the financialisation of everyday life is supported by intermediaries such as banks (cf. Hardie & Howarth 2009), investment funds (cf. Davis 2008) and pension funds (Engelen 2003), as they connect individual households with the global financial markets. In addition, the financialisation of everyday life was facilitated by two further discourses: risk-taking and self-management. The former arose from the departure from the security offered by welfare systems, the flexibility of work, and the volatility of the financial markets on which individuals depend for their needs (cf. Waine & Cutler 2001). As a result, individuals today are confronted with a world of risk in financial capitalism, which, according to the logic of financial theory, is not to be feared but, on the contrary, is to be welcomed. This is because it is only by taking risks, such as investments, that the return necessary for a livelihood can be achieved (cf. Martin 2002). “Risk itself thus becomes the motivating force to enter financial markets for protection against possible unemployment, poor health or retirement. By actively managing risk, the investing individual can adequately prepare for a future that is never secure and always rife with uncertainty” (van der Zwan 2014: 113). The second aspect is the growing emphasis on self-management, which has fostered a new subjectivity through financialisation. Financial education, norms, and self-discipline to hedge against life cycle risks have transformed autonomous individuals into “investing subjects” (Aitken 2007: 13). Unlike earlier forms of identification, this investing subject is characterised by its individualism, acting independently for the benefit of itself and its household. This individualistic approach within the everyday financial regime has diminished the space for collective subjectivities, now overshadowed by the expectation of universal investment (cf. Langley 2007). Adopting a neo-Foucauldian perspective, which highlights governmentality or the exercise of power over the self by the self (cf. Glenn 2019), reveals that all investing subjects are implicated in the rise of financial capitalism. By consuming financial products and services, these subjects internalise the discourses of self-management and risk, actively reproducing them in their everyday lives. Despite the non-elitist approach, one criticism of this attempt to describe financialisation is that the role of political agency remains unclear. While the state is seen as complicit in the financialisation processes, there is a lack of in-depth research into the various interests, motivations and strategies behind this political agenda (cf. Martin 2002: 123).

2.3 Financialisation and the 2008 Financial Crisis

In the public and academic debate on the causes and consequences of the 2008 global financial crisis, explanations for the outbreak of the crisis are offered from several perspectives. These include the individual moralising perspective, which sees a significant factor in unethical behaviour and moral hazard among top financial managers who put short-term profits and personal bonuses above the long-term stability of institutions and the financial system (cf. Boatright 2010). From an economic perspective, the crisis was exacerbated by financial institutions significantly increasing their leverage and engaging in risky practices with complex financial derivatives such as mortgage-backed securities (cf. Gorton 2008). The regulatory perspective points to lax regulation, inadequate oversight and failures of government regulators that allowed uncontrolled risk-taking and the creation of systemic risk (cf. Acharya & Richardson 2009). The behavioural finance perspective assumes that irrational exuberance and herd behaviour among investors, consumers and financial institutions led to a real estate bubble, which resulted in widespread defaults after the bubble burst (cf. Shiller 2012). On the other hand, the global imbalances perspective emphasises the role of a global savings glut, in which large capital inflows from surplus countries into the US financial markets lowered interest rates and favoured the real estate boom and the associated risky financial products (cf. Liang 2012). Lastly, the macroeconomic perspective focuses on the role of monetary policy, particularly the Federal Reserve's decision to keep interest rates low in the early 2000s. This policy made borrowing cheaper, encouraged excessive borrowing and risk-taking and ultimately contributed to the housing bubble (cf. Taylor 2009).

In contrast to these narratives focusing on individual factors, scholars of (critical) political economy began to explain the systemic causes of the financial crisis and argue that the subprime crisis can only be adequately understood if it is interpreted as a consequence of structural shifts in the financial and economic system in the three decades before it, in other words, as a consequence of financialisation (Heires & Nölke 2011: 37). In the wake of the 2008 financial crisis, there was an increase in studies on financialisation, with growing discussion about its causal link to the crisis. This surge in research is unsurprising, as many initial hypotheses have been substantiated (van der Zwan 2014: 100). From the dotcom bubble burst in the early 2000s to the 2008 subprime mortgage crisis, researchers have acknowledged that “something has indeed fundamentally changed in contemporary capitalism, necessitating the search for new conceptual frameworks” (Engelen 2008: 118). It has still not been systematically clarified what part financialisation played in the financial crisis. Generally, it is assumed that financialisation triggered or exacerbated the financial crisis and that its extent would not have been conceivable without the processes of financialisation (cf. Qi 2019; Heires & Nölke 2011). There are many explanations for how financialisation has had an impact, but three elements of financialisation, in particular, can be seen as catalysts of the crisis: the fragility caused by boom-bust cycles, the oversizing of the financial sector and innovative institutional components.

Even before the outbreak of the financial crisis in 2008, in the wake of the technology bubble of the 1990s and the looming real estate bubble of the early 2000s, the increasing financialisation of the economy, the emerging trend towards financialised capitalism and the resulting increase in uncertainty were critically observed in academia (cf. Aglietta 1997; Boyer 2000;

Stockhammer & Ramskogler 2008). As productivity growth in the US industrial base gradually slowed, the Fordist growth model began to falter by the late 1960s. This model had been characterised by standardised mass production to meet mass demand, with wages linked to productivity and price developments, and relatively tightly controlled national financial markets with restrictions on cross-border financial flows (cf. Sablowski 2003). After the collapse of the Bretton Woods system in 1973, Western economies increasingly prioritised liberalising financial markets and looked to the financial sector as a new engine for economic growth. Despite this shift, private household consumption continued to play a crucial role in driving growth. Whereas under Fordism, this was primarily supported by steadily rising wages, the emphasis gradually shifted towards profits from financial market transactions fulfilling this function (Heires & Nölke 2011: 44). In this context, an enormous expansion of private ownership of financial instruments such as shares and bonds and credit-financed property ownership was promoted, the citizen became an investor, and everyday life was financialised (cf. Martin 2002; French & Kneale 2009). Rising household debt was regarded as unproblematic and was often accepted or even encouraged, as it was believed that increased consumer spending would stimulate economic growth and, in turn, enhance the value of household savings. This approach can be seen as neoliberalism's response to Keynesian demand stimulation (cf. Young 2009, Callinicos 2010; Harman 2010). For a brief period, economic growth in highly financialised economies, such as the USA and UK, was significantly driven by increased demand, bolstered by rising values in stock and property markets (cf. Stockhammer 2007). In retrospect, however, this policy resulted in significant overvaluations and speculative bubbles. This outcome is typical of financialised economies, which are more prone to boom and bust cycles, with speculative bubbles being an inherent aspect of financialisation (cf. Becker et al. 2010; van der Zwan 2014). To sustain growth in such economies, there is a constant need for new investment opportunities, driving dynamics that eventually become disconnected from underlying fundamental economic changes. This process often leads to high growth rates and asset increases but typically culminates in the bursting of bubbles and subsequent crises, where the value created is lost (cf. Blyth 2008; Ahmed et al. 2017). The 2008 financial crisis exemplified this, as many new property owners at the time found themselves deeply in debt and lost their real estate, highlighting the instability of the demand surge linked to financialisation (cf. Emunds 2008).

The fact that the 2008 property bubble was able to develop into such a far-reaching financial crisis cannot be understood without the extreme expansion of the financial sector due to the financialisation. While speculative phases and financial crises occurred previously (cf. Aliber et al. 2023), the 2008 crisis was notably more volatile and prone to instability compared to the earlier Fordist production model, owing to the sheer scale and dynamics of the financial markets involved (Heires & Nölke 2011: 44). Without the outsized financial markets, a crisis in an obscure sector of the US property market would unlikely have escalated into the most severe economic downturn since the 1920s (cf. Thakor 2015). The tremendous growth of the financial sector in recent decades can be partly explained by the influx of vast amounts of capital mobilised through financialisation and seeking investment in financial markets. Additionally, many financial institutions shifted their business models; beyond providing financial services, they actively engaged in market speculation for their accounts (cf. Erturk

& Solari 2007). However, the capital surge was met with a shortage of genuinely profitable investment opportunities (cf. Deutschmann 2019), leading to increased investment in riskier ventures. These were often managed outside the traditional, regulated financial system, within the less regulated shadow banking system, which includes hedge funds and special purpose vehicles (cf. Lysandrou & Nesvetailova 2015). The combination of excess capital and the financial sector's willingness to take on excessive risks created a paradox where, despite heightened competition due to market liberalisation, the financial sector experienced robust growth and exceptionally high returns (cf. Crotty 2009). The financial sector's ambitious return targets, driven by financialisation, exerted additional pressure on the productive sector to achieve similar results, thus perpetuating financialisation as a self-reinforcing process (Heires & Nölke 2011: 45).

Another element of financialisation that contributed significantly to the emergence and worsening of the subprime crisis is the specific institutional components of the financial system that are central to financialisation. On the one hand, securitisation was a central innovation of financialisation, which theoretically increased liquidity in the credit market by transforming loans and mortgages into tradable financial instruments and making loans available at more favourable conditions. However, in practice, banks issued loans without adequate credit checks and bundled them into high-risk, tradable packages. This, coupled with a lack of regulation, resulted in a financial market characterised by unmanageable complexity (cf. Langley 2006). On the other hand, rating agencies played a crucial role in the financial crisis and financialisation (cf. Besedovsky 2018). In large, liberalised, highly competitive financial markets, direct and long-term relationships between lenders and borrowers are rare. Consequently, market participants rely heavily on the expertise and credit ratings provided by rating agencies to determine the creditworthiness of borrowers. During the subprime crisis, this reliance proved problematic, as rating agencies significantly overestimated the quality of packages containing subprime mortgages, leading to widespread misinterpretation (cf. Gupta et al. 2010). While these ratings considered the likelihood of individual loan defaults, they failed to adequately account for the risk of a systemic crisis (Goodhart 2008: 337-339).

The 2008 global financial crisis was no surprise. Financialisation scholars had expected it for some time: “The stability of an equity-based regime depends on monetary policy which controls financial bubbles and thus the diffusion of finance may push the economy into a zone of structural instability. The next major crisis may originate in the USA whose economy approximates most closely to the model” (Boyer 2000: 111). The crisis validated the conceptual paradigm of financialisation while revealing significant gaps and suggesting areas for further research (cf. Lee et al. 2009). In the aftermath, many investors, unsettled by the volatility of the financial markets, shifted their focus away from financial market investments. Instead, they gravitated towards real assets, particularly real estate. Property markets became increasingly attractive to institutional and private investors, especially in regions less entwined with global financial markets and less impacted by the crisis, such as Switzerland (cf. Borowiecki 2012) and Germany (cf. Wijburg & Aalbers 2017). “Having traditionally been considered a stable and not very volatile asset class, housing […] suddenly became more interesting to invest in” (Wijburg & Aalbers 2017: 979). This development and the associated financialisation of housing are examined in the next chapter.

3 THE FINANCIALISATION OF HOUSING

In the three strands of financialisation literature presented – financialisation as an accumulation regime, financialisation as a rise of shareholder value, and the financialisation of everyday life – housing is either treated as a subordinate aspect or merely considered one of the bearers of financialisation (Fernandez & Aalbers 2016: 72). However, Lefebvre (1974) and Harvey (1978), among others, theorised the connection between urbanisation and capitalism as early as the 1970s, suggesting that the built environment plays a crucial role in the creation and storage of surplus value. Expanding on this idea, Smart and Lee (2003) and Stockhammer (2008) highlighted the significant omission of real estate and housing in analyses of financially dominated systems. Following the 2008 financial crisis, this perspective has gained traction among scholars, leading to an expanding body of literature on the financialisation of housing, which underscores housing's centrality to the process of financialisation. Scholars have examined financialisation from various aspects, including overpriced and overextended loans (cf. Newman 2009; Walks 2013; Poppe et al. 2016), the credit scoring of (potential) homeowners (cf. Aalbers 2008; Hall 2012), the securitisation of mortgages (cf. Aalbers 2008; Gotham 2009), and narratives and ideologies that view houses as investments (Aalbers & Christophers 2014; Ronald 2008). An important shift in the literature has been the focus not only on mortgage debt and securitisation but also on rental housing (cf. Aalbers 2017; Fields 2017; Lima 2020; Nethercote 2020) including subsidised and rent-stabilised housing (cf. Heeg 2013; Fields & Uffer 2016; Fields 2015), (former) social housing (Wainwright & Manville 2017; Wijburg & Aalbers 2017), private service housing (cf. Trouillard 2014), student housing (cf. Revington & August 2018), short-term rentals (cf. Clancy 2022; Gil 2024) as well as single-family homes (cf. Immergluck & Law 2014) and residential rights (cf. Rolnik 2013). The various definitions of the financialisation of the economy presented in the previous chapter are reflected in the different ways in which the financialisation of housing is defined, conceptualised and approached.

Real estate and housing have become key objects of contemporary financialisation (cf. Fernandez & Aalbers 2016), with housing and urban land serving as key nodes in global capital flows (cf. Fields 2015: 144). Before defining and conceptualising the financialisation of housing in depth, it is necessary to consider it not just as a vehicle for financialisation but within the broader context of the growing interconnections between the urban landscape and financial markets (cf. Theurillat 2023).

3.1 Financialisation of the Urban Built Environment

Through the processes of neoliberal globalisation, such as financialisation, cities are becoming the most strategically important sites of neoliberal processes and play a central role in the reproduction, mutation and continuous reconstitution of neoliberalism itself (Brenner & Theodore 2002: 357). Cities have become places where and between which the social contradictions that characterise capitalist societies manifest themselves as spatial differences (Belina et al. 2011: 7). However, the concrete practice of neoliberalisation (cf. Brenner et al. 2010: 184) does not only take place in cities; on the contrary, neoliberalisation is a

specifically urban phenomenon (Peck et al. 2009: 65). These are the places where marketisation and competitive orientation become visible, where the unequal developments of neoliberal restructuring are reflected (Peck et al. 2009: 65; Theodore et al. 2011: 16). Neoliberal urbanisation is changing both the external shape of cities, their socio-spatial and socio-economic structures and the way in which urban governance is organised (cf. Harvey 1989; Peck et al. 2009; Theodore et al. 2011). This urban governance, in conjunction with national legislation and the degree of liberalisation of the financial system, leads to variations and different intensities of financialisation. Simultaneously, as Theurillat (2023: 4) argues, the financialisation of the urban built environment – defined as a "vast, humanly created resource system, comprising use values embedded in the physical landscape, which can be utilised for production, exchange and consumption" (Harvey 1982: 233) – must be seen as a second circuit of capital in Harvey's terms.
In Harvey's (1982/1985) analysis of the urbanisation of capital, crises of overaccumulation – defined as "a surplus of capital relative to opportunities to employ that capital" (Harvey 1982: 192) – lead to geographically selective investment and capital devaluation. When there is an excess of money compared to profitable investment opportunities for productive and interest-bearing capital, there is a risk of "devaluation through crises" (Harvey 1982: 200), resulting in the destruction of surplus capital through devaluation, company insolvencies and unemployment (cf. Wiegand 2014). To prevent devaluation, capital must be invested in the so-called secondary circuit of capital, where it is stored and gradually reintegrated into the economic cycle (cf. Harvey 1985: 6; Wiegand 2014: 33). Harvey (2004: 183) refers to this stabilisation mechanism as temporal fixes. Since investment in the urban built environment plays a crucial role within the secondary capital circuit, Harvey (2012: 42) argues that urbanisation processes are a direct response to overaccumulation and are thus deeply ingrained in the capitalist system. The urbanisation of capital can be viewed as a shift from the primary production circuit to the property circuit to mitigate the overaccumulation inherent in capitalism's dynamics. Beyond temporally delaying overaccumulation crises, Harvey (1982: 432-434) identifies strategies such as exporting and capital or leveraging the international division of labour, which spatially reallocates fixed capital through a spatial fix. When temporal and spatial reallocations of over-accumulated capital occur simultaneously, Harvey (2003: 109) refers to this as a spatio-temporal fix. However, the urban built environment plays a dual role in managing overaccumulation crises within capitalist systems. On the one hand, it facilitates the geographical expansion of markets through infrastructure investment in new areas. On the other hand, investment in the built environment slows the movement of capital due to its long production times, durability, and relatively slow returns compared to other forms of investment. This process defers capital returns into the future (Harvey 2004). While this mechanism has been highly effective in postponing over-accumulation crises, relying on the property sector as a primary investment vehicle introduces new risks. Once capital is invested in real estate, it becomes immobile and cannot be quickly liquidated, making it vulnerable to local factors that impact property market performance (John & Mattissek 2023: 3). Mechanisms of the financialisation process are needed to transform real estate into (quasi-)financial assets that are standardised and liquidated "through a range of regulatory and socio-technical changes and constructions" (Aalbers 2019a: 379).

As a result, the urban built environment is increasingly linked to market financing, as Theurillat (2023) points out (see Figure 1).

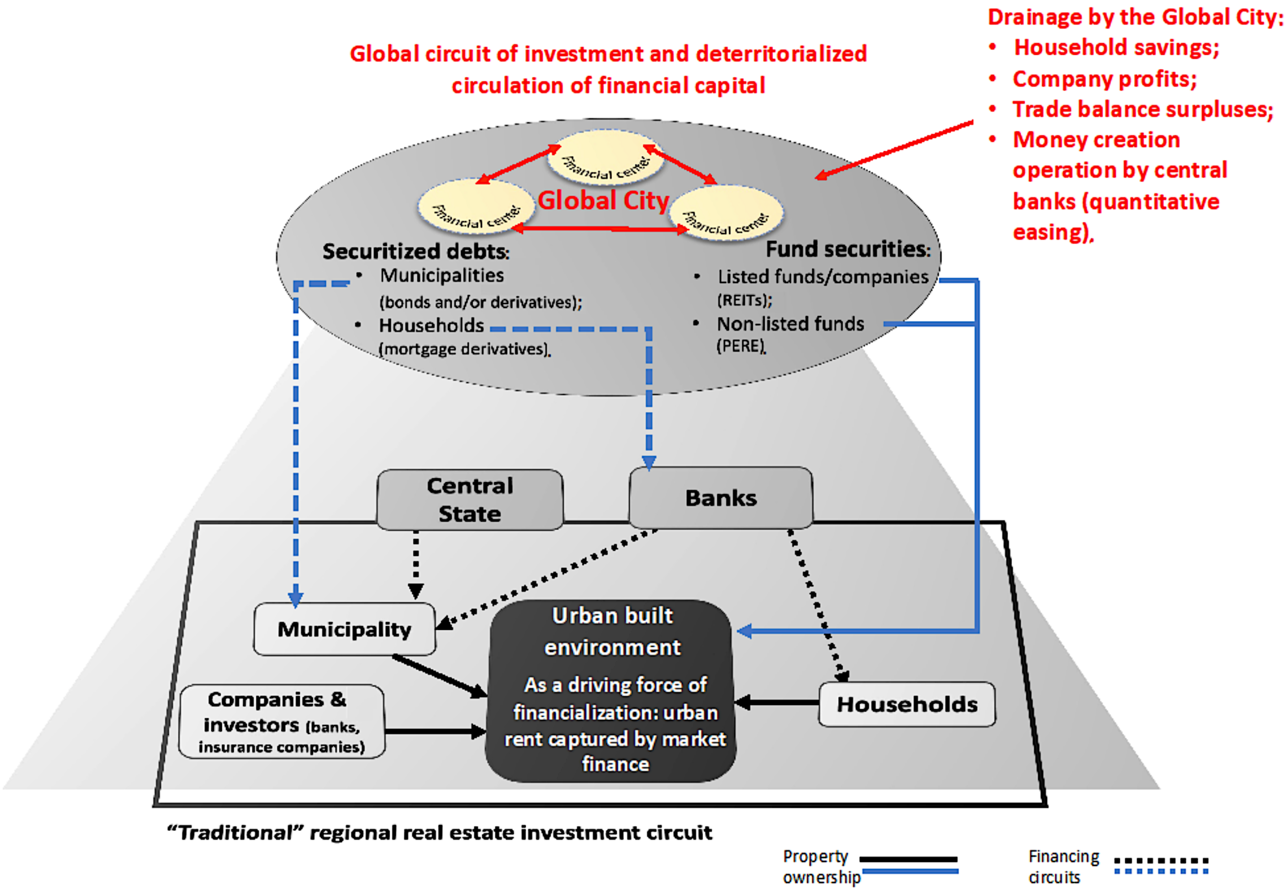


Figure 1: The connections of the urban built environment to market finance (Source: Theurillat 2023: 5).

Financialisation has transformed traditional local and regional property investment systems by altering capital flows and ownership structures, linking them to a global system orchestrated by major financial centres (Theurillat 2023: 5). Since the 1970s, this transformation has made cities central components of the financialised accumulation process, further strengthening their importance as driving forces in the dynamics of modern capitalism (cf. Aalbers & Christophers 2014). This trend was driven by neoliberal policies that facilitated the movement of financial capital and significantly accelerated the outflow of investments into financial markets (cf. Theurillat et al. 2010). Consequently, various investment channels have contributed to the creation of a substantial "wall of money, a global pool of liquid assets" (Fernandez & Aalbers 2016: 74) seeking investment opportunities. This accumulation of capital is partly due to increasing retirement savings, particularly in industrialised nations, where these household savings have been systematically directed into financial markets. This redirection has been institutionalised through the establishment of funded pension systems, like in Switzerland, along with the growth of institutional investors such as pension funds and the expansion of investment funds. Secondly, "the money wall has been completed by massive monetary injections (quantitative easing) into the economy by central banks, via commercial banks or interventions of security purchases on financial markets, following the various financial and economic crises that have caused the mass of liquid assets to skyrocket" (Theurillat 2023: 9). The urban environment has become one of the most important catalysts of global securities trading as well as its most important recipient, with real estate and housing playing a central role within contemporary economies.

3.2 Financialisation of Housing and the Extraction of Urban Rent

An important mechanism related to the central role of real estate and the financialisation of (rental) housing is the way in which market finance creates and extracts urban rent, which refers to the income derived from owning urban land assets. Urban rents can be obtained through market financing on debt, with subprime products being well-known examples. The securitisation of mortgage debt has stemmed from policies designed to facilitate access to private property since the 1990s (Aalbers & Christophers 2014; Fernandez & Aalbers 2016). As a result, private property became the main source of household wealth and an important investment and money-creation medium (via mortgage debt) for banks. «However, and this is where financialization comes in, private property policies have been directly financed by the financial markets in some countries» (Theurillat 2023: 7). A far more important process in relation to the financialisation of rental housing is the extraction of urban rents from financiers who directly access urban property or assets (investment properties). Traditionally, this role was primarily filled by conventional investors like banks, insurance companies, and pension funds (cf. Harvey 1985; Fainstein 2001). In this context, the majority of property financing in the cities is handled via mortgage loans from local banks or local branches of national banks, as these have an extensive local network and, therefore, better market knowledge to evaluate promising and risky investments in contrast to banks with an international focus. This financing harbours risks in two areas. Firstly, for the owner, who is dependent on a stable income to be able to repay the loan. Secondly, for the lending bank, which bears the default risk (cf. Heeg 2011: 184ff). Financiers' ownership of urban real estate has nevertheless expanded considerably and covers a wide range of urban assets, from small apartment blocks to multifunctional property complexes and large-scale megaprojects (cf. Aalbers 2019a). In this traditional property market, the capital market plays a subordinate role and is used solely to refinance banks (Musil 2019: 103). In recent years, however, a new wave of investors has emerged who are making significant investments in urban real estate in an indirect financial circuit (see Figure 2).

With the liberalisation and deregulation of national financial systems and their international integration, banks have reprofiled themselves towards the capital market and investment banking, leading to the establishment of new financial innovations for real estate financing (Aalbers 2016: 71; Musil 2019: 103). “The dissociation between property ownership and use, […] has led to the emergence of the rental market for commercial property (offices, shops) and the securitization of urban property on financial markets” (Theurillat 2023: 6). Securitisation creates direct links between the housing market and the financial markets. This process creates securities that can be sold as financial products to a range of institutional investors, pension funds and investment funds and traded as financial derivatives, thereby passing on financing risks and making them tradable (cf. Heeg 2015: 79). This makes it possible to derive urban rents almost directly from the financial markets. In addition, financial innovations are creating further opportunities to raise capital via the free capital market, where private and institutional investors invest their money (cf. Dörry 2010: 353). These current investment opportunities in real estate can be divided into listed and unlisted on the stock exchange.

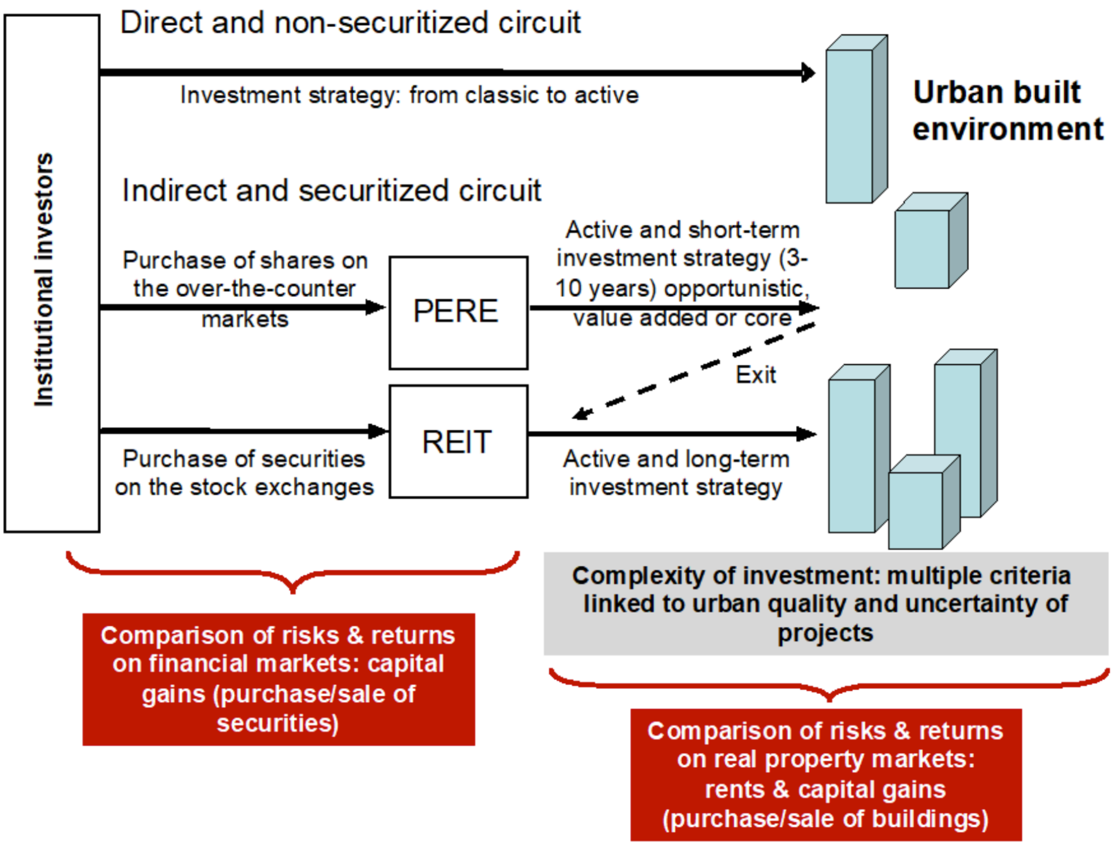


Figure 2: The investment logic of specialized funds, REITs and PEREs (Source: Theurillat 2023: 8).

Listed indirect forms of investment refer to the securitisation of investments through the issue of shares or bonds. This is done in particular by property stock corporations, which issue shares to finance property investments via the capital market (Musil 2019: 105). Another option is offered by real estate investment trusts (REITs), a special form of listed investment instrument in the property sector. REITs are open to all types of investors (private individuals and institutions) and are traded both on the stock exchange and over the counter. One of the main advantages of REITs is that a relatively high proportion of profits must be distributed to shareholders. The actual assets of the REIT are made up of real estate, land, investments in property companies, cash and mortgage loans (cf. Heeg 2008: 77ff; Krausch 2015). This means that investments in real estate are ultimately equated with investments in securities and thus represent a highly mobile form of investment. In contrast to other countries in which REITs benefit from tax exemption, Switzerland does not yet recognise this form of investment – the legislative framework is lacking. Although REITs per se do not exist on the Swiss market, there are instead many funds (mainly investment funds and ETFs) that mimic the REIT model and are publicly traded on the Swiss stock exchange. For tax purposes, the REIT equivalents are treated the same as shares, which means that the distributed profits are taxable for the dividend recipients (cf. Stamm & Stüdi 2018: 32). "Strategically, REITs are positioned more on investments based on rents and expected capital gains upon resale in the long term. Consequently, existing properties or properties under development where the return is assured (so-called "core" properties with existing tenants) are their preferred target" (Theurillat 2023: 7).

The non-listed forms of investment consist mainly of real estate funds, which are set up by investment companies, primarily banks, insurance companies, and companies with extensive property portfolios. The investment activity of real estate funds consists of pooling capital from several investors and using it to build up a portfolio that generates the highest possible return while maintaining a calculable risk (cf. Heeg 2008: 79). Investors benefit from the increase in value as well as from the rental income and can sell their units on the stock exchange or sell them back directly to the fund management company after a notice period has expired. Real estate funds invest at least 51 per cent of their assets under management in developed or undeveloped land and, in some cases, in residential property rights and shares in certain real estate companies. In Switzerland, for example, the largest proportion of assets is invested in office and commercial property, as such investments usually represent a better price/income ratio and generate less administrative expense than residential property (cf. Heeg 2008; Kurzrock et al. 2009; Abt 2010; Fuchs & Hennig 2016). There are basically two key features that differentiate property funds: the investment region and the structure of the fund: open-ended and closed-ended property funds. Open-ended real estate funds are generally accessible to an unlimited number of investors and investment properties (Bentele 2016: 574). Investors can invest even small sums directly in a diversified property portfolio, which has resulted in many private households becoming investors. The financial crisis of 2008 revealed a major weakness of open-ended property funds: they work when deposits and disbursements are roughly balanced. However, as soon as many investors want their money back in a very short space of time, the fund collapses and has to be wound up. Recent legislation in various countries attempts to restrict redemptions for investors to protect the funds (cf. Bentele 2016: 575ff).

Closed-end property funds relate to the financing and closing of a specific project. With this form of investment, new capital can only be raised by increasing the capital of all shareholders. Ongoing deposits and withdrawals are not possible as the fund is closed, as the name suggests. Shares are acquired and sold via the stock exchanges. The stock market price does not reflect the official net asset value of the fund (cf. Bentele 2016: 574; Lüdicke 2016). One example of this are the internationally oriented real estate private equity funds (REPE) – also known as private equity real estate funds (PERE) (Theurillat 2023: 6) – which have been growing in popularity since the early 2000s (Anderson et al. 2016: 252). They are characterised by a substantial risk and a high expected return, a high level of borrowed capital and a relatively short average holding period in the property portfolio (Achleitner & Wagner 2005: 4). The focus of REPEs is primarily on the refurbishment and development of real estate projects, so-called value-added or opportunistic properties (Theurillat 2023: 7).

With this expansion of financing forms and channels and the resulting integration into a global capital system, firstly, there has been a transition from investment financing by banks to financial investment by institutional investors (cf. Huffschmid 2002). Secondly, the globally active institutional investors shift the risk of capital lending and thus the economic risk from the lending (local) bank and the project developer to the financial market and the investors

(Heeg 2011: 185). This contributes to a greater willingness on the part of project developers and investors to take risks, which has contributed to a trend towards a decoupling of supply and demand for real estate. This means that financial market-based financing options not only lead to a quantitative change within the group of investors and financiers but also to a qualitative change, as institutional investors can contribute to increased market volatility in the property markets, according to Heeg (2015: 78). Thirdly, and this can be understood as a result of the first two points, institutional investors have gained an increasingly dominant position in many urban (rental) housing markets (cf. Immergluck & Law 2014; Beswick et al. 2016; Fields & Uffer 2016; Waldron 2018; Nethercote 2020). Institutional investors are capital investment companies such as asset management companies, insurance companies, pension funds, private equity funds or hedge funds that collect and manage the capital invested with them by companies and private individuals and invest it in various asset classes (capital allocation) to generate returns while minimising risks (cf. Ling & Naranjo 2015). They achieve this through an investment portfolio of shares, bonds and assets that corresponds to a desired risk/return profile (cf. Piazzesi et al. 2020). According to the principles of modern portfolio theory, the return on financial investment is directly determined by its price on the financial markets. While the risk is considered probable, it can be reduced by diversifying the portfolio of assets. The crux of the matter is that market financing makes it possible to escape the complexity of the real markets, where there are numerous uncertainties. Investing in financial markets evolves into a sophisticated form of financial engineering, where the goal is to maximise returns while minimising risks through the strategic diversification of investment portfolios (Theurillat 2023: 10). Institutional investors increasingly allocate a significant share of their assets to real estate. This is due to its low correlation with the equity and bond markets and its reputation as a safe investment with average returns, which helps in reducing the overall risk of the investment portfolio (cf. Hoesli & Oikarinen 2012). On the one hand, this has led to institutional investors entering urban rental housing markets and "have variously been involved in large-volume acquisitions of existing housing stock and its conversion to rental accommodation (bulk buy-to-let) and in the development of significant new multi-unit residential developments of purpose-built rental housing (build-to-rent)" (Nethercote 2019: 839). This type of development of residential rental property means that institutional investors retain individual ownership of the apartment complexes as income-producing assets, while rental income and capital gains provide potentially thin but secure margins. As a result, cities have seen large-scale purchases of vacant land, older multi-family rental stock, including former decommodified stock, by large institutional investors for subsequent conversion into rental flats (cf. Wyly et al. 2010; Beswick et al. 2016; Fields & Uffer 2016; August & Walks 2018). "Paradoxically, institutional investors' long-term investment horizons, in turn, allow for a short-term investment focus. Namely, they provide a mechanism for the securitization of rental housing: [Built-to-Rent] relatively secure rental income streams enables investors to leverage their investments through new rent-backed financial instruments, either by going public as REITs, by issuing securitization, or both" (Nethercote 2019: 840; cf. Fields 2018). On the other hand, institutional investors are increasingly no longer investing directly in real estate but rather via indirect access to the property market through the acquisition of shares in the property funds, REITs, or REPEs just described (cf. Heeg 2015: 79ff). This process of creating or converting real estate and housing into financial assets, a process described by Langley (2021) as "assetization" or by Madden and Marcuse (2016) as "commodification", makes it possible to circumvent lengthy transaction processes, the high transaction costs of direct property acquisition, taxes in some cases (e.g. property gains tax in Switzerland) and the indivisibility of the property itself. This transformation into "completely deterritorialised, mobile and liquid assets (financial products) that can be valued and withdrawn by investors almost instantaneously on the financial markets" (Theurillat 2023: 9) makes these forms of investment much more fungible than the real estate from which their returns are derived (Scharmanski 2009: 70). Consequently, a broad range of investment vehicles with different expected profits, risk profiles, and return options have emerged in the global financial market, addressing diverse investment needs and preferences. This development has led to an increase in both the attractiveness of property investments and the available investment capital (Heeg 2011: 185). Property investments typically rise, both indirectly and directly, when general interest rates and stock market yields decline. The option of redemption rights further boosts the propensity to invest, as it allows capital to be swiftly reallocated to other higher-yielding investment areas in response to market and interest rate changes (Heeg 2015: 80). As a result, real estate has evolved into a financial investment product required to meet specific return criteria. When these returns fall short of expectations, given a defined risk and liquidity, capital is reallocated to other investment areas, potentially leading to a shortage of local investments (Scharmanski 2009). This mechanism transfers the volatility of the international financial market to regional property markets (cf. Ling & Naranjo 2015).

The development and transformation of the property finance industry is also leading to new management techniques and investment strategies. The more traditional logic of passive management of property investments to protect against inflation has given way to a logic of active management. Property investments are increasingly being viewed using financial instruments and dynamic calculation methods (discounted cash flow). Property values are determined on the basis of future income forecasts, and institutional investors' property portfolios are constantly valued in view of yield requirements. The more or less long-term values of a property (rents or capital gains) are discounted according to market segments, from property type (office, retail, residential) to location (state, urban, rural) and risk types, from low-risk or core to high-risk or opportunistic (cf. Theurillat 2023: 6ff). Instead of the buy-and-hold strategy long pursued by insurance companies, for example, a strategy of constant evaluation of the property portfolio is increasingly being pursued (Heeg 2011: 185). The logic of active management is also reflected in the pursuit of a diversification strategy in which the property portfolio is constantly reorganised in line with market developments. As attractive real estate that meets the investment criteria of risk and return can no longer be found only in the respective national markets, the focus of institutional investors has increased, and they are now also looking globally for promising markets and property investments in which to invest (cf. Heeg 2011: 186). As a result, the property portfolios of institutional investors are characterised by diversification across various forms of property investment, types of use and regions. This is done with the intention of benefiting from opposing property cycles in individual markets and types of use and thus compensating for economic downturns in one location with upturns in another. In this way, the international investment strategies of institutional investors act as a catalyst for the deterritorialisation of the real estate industry (cf. Theurillat 2023). “[F]inancialisation has produced institutions that increasingly take a global view of accumulation strategies, visions that include land and property in new ways” (Knuth 2015: 164).

However, the global investment activities of institutional investors are not an inevitable natural development. On the contrary, while cross-border real estate transactions were severely restricted by national regulations in many countries for a long time, real estate investors were only encouraged to expand their cross-border activities as a result of the liberalisation and deregulation measures at the beginning of the 1990s (cf. Scharmanski 2009: 89). Switzerland, for example, liberalised the Federal Act on the Acquisition of Real Estate by Persons Abroad (*Bundesgesetz über den Erwerb von Grundstücken durch Personen im Ausland BewG*, also known as *Lex Koller*) several times. In 1997, as part of an economic stimulus programme, the acquisition of commercial real estate was completely liberalised. Since then, foreign persons not domiciled in Switzerland and legal entities domiciled abroad have had the right to invest in commercial real estate (direct ownership). Since 2005, investors from abroad have been allowed to acquire shares in listed property companies in Switzerland and invest in open-ended property funds, which expands the investment opportunities for domestic and foreign investors (cf. Muller et al. 2017; Bodmer 2023: 94ff). Government restrictions, policies and practices are being restructured to facilitate the transformation of urban real estate into financial assets (Ashton et al. 2016). “The state is far from absent in the process of creating variegated patterns of urban financialization” (Aalbers 2020: 599). Certain state actors, whether deliberately or inadvertently, establish the conditions that enable the financialisation of the built environment (cf. Aalbers 2017). On the other hand, some state actors may attempt to limit or combat the forces of financialisation (cf. Deruytter & Derudder 2019). In many countries, however, the creation of a real estate finance industry is seen as a compelling means of anchoring global financial capital and thus contributes to (re)creating the value of the urban built environment (Theurillat 2023: 12). At the local level, cities and their partners within urban governance have contributed strongly to the increasing investment activities of institutional investors and thus to the financialisation of their urban areas, real estate and housing (cf. Peck & Whiteside 2016). In certain cities, global investment is effectively integrated into local government strategies (cf. Theurillat & Crevoisier 2013), leading to a “negotiated city” (Theurillat et al. 2016). However, other cities simply accommodate the demands and desires of an ever-shifting investor landscape (cf. Savini & Aalbers 2016), or they take on a more passive role (cf. Büdenbender & Aalbers 2019), resulting in the emergence of the “financialised city” (Theurillat et al. 2016).

4 HOW TO RESEARCH FINANCIALISATION: METHODOLOGY

The preceding chapters provide an overview of the current state of financialisation research and anchor the master's thesis in the academic discourse. Although the literature review is not exhaustive – the research field of financialisation and housing is too broad for that – it is an important step towards providing an insight into the key definitions, approaches and discourses. Moreover, the findings of this thesis can later be better classified and contextualised in relation to existing theories in academic discourse.
The subsequent chapters outline the research methodology employed to address the already outlined research questions: What conditions have contributed to the financialisation of housing since the 2008 financial crisis? Additionally, how financialisation impacts Zurich's housing market.

4.1 Research Paradigm

Before discussing the research design and methods used in this paper, it is crucial to shed light on the epistemological perspective of critical realism, as this forms the philosophical framework within which the relationship between reality and knowledge is considered, the methods are selected, and the data is interpreted. In the context of critical realism, epistemology and ontology cannot be considered independently of each other, as they are closely intertwined. First, critical realism, as Bhaskar (1975) established, opposes the positivist assumption that a universally valid, objective reality can be generated. To understand this reality and gain insights into it, positivist logic considers empiricism to be the best epistemology (Danermark et al. 2001: 7). This combines our perception of reality (ontology) with the way in which knowledge is acquired (epistemology), which can be described as an epistemic fallacy since the only objective way to understand reality is through subjective human experience (cf. Patomäki & Wight 2000: 217ff). The practical adequacy of knowledge, that is, whether the knowledge generated can be applied in practice, is considered by Sayer (1992: 65ff) to be more important than any supposed objectivity. Another important aspect of critical realism is its distinction from relativism. While relativism claims that knowledge, truth or moral values are relative to the perspectives or cultures from which they are viewed and that no absolute reality exists, critical realism rejects this view (Patomäki & Wight 2000: 217; cf. Baghramian 2004). In addition to criticising positivist and relativist approaches, critical realism also rejects the assumptions of radical constructivist and poststructuralist approaches, thus distancing itself from social theories based either on a structural or an action-theoretical level. The relationship or relationality of structure and action is at the forefront of critical realism (Pühretmayer 2018: 222).
Critical realism is based on a multi-layered ontology: "[O]n the surface there is the empirical domain of observable experiences. At a deeper level is the actual domain consisting of events, whether or not they are observed. At the deepest level is the real domain that is made up of structures and mechanisms that cause events" (Harding & Blokland 2014: 18). Accordingly, objective reality consists not only of observable events but also of unobservable, intransitive mechanisms (cf. Sayer 1992: 5ff). This multi-layered reality exists

independently of our perception, and the causes of what we observe differ and cannot be directly deduced from events (cf. Elder-Vass 2005; Archer et al. 2013). Critical realists argue that the mere observation of empirical regularities is insufficient for scientific progress (Jessop & Sum 2006: 303ff). Instead, critical realism approaches the truth claims by postulating the underlying causal mechanisms and showing their role in an open system (cf. Sayer 2000). Rather than assuming permanent regularities in social processes – according to the pattern 'if X, then Y' – critical realists recognise that such relationships are limited in space and time (cf. Lawson 1997). Critical realism thus understands causality as the ability of structures to enable certain events through mechanisms (Sayer 2000: 13). However, whether this result occurs depends on conditions such as the ability to act and alternative mechanisms. Structures always have causal power, but whether a particular result occurs depends on certain conditions (Pühretmayer 2013: 220).

Critical realism emerges as a particularly fitting research paradigm for the research on the financialisation of housing in Zurich. It offers a unique approach that allows for the exploration of both the surface-level phenomena and the deeper, often concealed structures that underlie these changes. While quantitative data can reveal trends in real estate prices or financial investments, critical realism encourages a critical examination of the underlying causes. This aligns with the exploratory nature of this thesis, as it seeks to uncover and understand the complex, multi-layered dynamics that define the financialisation of the housing sector in Zurich. Critical realism guides the research process, ensuring that the focus remains on the underlying causes and mechanisms rather than just the observable events.

In addition to the ontological assumptions of critical realism, the claim to the usefulness of science should also be emphasised. In contrast to positivism, critical realism does not strive for a supposedly neutral, value-free epistemological approach to the knowledge generated (cf. Jäger & Springler 2015: 29). On the contrary, critical realism sees itself as a critical theory of science whose task is to analyse and explain the overdetermined and contradictory characteristics, causes (forces, mechanisms, motives, etc.) and tendencies of a particular social phenomenon in a specific context (Pühretmayer 2013: 226). It also has an emancipatory character due to recognising and acknowledging asymmetries and social power relations. From the perspective of critical realism, science cannot, therefore, strive for a common good that can be defined for all people, as this would hide the various power asymmetries and usually have a stabilising effect on power (cf. Jäger & Springler 2015). On the contrary, critical realism identifies and criticises existing structures and subsequently seeks to change them, even if this cannot take place through the pure will of the actor (cf. Jäger & Springler 2015: 27). Accordingly, our knowledge of objective reality is never neutral, but rather value-laden and falsifiable (Wigger & Horn 2016: 41). Although critical realists are in favour of epistemological relativism, this does not mean that all assertions about the nature of reality have the same claim to validity. Instead, critical realism points out that some aspects of knowledge and theories may be more appropriate for comparing truth claims, to which the application of the proper methods can contribute (cf. Sayer 1992 5ff; Danermark et al. 2001: 10; Zachariadis et al. 2013).

4.2 Research Design

The research design for this case study on the financialisation of the housing sector in Zurich was carefully developed within the critical realist paradigm to answer the research questions. Given the complexity and multi-dimensionality of the financialisation of housing, as well as the fact that it is mainly unresearched in the city of Zurich – except the papers of Jans et al. (2011) and Theurillat et al. (2015), which points to an increasing presence of financialised actors – this thesis follows an exploratory research design. This exploratory design is suitable because the state of research on the topic is so rudimentary that the questions posed in this thesis are formulated relatively openly to close the research gap (cf. Mayring 2020: 11-12). In exploratory research, a detailed description, analysis, and understanding of a case are particularly effective, as a case study enables an in-depth investigation of complex issues within their real context (cf. Yin 2018).

The thesis follows a retroductive approach between the empirical and the theoretical realm as a path to new knowledge – essentially, it is the same as abduction (cf. Mingers 2014). Retroductive reasoning is central to critical realism (cf. Eriksson 2015). While induction and deduction refer to a particular form of logical inference, the retroductive approach follows an overarching logical method that incorporates deduction and induction for their full power (cf. Mukumbang et al. 2021). Like induction, retroduction begins at the empirical level but then delves into a deeper level to develop a causal mechanism that could be responsible for explaining the empirical phenomenon (cf. Danermark et al. 2001; Wigger & Horn 2016). Giese and Schnapp (2021: 78) explain that "we observe individual occurrences of objects or processes in order to come up with the most probable explanations, which are based on these systematically collected observations, as well as on extant knowledge". This is then used to develop a plausible explanation for the observed phenomena. The retroductive approach, therefore, does not follow a formalised logic of inference as a mental operation that moves between knowledge of one thing and another (cf. Danermark et al. 2001). Instead, retroduction is a process of explanation that, from a conclusion that an observer draws in connection with an event, aims to reconstruct the underlying conditions to enable a deeper causal understanding of the phenomenon (cf. Meyer & Lunnay 2013). This approach is beneficial in the exploratory research of this case study, which is not only about describing what happens but also about understanding why it happens.

With the ontology and epistemology of critical realism, the nature of research, and the research reasoning now explained, the foundation is set to outline the research method employed in this study. Due to its ontological and epistemological pluralism, critical realism can "accept a wide range of research methods without recognizing the primacy of any particular type or approach" (Mingers 2014: 189). However, this critical methodological pluralism should not be equated with methodological relativism. Instead, it should be understood as a stance that recognises that while not all methods are equally appropriate for every research context, there are no fundamental objections to using any method, provided it aligns with the epistemological foundations of critical realism (Patomäki & Wight 2000: 227; Wigger & Horn 2016: 47-48). Although critical realists tend to use qualitative methods to achieve a deep understanding of the phenomenon, Sayer (2010) recognises that quantitative methods can be useful for deepening meaning.

In line with, among others, Danermark et al. (2001), Mingers et al. (2013) and Zachariadis et al. (2013), I argue that due to the complexity, multi-dimensionality and diverse characteristics of the phenomenon of financialisation of housing, a mixed-methods approach is necessary to adequately capture the multiple dimensions and interactions of this process. Maxwell and Mittapalli (2010) argue that critical realism provides a solid foundation for mixed-method research by acknowledging and integrating the strengths of both qualitative and quantitative approaches while also addressing their respective limitations. In this case study, the research adopts a mixed-method approach, combining qualitative data from semi-structured interviews with quantitative data from statistical sources. This methodological plurality not only enables a comprehensive examination of the phenomenon from diverse sources and perspectives but also allows different facets of reality to be highlighted, thereby complementing and enriching the overall understanding. The mixed-methods approach reflects the research questions and vice versa. The question of the conditions and actors involved in the financialisation of housing since the 2008 financial crisis is tackled with a qualitative approach that can best be described as a version of the process tracing method (cf. Bennett & Checkel 2015). In the social sciences, process tracing is often used as a method within case studies to explore and evaluate the interactions and causal mechanisms that are crucial to the occurrence of an observed phenomenon (cf. Bengtsson & Ruonavaara 2017; Beach & Pedersen 2019). Since the focus of process tracing is on decoding the causal mechanisms and processes underlying the development of the research object, it is epistemologically and ontologically closely linked to critical realism (cf. Bennett & Checkel 2015). The decision to take a case-based approach to process tracing makes sense for two reasons. Firstly, process tracing is particularly suitable for analysing the interactions between the actors in the financial and housing markets and the policymakers who create the basic conditions for the financialisation of housing. Secondly, the characteristic general inertia of the housing sector makes this method particularly suitable for such investigations. “A housing stock produced over centuries and decades of building activity creates a powerful historical heritage for any government to adjust to when making housing policy decisions” (Bengtsson & Ruonavaara 2011: 398). Although process tracing is traditionally a fundamental tool of qualitative analysis (Collier 2011: 823), more and more researchers have recently advocated combining it with quantitative methods in the context of mixed-methods designs (cf. Checkel & Bennett 2015: 272ff; Rothgang & Lageman 2021). This thesis follows this trend and uses quantitative data from the available statistical sources on the one hand to describe the superficial phenomena that represent the effects of financialisation on the housing market in Zurich and, on the other hand, to clarify the direction of causal inference (cf. Bennett & Checkel 2015).

4.3 Data Collection Methods

Data collection took place between October 2023 and July 2024. It began with the collection of secondary data, which firstly provided an initial insight into the topic and, secondly, helped identify potential interview partners to collect primary data. In this initial phase, the approach to data collection recommended by Andranovich and Riposa (1993) for urban research was

followed, with efforts focused on gathering all relevant data published since 2006 – two years before the financial crisis – related to the research topic. For this case study, this ultimately meant that all documents of different origins that referred to financialisation, housing in general, the housing and financial market, housing and financial policy, as well as urban development and governance in the Swiss and Zurich contexts were considered as potentially relevant secondary sources. The secondary data primarily comprised publications from the Federal Office for Housing (*Bundesamt für Wohnungswesen BWO*), the federal centre of expertise for all housing issues, the canton of Zurich, the Zurich City Council and City Parliament (*Stadtrat* and *Gemeinderat*), the various departments of the city administration, scientific articles, articles from the locally established newspapers – *Tages-Anzeiger*, *Neue Zürcher Zeitung NZZ*, *Wochenzeitung WOZ* – the tenants‘ association (*Mieter*Innenverband MV*) and the homeowners' association (*Hauseigentümerverband HEV*), as well as various websites with further information, such as the city magazine *Tsüri.ch*. In this step, the quantitative data provided by the Statistical Office of the City of Zurich, the Federal Statistical Office and Wüest Partner[2], a service provider in the real estate industry based in Zurich, was also collected and reviewed.
The knowledge and perspectives of experts and actors are crucial to understanding the structures, mechanisms, and conditions that have contributed to financialisation since the financial crisis of 2008. To this end, semi-structured guided interviews were conducted to supplement the secondary data. This interview technique, widely used in qualitative research (cf. DiCicco-Bloom & Crabtree, 2006), addresses specific topics while allowing the conversation to flow naturally. This approach creates space for unexpected insights and a deeper understanding of the perspectives and experiences of the respondents (cf. Kallio et al. 2016). The semi-structured interview is based on a guide that specifies the topics and questions to be discussed. However, it allows for flexibility during the interview, improvisation on the interviewer's part, and a wide range of responses (cf. Magaldi & Berler 2020). A key advantage of semi-structured interviews is that they facilitate the analysis and comparison of the collected data, as they promote recurring themes (cf. Helfferich 2011). The content of the interview guide is derived from the two research questions, the research topic and the literature review. The interview guide contained questions about the state and changes in the Zurich housing market since 2008, relevant actors, the role of institutional real estate companies and real estate funds, and the influence of financialisation on the housing market and housing policy. Since the interviewed actors, stakeholders, and experts come from different sectors and contexts – from activist to CEO, from cooperative to global real estate company, and so on – the guide was designed to be adaptable. It was, therefore, slightly adjusted for each interview by adding, omitting, or slightly changing some questions depending on the respective function and the presumed knowledge of the person interviewed. An overview of the questions used for the interview guide can be found in the appendix 1.

[2] This data was provided by Theurillat and Crevoisier (HES-SO Haute école spécialisée de Suisse occidentale) and collected as part of the Swiss National Science Foundation (SNSF) project 'The changing role of real estate in Swiss urban development: evidence and theoretical reorientation', see SNSF: 192829.

Given that the financialisation of the housing sector is a complex phenomenon involving various actors, interactions, and diverging perspectives and interests, and considering that the housing crisis was politicised in both public and political debates (cf. Hochstenbach 2024), it was essential to select interview partners representing a broad spectrum of roles and interests. The actor constellation map and its interactions (see Figure 3), as developed by Zwicky (2021: 123), served as the reference framework to achieve this. In the process of purposive sampling (cf. Andrade 2021), efforts were made to ensure that at least two interviews were conducted within each of the following sectors: civil society, the state/public sector, the private sector/market, and the third sector (non-profit social housing).

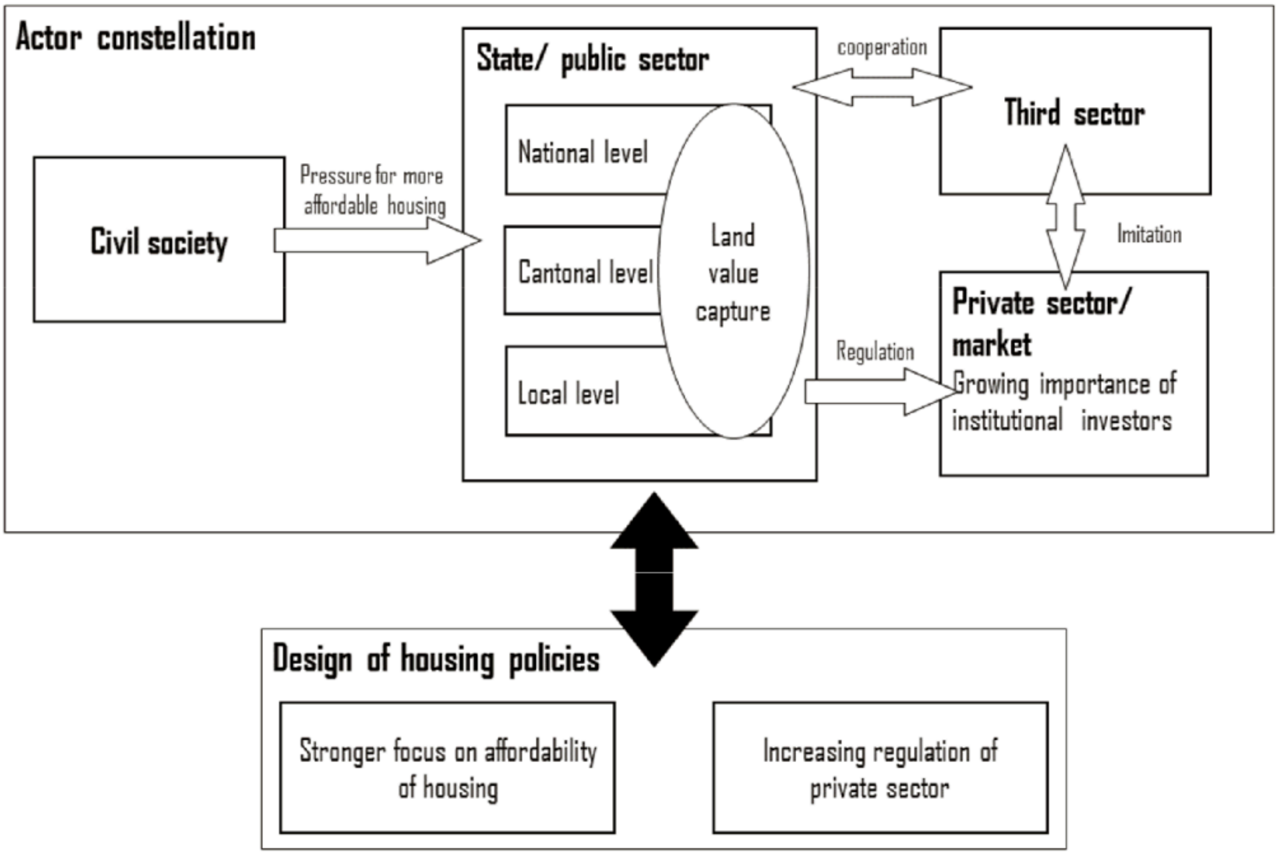


Figure 3: Housing governance in Zurich (Source: Zwicky 2021: 123).

A total of 23 interviews were conducted between 22 May and 16 July, lasting between 31 and 78 minutes. To ensure that the respondents' right to privacy is preserved and possible harm from my research is avoided, it was agreed with all respondents that the name, function, employer, or institution would remain anonymous. This confidentiality was a key element in securing access to the research field and gaining the respondents' trust; therefore, a detailed overview of the individual respondents is deliberately not provided here. In total, three interviews were conducted in each of the civil society and third sector groups. Unfortunately, no interviews could be conducted at the national political level or with representatives of the city administration. Still, one political representative of the cantonal and two at the city political level were interviewed. Contrary to my expectations, a total of twelve interviews were conducted with players from the private sector, seven of whom are active as institutional investors in the Zurich residential property market and, with over 18,000 housing units, have a market share of 23% within the owner category of institutional investors (Interviews; Zeier 2021; Stadt Zürich 2024e). The remaining five interviews in the private sector were with real estate service providers and advisory firms, associations, and think tanks, which provided important insights into the real estate and housing market. Some respondents held several relevant functions in the housing sector, making them suitable for interviews. In addition to these interviews with stakeholders, interviews were conducted with two academic experts. An assignment of the interviews to the sectors shown in Figure 3 can be found in Appendix 2.

4.4 Data Analysis Procedures

The semi-structured interviews and the secondary data collected were processed differently. The analysis of the secondary data began early in the research process and followed the document analysis proposed by Bowen (2009), which comprises skimming (superficial examination), reading (thorough examination) and interpreting. The collected data was filed according to the categories of newspaper articles, official publications of politics and administration, scientific articles, (annual) reports of institutional investors and statistical data sets. The data was further assigned to the thematic fields of housing, real estate market, and housing policy within the respective categories. The text documents marked relevant passages, and the statistical data was cleaned in the first step.
The semi-structured data was analysed using the qualitative content analysis method proposed by Rädiker and Kuckartz (2019). In this systematic and methodologically controlled analysis of the interview transcripts, not only manifest content, or directly measurable variables, are analysed, but also latent, or not directly measurable variables, which are operationalised during the analysis. First, all 23 recorded interviews were transcribed, with the translation of the Swiss German interviews into standard German, partly corrected grammatically and linguistically smoothed. Secondly, the transcripts were coded. The coding categories were developed deductively and inductively to enable a theory and empirically oriented analysis. First, a priori main categories (cf. Rädiker & Kuckartz 2019: 243) were defined based on the theoretical background and the secondary data. The category system was expanded during the analysis by inductively derived subcategories from the empirical material. The MAXQDA analysis software was used, which, although it does not replace manual coding, enables more efficient and accurate analysis of the interview transcripts. The multi-stage coding process facilitated theoretical generalisations and thematic comparisons across the individual interviews (cf. Meuser & Nagel 2009: 476ff), thereby enabling meaningful insights to be derived from the interview data.

4.5 Limitations and Positionality

Like all research, this thesis is subject to methodological limitations. The first limitation concerns the complexity of integrating qualitative and quantitative data within the mixed-methods approach (cf. Johnson et al. 2007). Careful consideration must be given to how these types of data can be effectively combined. This complexity can lead to difficulties in ensuring consistency and coherence in the various phases of the research process (cf. Creswell & Plano Clark 2018). The second limitation concerns the semi-structured interviews conducted. Although the purposive sample selection in conjunction with the actor constellation map (see Figure 3) aimed to achieve a sample that was as balanced as possible, the absence of an interview with the city administration means that an important actor is missing. A further limitation in the collection of secondary data is the limited availability or difficult access to statistical data on real estate and housing. For example, access to the land registry is restricted (Zander 2023), and investment data from institutional actors is either not available at the municipal level, or access is associated with prohibitive costs. A fourth limitation is content analysis, which is very time-consuming on the one hand and, on the other hand, can over-simplify complex phenomena through coding, which limits the ability to establish causal relationships (cf. Maier 2017).

In the sense of Rädiker and Kuckartz (2019), who point out that researchers always have prior knowledge and theoretical sensibilities that make it necessary to critically question what prior knowledge and (pre-)judgements they have, a word on positionality is in order here. As Rose (1997) highlighted, and as critical geographers have particularly acknowledged, our understanding and the production of knowledge are neither neutral nor universal. The approach I take in conducting this master's thesis is shaped by the accumulation of my prior experiences.

As a *Züribueb* (native) – born, raised, worked, studied, and still living in the city – I am an insider in several respects. The refugee crisis in 2015 sparked my interest in (critical) politics, leading to a deeper understanding of the political landscape and decision-making processes within Switzerland's semi-direct democracy. In recent years, I have been involved in debates about the housing crisis as an activist. Through my engagement, I have acquired (critical) knowledge and made contacts that have given me access to essential actors who shape the political and public debate. The insights gained from dozens of informal conversations with politicians, housing activists, and other relevant actors are not part of the formal analyses of this thesis, but they have helped me understand the intricacies of the complex Zurich real estate and housing market. This has led me to develop a personal understanding of reality in an onto-epistemological sense, which is probably most clearly expressed in my critical perspective on the current housing crisis and housing policy and my call to imagine alternatives (partly rooted in the post-Marxist tradition).

5 ZURICH'S HOUSING LANDSCAPE

Before discussing the impact on the Zurich housing market and the underlying causes, it is useful to briefly review the recent history of urban development in Zurich, as the housing market is path dependent (cf. Bengtsson & Ruonavaara 2011). Second, it is important to understand the characteristics of the Zurich/Swiss housing market, as it differs significantly from those of other advanced economies (cf. Helfer et al. 2023: 10).

5.1 A Piece of Zurich's Urban Development History

“The city is built” (Koch 1988: 8, translated). This phrase from Ursula Koch's speech has become ingrained in Zurich's urban memory. In 1988, the Social Democrat city councillor outlined a political vision that still guides urban policy today. She was right: Switzerland's largest city has been built. Its defining elements were already and permanently in place: water, topography, road network, and public buildings. But her point was that the city should not be rebuilt from scratch but must be continuously remodelled: “It must not be rebuilt, but remodelled into a Zurich worth living in, with high urban qualities” (Koch 1988: 8, translated). Surprisingly, from today's perspective, these statements were highly controversial at the time. Urban policy was fraught with tension and deeply polarised (cf. Devecchi 2012). As a result of the global economic crisis and the end of the golden age of Fordism, the economic environment and, thus, urban policy changed at the end of the 1970s. With the increasing deregulation and globalisation of the financial markets and the strengthening of multinational corporations and financial centre companies, Zurich's transformation into a world city began in the 1970s (cf. Sassens 2004; Stahel 2006). “Zurich became the undisputed centre of Switzerland as a location for finance, and a headquarter economy established itself, which specialised in the organisation and control of global financial flows” (Schmid 2017: 107). This process subsequently continued, as the following numbers illustrate. In 1990, three of the world's four largest banks and four of the six most crucial global insurance companies were headquartered in Zurich. At the beginning of the 1990s, 47 per cent of the total assets of the 150 largest banks and 60 per cent of the premium income of the 60 largest insurance companies were generated from their headquarters in Zurich (Hitz et al. 1995: 219). The expansion of the financial sector had a decisive influence on the city's development. The takeover of the city centre by financially strong corporations, the conversion of residential space into offices for service companies and the increasing loss of quality of life led to sub-urbanisation, with more and more middle- and upper-class families moving out of the city (Stahel 2006: 35). In the course of the formation of global cities, globally defined strategies for building a headquarters economy collided with the locally defined everyday concerns of many inhabitants (cf. Schmid 2017). Coupled with the increasing pressure on the housing market, the housing and urban policy conflicts intensified again in the 1980s following the youth riots in the summer of 1968 (Stahel 2006: 35). However, the newly emerging urban conflicts must be seen against the background of a newly emerging urban counterculture (Kriesi 1984: 195). “As of the 1970s, public life in Zurich was still characterised by a crushing parochialism that left very little space for the development of new lifestyles or alternative

forms of cultural expression" (Schmid 2017: 107-108). Despite this, or perhaps because of it, an alternative subculture emerged in Zurich after the decline of the '68 youth movement. The growing counterculture increasingly found no (non-commercial) spaces in the city. This situation ultimately led to a social explosion: an urban revolt began on 30 May 1980 (cf. Braendle et al. 2010). The radicalism with which the disputes were conducted, especially by the militant part of the movement, "aimed directly at the centre of public life; for a short time, the street became the city's most intrinsic sphere, a place of urban politics and urban culture" (Stahel 2006: 37, translated). The Zurich 80s movement demanded with "We want the whole city!" (Lüscher & Makropoulos 1982: 113, translated), exactly what Lefebvre (1968) called *le droit à la ville*. This offensive character was contrasted with an ultimately defensive strategy: the demand for spaces and autonomous islands in the globalised city.
Although the urban revolt collapsed after two years – the movement continued to be active primarily as a housing movement, even if it was no longer quite as strong – and the municipal government began to pursue a policy of integration, its consequences for urban development and everyday life became apparent in the period that followed and is still evident today. A cosmopolitan, urban atmosphere emerged, a cultural scene was established that radiated beyond Zurich, and the city became attractive again as a place to live (Schmid 2017: 108). "In the field of tension between resistance and integration, the cultural openness demanded and practised by the 80s movement itself became a factor in Zurich's economic attractiveness. The new archipelagos of 'alternative' culture turned Zurich into a 'cosmopolitan city" (Hitz et al. 1995: 247, translated). The urban revolt thus became an important catalyst for global urbanisation. While urban spaces became culturally friendly and lively, urban policy in the 1980s experienced a strong polarisation between the centre-right advocates of a working city and the left-green-alternative representatives of a residential city (cf. Hitz et al. 1995; Rüegg 1996, Devecchi 2012). The parliamentary debate on urban development and housing policy was blocked – the city had been built. At the same time, the mid-1980s saw an economic boom in Switzerland. The increasing demand for consumer and capital goods as well as for housing, the discovery of real estate as an alternative to the stock markets as a result of Black Monday on 19 October 1987, the banks' loose lending policy – residential buildings were often financed at 90% – and the massive investment requirements of pension funds as a result of the new statutory pension fund obligation of 1985 led to a veritable gold-rush atmosphere in the real estate industry at the end of the 1980s (Stahel 2006: 48; Fahrländer et al. 2019). Finally, in 1989, the lending momentum peaked, and construction investment accounted for a high 14% of gross domestic product (cf. Lüscher 2015). Against the backdrop of rising inflation rates and the risk of speculative tendencies in the property markets, the Swiss National Bank raised the key interest rate, and urgent measures were enacted in 1989. These had an impact, but much stronger than the Federal Council had expected. Two years after the interest rate hike, Switzerland experienced a long-lasting recession. Between 1991 and 1996, real gross domestic product stagnated, population growth fell, and high mortgage interest rates led to a real slump in demand on both the user and investor markets, which – with a time lag – put pressure on rents and prices. The value of investment properties halved in the six years after 1991, reaching its lowest point in 1997 (cf. Bodmer 2004; Lüscher 2015; Budliger 2022).

With the economic crisis, a paradigm shift in urban development policy became apparent in the course of the 1990s. Firstly, this paradigm shift originated from the economic crisis, which forced the municipal authorities and politicians to change course. Secondly, there has been a strong social and economic polarization and fragmentation within the city, which has also encouraged the new right-wing populism that has emerged in Switzerland. Due to this danger and the loss of significance and identity of the social democrats as a result of deindustrialisation and the economic crisis, they moved closer to moderate right-wing and liberal forces. A new hegemonic political alliance for urban development emerged through pragmatism and a willingness to engage in dialogue across ideological and party-political boundaries (cf. Devecchi 2012; Schmid 2017: 112). As in many other European cities, competitive urban governance emerged at the end of the 1990s through a modernisation alliance supported by centrist-conservative parties, representatives of the financial centre, service groups and local companies (Eberle 2003: 132). Competition between locations took centre stage (Stahel 2006: 164). The aim of this new entrepreneurial urban governance (cf. Harvey 1989) was to create attractive location conditions and an economically dynamic population: "The legislative focus and especially is component of creating housing for households with higher purchasing power, combined with the general aim of increasing Zurich's attractiveness as a place of residence, gave new impulses for investors" (Zwicky 2021: 129). This transformation went hand in hand with the neoliberalisation of cities (cf. Peck & Tickell 2002), which is not understood as a monocausal factor for the transformation to an entrepreneurial city but rather as a driving force. With the "Renaissance of the City" (cf. Nijman 2016), pent-up demand after the crisis of the 1990s, real estate has once again become the focus of institutional investors (cf. Kraft & Kempf 2021). Since then, the residential property market and rents in Zurich have been on the move, and prices only know one direction: up (Lutz et al. 2023).

5.2 Characterisation of the Housing Market in Zurich

Slightly less than two-thirds (61%) of all Swiss households rent their homes in 2023 (BFS 2023c). This is the highest tenant rate of all European countries and has been stable for decades (Debrunner & Hengstermann 2023: 91), which is why Switzerland is often referred to in the international scientific literature as the "land of tenants" (Baselgia & Martínez 2023: 43). In the 171 Swiss cities where 75% of the Swiss population live, the proportion of tenants is even higher (Debrunner & Hengstermann 2023: 91), with Zurich having the highest proportion at 92%. Apart from the generally good quality of the rental housing stock (cf. Glaser 2016) and the reasonably well-developed pension system, which makes buying property unnecessary (Bodmer 2023: 70), this Swiss peculiarity is mainly due to the limited access to residential property. Although many Swiss still consider homeownership desirable, price increases in recent years have created a vast obstacle (cf. Bourassa & Hoesli 2010; Bodmer 2023: 69-70). This is reinforced by the modest state support for homeownership and the strict rules for granting mortgage loans.

Although funds from pillar 2 and 3a[3] pension assets (advance withdrawal) can be used as equity to purchase or construct residential property, the purchase of real estate in Switzerland is not subsidised. Furthermore, a specific system of taxation of residential property (cf. Bodmer 2023: 75ff) means that residential property in Switzerland is not generally subject to favourable tax treatment (cf. Bourassa & Hoesli 2010; Vujanovic 2016: 23). The fact that the state is not willing to promote homeownership more strongly is also due to a lack of willingness on the part of the population and politics to sacrifice other priorities in favour of promoting homeownership (Thalmann 2002: 74).

The decline in the homeownership rate observed in recent years can be attributed, in part, to developments within the mortgage system. In Switzerland, the vast majority of people cannot finance homeownership solely from their savings and are therefore dependent on mortgages – loans specifically for home financing (Ferber 2023). This heavy reliance on mortgages is also evident in the overall economic significance of the mortgage market. When measured against gross domestic product (GDP), mortgage debt in Switzerland has increased substantially. In 2022, GDP was CHF 781 billion (BFS 2023b), while the mortgage volume reached CHF 1,151 billion (SNB 2024), marking a 21% increase in the mortgage-to-GDP ratio since 2008 (own calculation).

This is due to the unique mortgage system and mortgage market in Switzerland. With a 95% share of the mortgage market, the banks are the dominant players, with the cantonal banks (37%) accounting for the bulk, followed by the major banks UBS and Credit Suisse and Raiffeisen banks (see Figure 4).

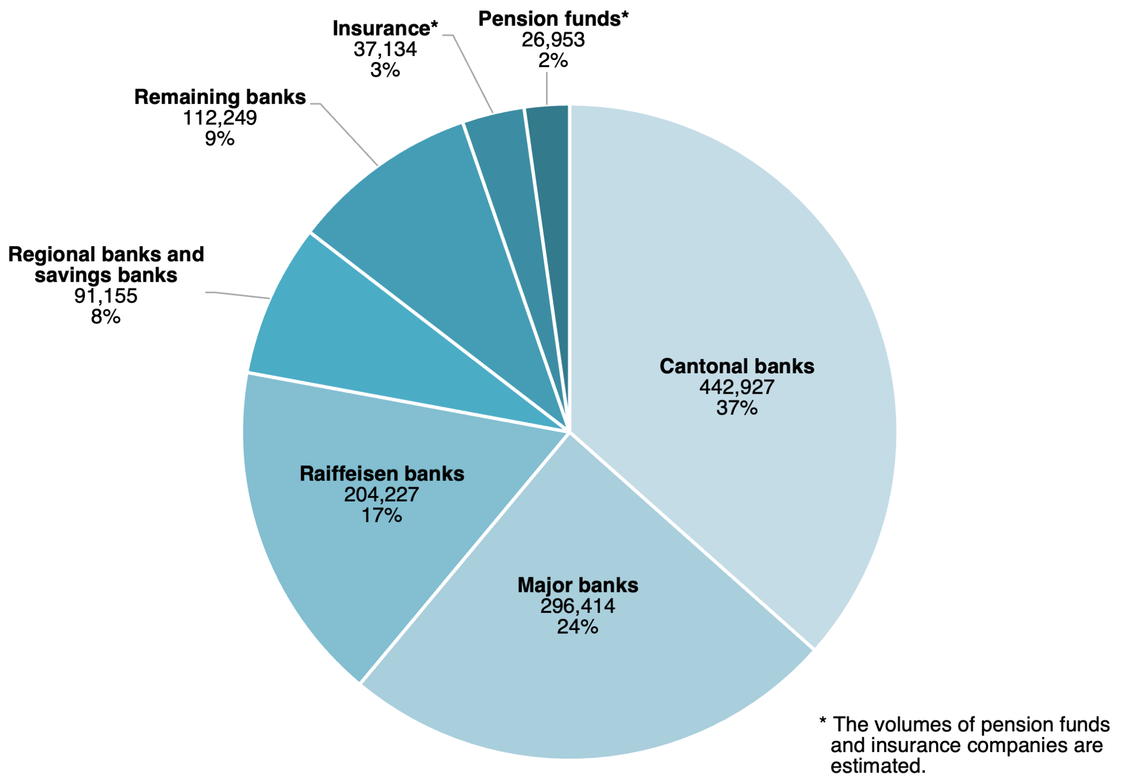


Figure 4: Share of the mortgage market in 2022 (in CHF millions) (Data source: MoneyPark 2023: 6, own representation).

[3] The Swiss pension system is based on the three-pillar principle, whereby the pillars state pension, occupational pension and private pension are coordinated, complement each other and provide financial benefits in the event of retirement, disability or death (cf. BSV 2023).

The importance of insurance companies and pension funds in the Swiss mortgage market has increased recently. They found an opportunity in the mortgage business to alleviate their investment crisis, and mortgages offered an essential advantage as a substitute for bonds, as they generate a significantly positive and thus attractive return in the current market environment, unlike bonds. Furthermore, mortgages are secured by a charge on real property, which keeps the default risks within a calculable range (Gallarotti 2017). Nevertheless, more than half of the market share of mortgages is dominated by banks that, due to their specific characteristics, are not geared towards maximising profits: cantonal banks, Raiffeisen banks and other smaller local regional and savings banks. Although the Swiss banking system is based on the concept of the universal bank, which means that all banks are allowed to offer all banking services, the banks participate to varying degrees in the various financial activities and thus also differ in their strategic orientation (Dietrich & Wanzenried 2011: 325). The cantonal banks have the primary goal of promoting the economy of the respective canton, which holds at least one-third of the voting and capital rights of the bank, and thus pursue a sustainable, long-term profit orientation (cf. Hesseler 1980: 14-15; Dietrich & Wanzenried 2011: 325), profit maximisation is also not prioritised at the Raiffeisen banks, which are local cooperative mortgage banks, and regional and savings banks either (cf. Chassagnon & Vallet 2024: 673ff). Instead of maximising profits, most Swiss mortgage lenders prefer to lend to financially stable households, housing associations and investors (cf. Basten & Koch 2015).

Furthermore, unlike in other countries, it took quite a while before the first mortgage securitisation was carried out (1998) (Kroll et al. 2002: 254). Although various forms of securitisation have emerged in the mortgage market since then, they have not yet gained a significant market share in Switzerland (Meuli et al. 2020: 92).

Within this mortgage market, mortgages can be granted for up to 80% of the estimated property value, with two-thirds of this never having to be repaid (amortised). They fall out of the financing equation. Equity must always be at least 20% of the property financing (Budliger 2022: 47). However, the effective costs are not relevant for granting mortgage loans; instead, the imputed costs are used in the affordability calculation and review. These, in turn, are based on imputed interest rates, which have remained high in recent years despite record-low interest rates. Instead of an effective interest rate of only around 1% for a ten-year mortgage, buyers should be able to pay up to 5%. In addition, maintenance costs of 1-2% and 1% for amortisation of the second mortgage. These hypothetical costs must not exceed one-third of income. For a real estate price of one million Swiss francs and an equity share of 20%, hypothetical costs of CHF 56,000 are incurred for a new property, meaning an annual income of CHF 168,000 is required. Such real estate is affordable only for households in the top quarter of the income distribution, and even then, only if they can raise the necessary CHF 200,000 in equity. Homeownership thus becomes unaffordable for a large part of the population, especially in cities where soaring prices dominate the market (Bodmer 2023: 79).

This culminates in a situation (see figure 5) where, in Zurich in 2023, merely 8% of flats are owner-occupied (including condominiums), whilst 33% of the rental market is held by institutional investors (Banks, insurance companies, real estate companies, etc.), 29% by private landlords, 18% by housing cooperatives, 7% by the city administration, and 5% consists of rented condominiums (Stadt Zürich 2024e).

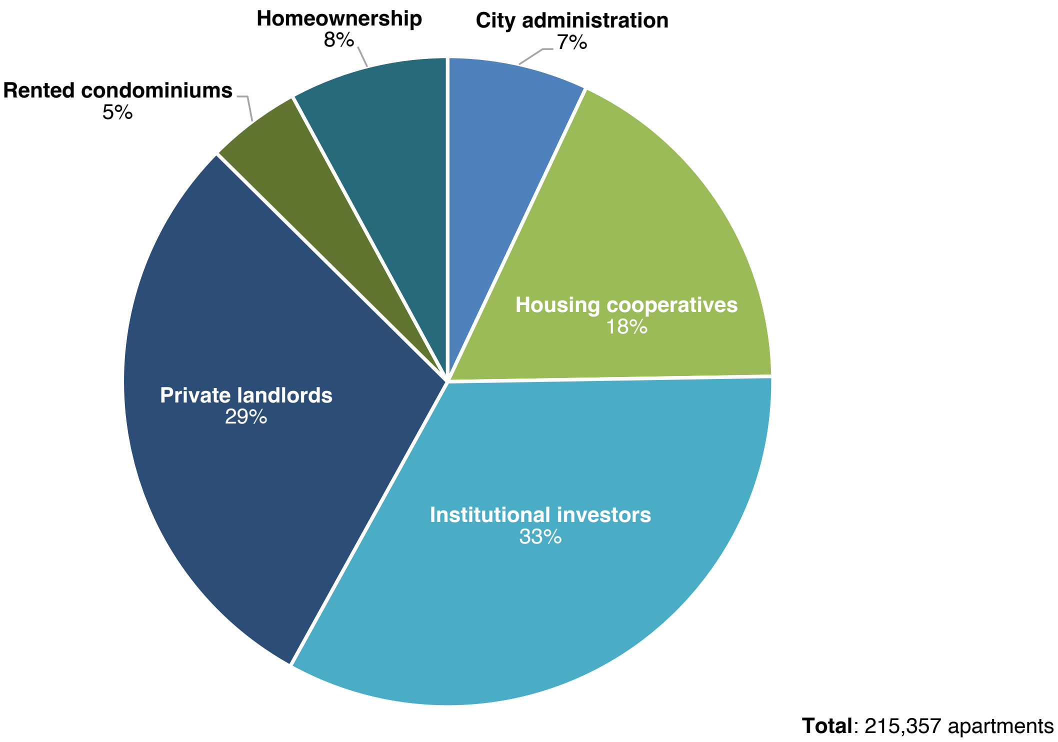


Figure 5: Ownership structure of rented apartments in the city of Zurich in 2023 (Data source: Stadt Zürich 2024e, own representation).

In addition to the low proportion of homeownership, the high proportion of housing cooperatives is also remarkable. This sector consists of "great variety of organization with different sizes (ranging from less than ten dwelling to over 5000) historical and political backgrounds, organizational practices, social bases, values, and ways of collective living" (Barenstein et al. 2022: 960). In addition to providing affordable housing – where, for instance, the rent for a 70-square-metre apartment is 59% lower with housing cooperatives compared to the private market (Klink 2022) – they also play a crucial role in promoting social diversity and contributing to a liveable city (cf. Hofer et al. 2015). The city of Zurich actively promotes housing cooperatives through a comprehensive land policy (Balmer 2017: 74) by granting building rights for building land (Schneider 2012: 297) and providing financial subsidies and loans to finance construction projects (Lawson 2010: 214). The housing cooperatives and the city administration constitute the non-profit housing sector, representing a quarter of the total housing stock. Therefore, it was crucial to include this third sector in the interviews.

The low vacancy rate is another characteristic of the Swiss and Zurich housing market. Since the financial crisis in 2008, the national vacancy rate has averaged 1.23% (BFS 2023a), while in Zurich, it has been only 0.13% over the same period. On 1 June 2024, there were just 169 vacant apartments, corresponding to a vacancy rate of 0.07% of the stock (Stadt Zürich 2024h). Measured by the vacancy rate, there is a housing shortage in Switzerland almost all the time. The vacancy rate rarely exceeded the figure of 1.5% (market equilibrium) considered appropriate. In Zurich, as defined by the BWO (2024: 17), a vacancy rate of less than 1 per cent indicates a housing crisis. The tense situation on the housing market is also reflected in low occupancy change rates. In Switzerland, the average duration of occupancy is 5 to 6 years for rented flats, 12 to 14 years for owner-occupied flats, and 20 years for single-family houses, with this trend on the rise (Degen & Fischer 2017: 22).

The widespread practice of renting rather than buying property in Switzerland is also intricately linked to the legal framework of the Swiss rental market. Although there is no right to housing in Switzerland (Thalmann 2020: 579), the federal state plays a decisive role in regulating the rental market, as it signals to the cantons and municipalities how they should deal with housing and rental matters. The most important legal frameworks are the Swiss Federal Constitution (Art. 109), which mandates the federal government to enact regulations against abuses in the rental sector, and the Swiss Code of Obligations (Art. 253-321), which serves as the detailed implementing legal basis.

In principle, the Swiss Code of Obligations prescribes a cost-based rent that includes a small return (*Kostenmiete-Plus*) based on market and cost elements. For new tenancies (asking rents), the level of the rent is defined by absolute criteria. There are two possible procedures. In the first, the rent can be determined by the criterion of local and neighbourhood custom (*Orts- und Quartierüblichkeit*), which is based on the market rent. In this case, five comparable objects must be presented to prove local and neighbourhood custom, with the burden of proof resting with the landlord. In the second method, the initial rental price is based on a maximum permissible return. When determining the allowable return, the gross return – the return on the construction costs before deducting maintenance costs – may not exceed the mortgage reference interest rate[4] by more than 2%. The gross yield is particularly relevant for new properties, as maintenance costs are often unknown. Since 2022, the net yield – the yield after deducting maintenance costs – has also been allowed to exceed the reference interest rate by 2% as long as this is 2% or less. If the reference interest rate exceeds the 2% mark, the permissible net yield is reduced to a maximum of 0.5% above the mortgage reference interest rate (Bodmer 2023: 64ff). The reference interest rate of 1.75% that has been in effect since June 2024 results in a permissible yield of 3.75% (BWO 2024b). The Swiss rent regulation's most noticeable consequence is adjusting rents in existing tenures according to relative criteria. Increases in the mortgage reference interest rate, rising fees and taxes, insurance premiums and maintenance costs are considered permissible cost increases. When determining the new rent, a calculation model considers the effective maintenance costs, the nominal reference interest rate, the permissible yield markup and a purchase price adjusted for the effects of inflation on equity (cf. Bodmer 2023: 65ff). This leads to the theoretical situation that if the mortgage reference interest rate rises from 2.5% to 5% due to inflation or a more restrictive monetary policy of the Swiss National Bank (SNB), for example, the permissible net yield increases from 3% to 5.5%, an increase in asking rents of 83% would be the result. At the same time, rent increases of 30% would be permissible for rents in existing tenures (Bodmer 2023: 66). At the same time, the law also stipulates

[4] The mortgage reference interest rate (*Hypothekarischer Referenzzinssatz*) is calculated quarterly by the Federal Office for Housing and is based on a volume-weighted average of all mortgage interest rates (cf. BWO 2024b).

that if the mortgage reference interest rate is reduced, the rent must be reduced accordingly (VMWG Art. 13).

In practice, Schärrer et al. (2022: 9) show that, despite falling mortgage reference interest rates, Swiss rental prices rose from 2005 to 2021 (see Figure 6). In 2021, there was a difference of CHF 10.4 billion between the theoretically legally regulated rental income and the real rental income. Between 2005 and 2021, the amount of rent overpaid totalled CHF 78 billion. (Schärrer et al. 2022: 34). On the one hand, this is due to the lack of state control mechanisms, which allows landlords to extract an abusive rental yield from many apartments – in other words, they earn too much from it according to the law, at the expense of the tenant. On the other hand, it is often challenging to achieve rent reductions because, firstly, tenants must actively apply for a rent reduction and contest the initial rent within 30 days and, secondly, landlords use various strategies to keep rents stable despite a decline in the reference interest rate (cf. Strub & Naef 2021).

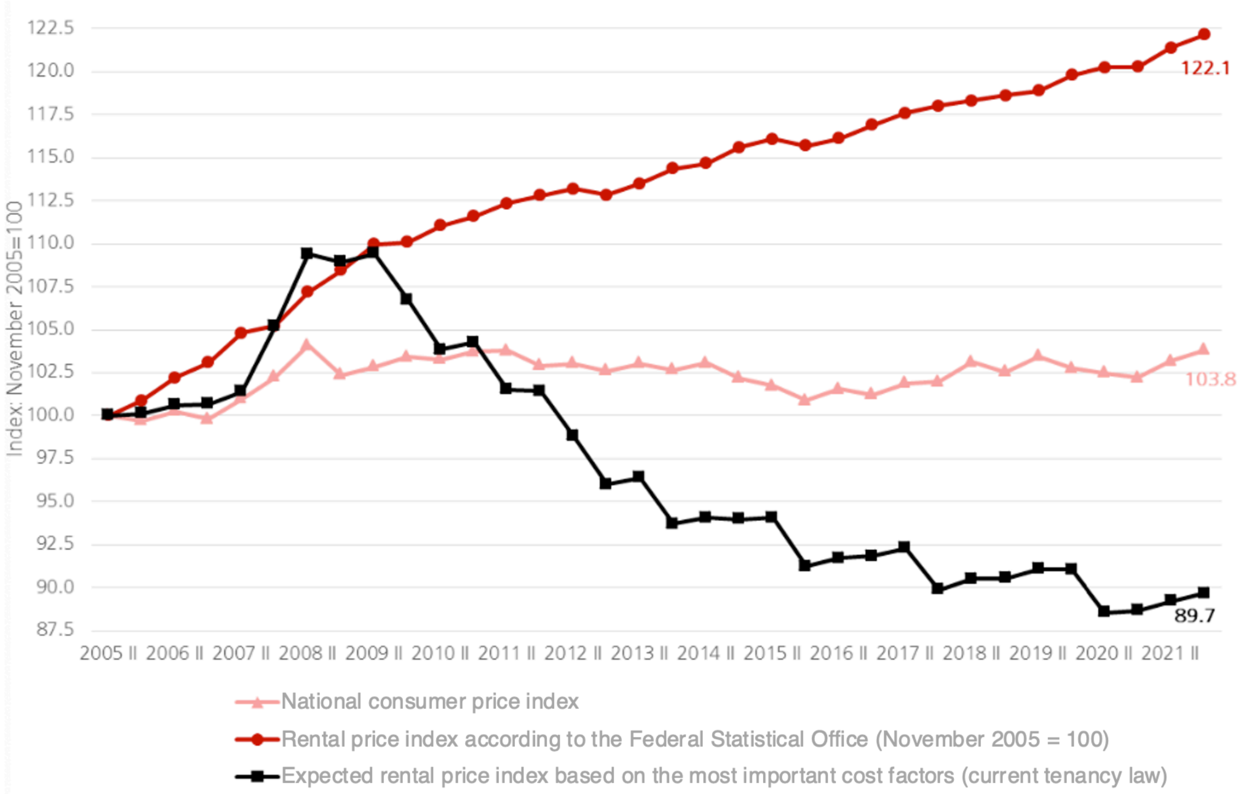


Figure 6: Swiss rental and consumer price development from 2005 to 2021 (Source: Schärrer et al. 2022: 9, modified).

The particular characteristics of the Swiss and Zurich housing markets, characterised by a solid rental culture, a conservative mortgage market with strict lending conditions within a unique mortgage system, and tenancy law that prescribes specific cost-based rents, suggest that the financialisation of the housing sector in Switzerland is driven less by mortgage debt than by the rental market.

6 FINANCIALISATION OF HOUSING IN ZURICH

"And then the listed companies came along, bringing international capital. This development really took off in 2008. The crisis was like turbo-acceleration of financialisation […], and there was nothing more valuable than land in the city of Zurich" (Interview 22, translated). Since the financial crisis 2008, Zurich's real estate and housing market has changed significantly, noticeable on the surface for all tenants and apartment seekers and at a deeper level depending on the perspective. The presentation of the results of this case study is again based on the research paradigm of critical realism. Before the intransitive mechanisms and structures that have led to the current developments and situation of the Zurich housing market are discussed, the observations of the empirical realm must first be presented.

6.1 Changes in the Housing Market in Zurich Post-Crisis

The following trends can be described starting with the most prominent and tangible variable in the housing market, the rental price. While the rental price index – the general rental price increase since 2010 (older data is unavailable) – increased by 6.4% (see Figure 7), several interviewees pointed out that this index should be interpreted cautiously. Firstly, it is less meaningful due to the lack of differentiation between rents in existing tenures, which are protected to a certain extent from excessive increases by tenancy law and asking rents, which rose most sharply in 2023 since 2008 (Müller 2024). Secondly, the index is distorted by including the 40% (Interview 1) to almost 60% (Klink 2022) lower rents in the non-profit sector compared to those on the private market. The rental prices of these apartments pull the rental price index down and do not show the whole reality.

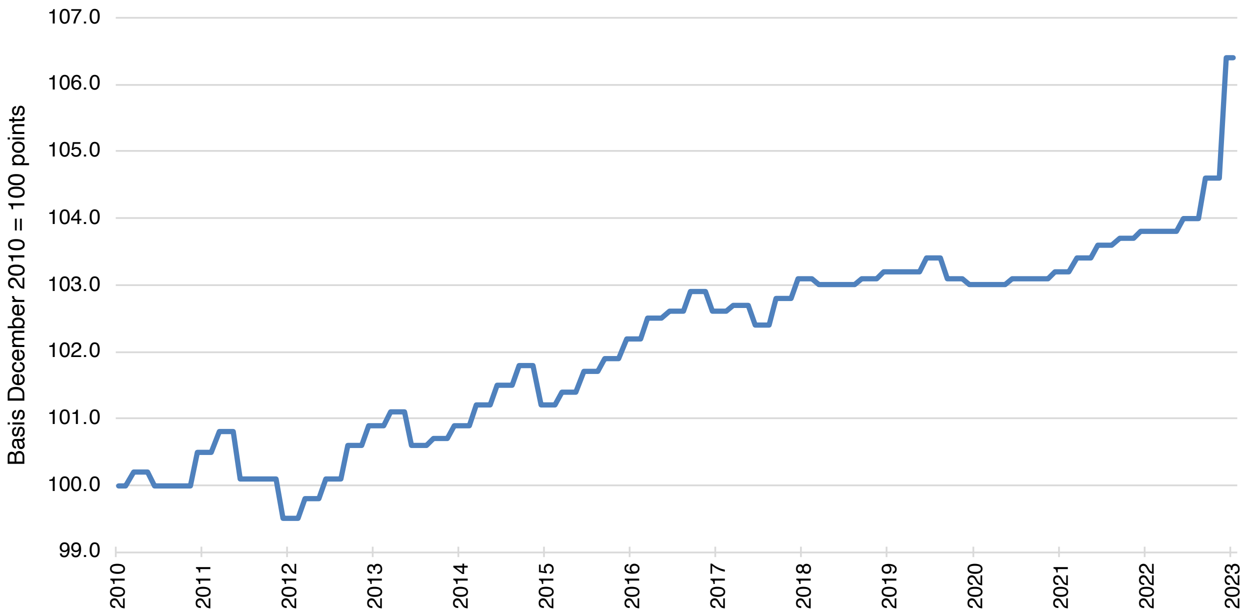


Figure 7: Development of the Zurich rental price index 2010-2023 (Data source: Stadt Zürich 2024j, own representation)

The asking rents, significant to institutional investors (interviews 8, 11 & 16), have increased significantly in Zurich. According to the majority of the interviews and in line with the observations of Lutz et al. (2023: 22ff), prices have risen, particularly in inner-city neighbourhoods. This can be explained on the one hand by the inner development and the associated increased activity of new buildings (Lutz et al. 2023: 17ff). On the other hand, the increase in rents in inner-city neighbourhoods can also be explained by closing the rent gap between the real ground rent, which is, among other variables, fed by current rental payments, and the potential ground rent, which is determined by the most profitable speculative use of a property or by the potentially highest possible rent increases (cf. Smith 1996). This can be illustrated by the example of the former working-class neighbourhood of Langstrasse (see Figure 8). While rents here were among the lowest in the city for decades (Glauser 2008: 30), between 2005 and 2022, the neighbourhood experienced some of the most substantial rent increases within the city districts. The asking rents have risen by an average of CHF 12/m² or more, often equating to an increase of over 35% (Lutz et al. 2023: 26).

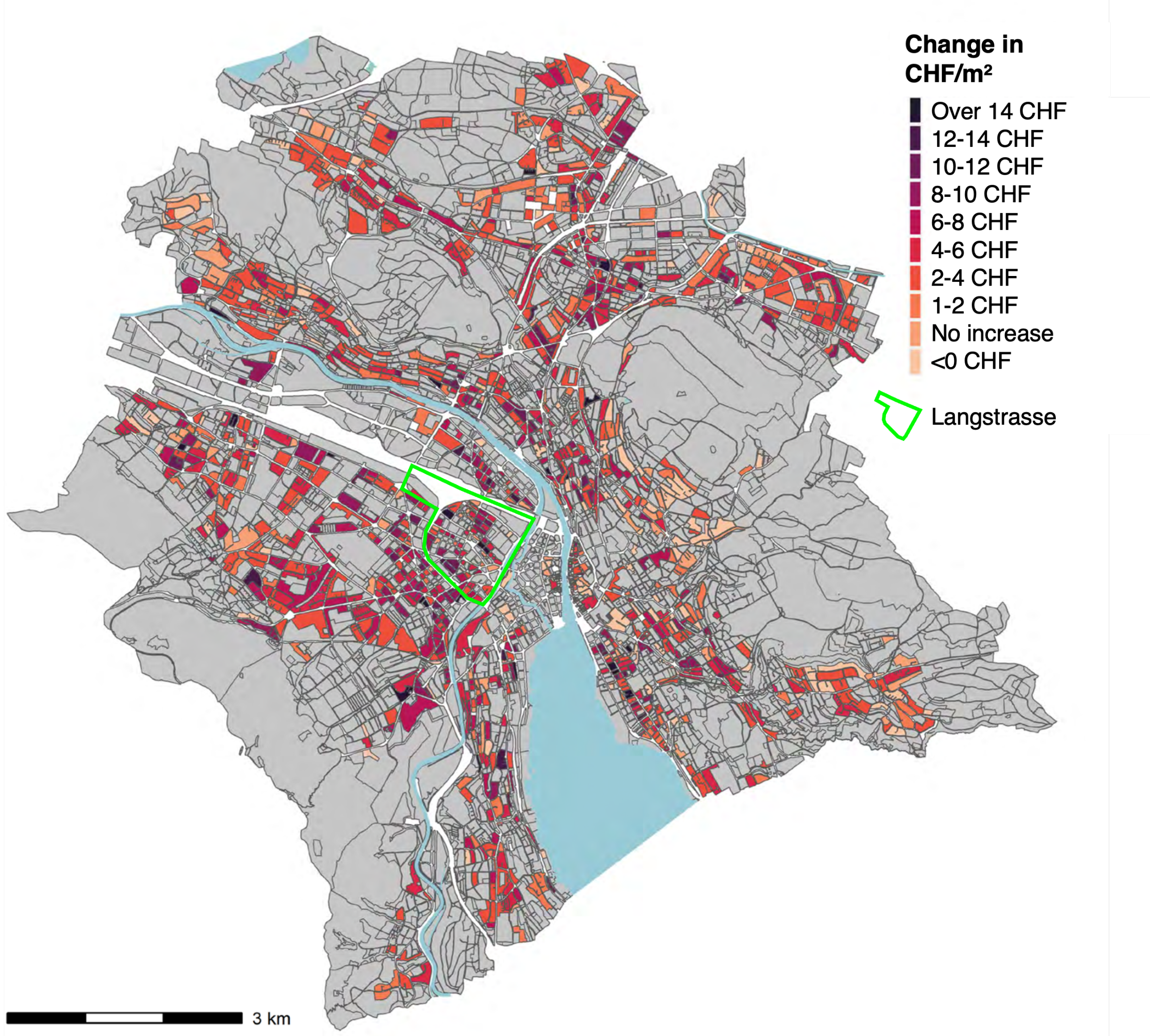


Figure 8: Change in average asking rents per m² in Zurich from 2005-2010 to 2015-2020 (Source: Lutz et al. 2023: 26, modified).

This increase is problematic because in neighbourhoods such as Langstrasse, asking rents are rising faster than wages, which has a noticeable impact on households (Interview 7). The median monthly rent for a 2-room apartment on the free market in 2022 was CHF 1,639 (Stadt Zürich 2024a), while the median wage in Zurich was CHF 8,127 (Stadt Zürich 2024g). Therefore, a person with a median income must spend 20.2% of their monthly salary on rent. However, if the person works in the (underpaid) hospitality industry (median salary CHF 4,710), the proportion of rental costs is 34.8%. According to Desmond (2018: 160) a proportion of rental costs of over 30% is considered a strong and excessive rental burden. Based on the third approach, which considers financialisation from a sociological perspective at the micro level, it can be seen that, as mentioned by a majority of the interview partners and shown by Kaufmann et al. (2023), the increased supply rents lead to the displacement of vulnerable groups of people in particular (household income < CHF 4,800, foreigners, single parents). Since rents are the largest item in the household budget, they also have economic consequences, as it is the “number one killer of purchasing power” (Badran 2022, translated).

Another point concerning the increase in urban rents is the ownership structure. Unfortunately, the lack of transparency in the Swiss housing market and the institutional investors do not allow a breakdown of the different rental price increases between ownership structures. However, in just over a third of the interviews, it was mentioned that the average price of apartments owned by institutional investors has risen significantly more in recent years than that of privately owned apartments. This is in line with the picture presented in the media, where high rents are often associated with institutional investors: “Zurich Insurance [joins] the list of inglorious new buildings with astronomical rents” (Jacoby 2023a, translated), “Swiss Life AG demands […] up to 4,410 Swiss francs per month for a 2.5-room apartment […] excessively expensive” (Eichhorn 2024, translated) or “And suddenly the rent is 400 francs higher […] BVK […] the largest pension fund in Switzerland” (Huber 2020). Since rent increases are the main instrument for increasing their returns, institutional investors exploit the leeway and the weakness of the tenancy law to maximise rent increases. Often, the legal framework is even exceeded, which is possible due to the lack of a state control authority: “The legal basis exists, but it is a major oversight that no one cares about ensuring that the laws in force are complied with” (Interview 1, translated). Although the Federal Council contradicts the assessment in a statement that tenancy law is the least respected law, it nevertheless unintentionally points out a significant weakness in its reasoning: “According to current law, protection against abusive rents only becomes effective if the tenant claims it and has the rent checked. If the tenant does not do this, even abusive rents remain binding on the parties to the lease” (Bundesrat 2022, translated). Tenants must actively sue for abusive rents and excessive rent increases: “The law applies only to those who defend themselves” (Interview 3, translated). In the last two years, a significant increase in tenant mobilisation has been observed, with tenants increasingly claiming their rights (interviews 7 & 14). In 2023, the Swiss arbitration boards, a preliminary stage of the rental court, had to deal with around 80 per cent more cases than in the previous year (Brun 2024). In addition to the fight against rent increases, tenants are increasingly trying to defend themselves against landlords terminating rental contracts (Brun 2024). This is particularly evident in cases of mass terminations (*Massenkündigungen* / *Leerkündigungen*), where the building is emptied for conversion, new construction or so-called “modernisation” (Interview 10, 12 & 20) by terminating all rental contracts with the entire tenant body. In Zurich, almost every second renovation of private property between 2014 and 2016 resulted in all tenancies being terminated (Jörg 2017). In 2022, the proportion of mass terminations in the total of 2,332 apartments affected by a conversion was 30.3% (Stadt Zürich 2024f). In the context of mass terminations, interim letting was mentioned in some interviews as a second trend and a new manifestation of financialised capitalism: “The financialisation of the entire process is taking on ever more absurd metastases. Now, even the interim letting of properties during the renovation process is being optimised to the point where everything that can be squeezed out of it is being squeezed out” (Interview 3, translated). This is consistent with the observations of Debrunner et al. (2019), who note an increasing interim letting of residential space in Swiss cities, especially in the metropolitan area of Zurich. The trend towards commodified, profit-maximising forms of temporary residential use has its origins, firstly, in the prevention of squatting, which is considered an illegal form of temporary use (cf. Martínez 2013). Secondly, it is a combination of Swiss tenancy law with the increasingly complex inner-city building permit procedures that cause construction delays (cf. Debrunner et al. 2019). In the interviews with institutional investors, reference is made to a very early announcement of the planned renovations and the associated termination of the lease: “If we empty a property because we are planning a renovation, we generally give the tenants a long lead time, roughly 2.5 to 3 years” (Interview 12, translated). This is also shown by the case studies published by the Swiss Association of Real Estate Professionals (SVIT 2022), where tenants were given up to seven years' notice in some cases and notices of termination were given up to two years before construction began. These early termination periods, which are labelled as socially acceptable, can be explained by tenancy law (OR Art. 272b), as an extension of the tenancy contract of up to 4 years would be possible for residential space. In order to avoid a delay in the construction project, the tenancies are terminated early in the planned project. In conjunction with the increasingly complex regulations and laws that all the developers interviewed – both institutional and cooperative – must deal with, as well as objections from neighbours, this is leading to an increasing number of short- to medium-term vacancies in construction projects in Zurich, resulting in a loss of rental income with ongoing maintenance costs. This is precisely where interim rentals by commercial interim use companies such as *Projekt Interim*, *Intermezzo* or *Novac Solutions* have recently come into play. The owners make the empty apartments available to these companies for a fixed monthly fee – usually covering maintenance costs. These companies, in turn, offer the living space to those looking for accommodation, usually at “disproportionately high rents that are out of proportion to the conditions” (Interview 7, translated), who must resort to these offers due to a lack of affordable alternatives on the regular housing market (cf. Debrunner et al. 2019). Since, unlike renting, subletting is not subject to tenancy law, but to the law of loan of use (*Gebrauchsleihrecht*), interim tenants find themselves in a precarious relationship of dependence on the actors of the professional vacancy business. In an interim letting, neither the three-month notice period must be observed, which means that the interim tenants can be evicted from the apartment at any time, nor do the interim use companies have a legal obligation to carry out maintenance or repair work (ibid.: 10). “The paradoxical situation arises where actual tenants of an apartment have no possibility of claiming their rights before a rental court due to the form of institutionalisation” (Interview 14, translated). The owners, on the other hand, recognise interim letting as a preferred planning strategy for covering maintenance and operating costs, protecting properties from unexpected squatting and the resulting further delays, and being able to quickly empty the interim tenants after the building permit has been granted (cf. Debrunner et al. 2019).

This leads to the third observed impact, which is mentioned in different perspectives in a large majority of the interviews: the increase in the renovation of the existing building stock and the construction of new buildings to replace them. "There is construction, not a huge amount, but more than in other cities. That means that you could certainly build more. There is a great demand, so it would not be a problem" (Interview 9, translated). Since 2008, the housing stock has increased by 12.1%, with an average of 2,274 new apartments being built and 216 renovated yearly. It should be noted that construction activity was not evenly distributed over these 16 years, as is mentioned in many of the interviews, which is also reflected in the statistical data. While construction investments rose sharply in 2010 and remained high until 2018, investments fell in the following three years. Since 2022, construction investments have slowly increased again (Stadt Zürich 2024d). If the investments and construction activities are broken down, a significant difference in the ownership structure can be seen, as shown in Figure 9 for 2023.

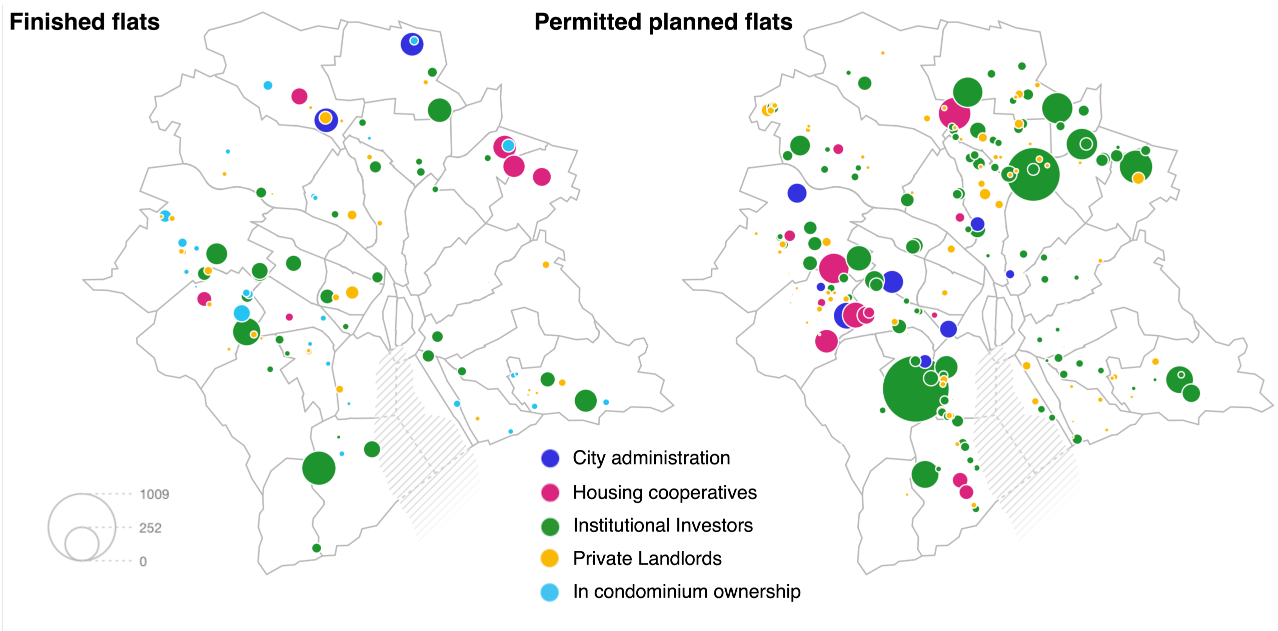


Figure 9: Finished and permitted apartments in Zurich in 2023 (Data source: Jörg & Rey 2024, own representation).

Despite some interviews with private market participants indicating a decline in construction activity by institutional investors – attributed primarily to restrictive laws and regulations, such as the noise protection ordinance or the monument and heritage protection, and political resistance, particularly concerning special utilisation plans (*Sondernutzungspläne*) that require approval from the city council and city parliament – statistical data reveals that institutional investors remain particularly dominant in both the number of newly built apartments and newly approved housing construction projects (Jörg & Rey 2024). According to Lutz et al. (2023: 18ff), two types of transformation can be observed in Zurich: buildings without residential use were replaced by apartment buildings, especially in areas that were rezoned according to the building and zoning regulations (BZO), and the replacement of apartment buildings from the 1950s and 1960s with new apartment buildings. In the interviews with institutional investors, three key drivers behind this development are mentioned: the need to expand the housing supply to meet growing demand, densification, and sustainability.

All those interviewed from the private sector agree that “the situation on the housing market is agitated because very high demand is meeting with very scarce supply” (Interview 10, translated). When asked what the goal is in Zurich, the institutional players unanimously answered that the aim is to increase the supply of good-quality and sustainable housing to meet the growing demand. Although it is recognised that the newest apartments are usually the most expensive, it is also argued that the expansion of the housing stock in the high-priced segment also has an impact on the lower rental price segment: “The supply of high-priced apartments in good locations means that the specific demand of a wealthy population can be met, which means that they do not have to switch to a bit less expensive, still good-quality apartments where the middle class might otherwise live” (Interview 9, translated). In other words, building at the top end of the market also relieves the supply in the other lower submarkets, according to the logic. The private market also legitimises replacement new builds by the fact that new builds make better use of the maximum building heights and utilisation ratios – the maximum permissible building coverage of a plot of land – specified in the building and zoning regulations (BZO) compared to buildings from the 1950s and 1960s, which also means that more housing space is created. This development goes hand in hand with urban densification, which is driven by strong economic and population growth, the increasing demand for housing among the population of Zurich and the limited availability of building land. In Switzerland, a national referendum in 2013 approved the fight against urban sprawl by adopting densification as a legal guiding principle of spatial planning (Wicki et al. 2024). This monumental step in developing national land policy has far-reaching challenges and consequences (cf. Debrunner & Hengstermann 2023). In the city of Zurich, only 3% of the building land is still undeveloped (ARE 2022), which also means that densification must take place primarily in existing building stock: “Then we often talk about densification projects and not about new construction projects. Or if so, then they are replacement construction projects” (Interview 21, translated). This densification logic also means that buildings from the 1980s and 1990s, which are still in a fully functional or have even been recently renovated, are increasingly being demolished, especially in city centres, as can be seen in *Brunaupark*, for example (cf. Debrunner et al. 2024). Another driver in this non-exhaustive list is the sustainability aspect, which was mentioned in all interviews with institutional investors as a key argument in favour of increased new construction activity. “The old housing stock, these old apartments with gas and oil heating, poor insulation and so on, mostly built before the 1970s, are simply no longer sustainable from an ecological point of view” (Interview 20, translated). This argument also highlights an ecological dilemma. While the older building stock indeed accounts for a higher proportion of the 15.4% that households contribute to total greenhouse gas emissions (BAFU 2024) due to the unecological features described, enormous amounts of (grey) energy are required or destroyed as a result of the increased replacement construction activities (Debrunner & Hengstermann 2023: 92).
In the interviews with political and civil society actors and experts, institutional investors' high level of new construction activity is attributed to the rent gap. According to the rent gap theory, an urban space becomes particularly attractive to property investors for upgrading strategies, in which replacement construction can be included when the difference between the current and maximum possible exploitation increases. This pertains to the ground rent,

which is the annual sum the landowner receives for leasing a piece of land (Marx 2012: 636). It is influenced by the surroundings, neighbouring structures, and the market value of the buildings on the property, which, in turn, means that the ground rent is dependent not only on supply and demand (Ward & Aalbers 2016). Only when the rent gap is large enough does the relatively risky but ultimately speculative business of acquiring housing stock, modernising it if necessary and marketing it at higher prices become economically justifiable (cf. Clark 1995). If the basic rent increases due to the construction of new buildings, which increases the value of the real estate, higher rents will also be demanded for apartments. Newly constructed buildings, therefore, serve as a vehicle for increasing rents, which also becomes apparent in an interview with an institutional investor: "What is happening across the board, not just with us, is that properties are being completely cleared out to reposition them on the open market. Because if we now have a rent of CHF 1,300 for a 3.5-room apartment and can only pass on a maximum rent increase of CHF 300, then that is, of course, not as exciting as if you can place this apartment freshly. We may invest a little more in a complete renovation or even a new build, but afterwards, we can rent this apartment out again for CHF 3,000, compared to the scenarios where we end up with CHF 1,700 to 1,800 and have a lot of trouble with it. That is why it may be more interesting for investors to generate more returns from these properties if they do a little more and aim for a new lease, but also invest a little more" (Interview 12, translated). In Zurich and other Swiss cities, these actors are buying, modernising and building new properties, primarily in inner-city districts – often in former industrial or working-class neighbourhoods (cf. Sager et al. 2018), or as they were referred to in two interviews with the institutional investors: "urban development areas with diverse potential" (Interviews 6 & 19, translated). "The difference between current and future rent prices in the old housing stock with formerly affordable rents is attracting financialized actors, such as banks, pension funds or insurance companies" (Gehriger 2022: 9).

This leads to the fourth and final observation on the Zurich housing market, mentioned in many interviews with different connotations: The changes in ownership structures since 2008. Because institutional investors not only dominate in terms of construction activity but also the Zurich residential property market. The year 2023 marks a historic turning point. For the first time in the city's history, banks, pension funds, insurance companies, real estate funds, and private real estate companies are the largest owners, with a share of 33.3% (Stadt Zürich 2024e, see also Figure 5). Statistical data on changes in ownership structures in Zurich over the last 16 years show how the prevalence of private landlords has declined in favour of financialised actors (see Figure 10). In 2008, the situation was quite different. At that time, private landlords were by far the largest group of owners, with a market share of 42%. Since then, their share of the apartments has shrunk to 32.6%, while institutional investors have increased their share from 25.3% to 33% with an increase of 19,072 apartments (+58.1%) for stock corporations and 6,425 apartments (+64.3%) for pension funds and investment foundations (Stadt Zürich 2024c). Despite the 12.8% increase in the number of flats owned by cooperatives, the proportion of non-profit flats has stagnated at 25%. The city has, therefore, not come any closer to achieving the goal set by the electorate in 2011, namely that a third of all rented flats should be non-profit by 2050 (Prader 2024).

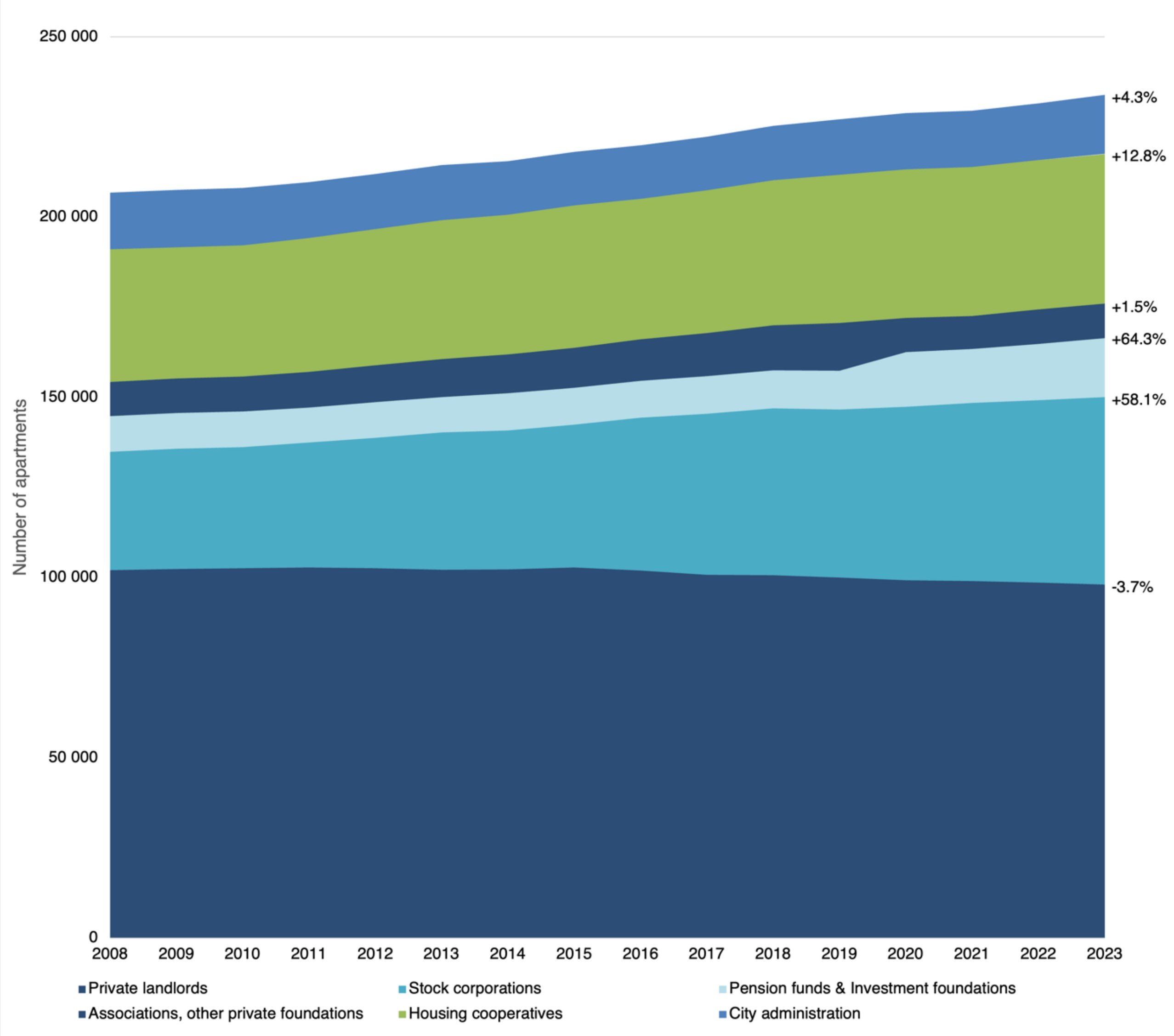


Figure 10: Number of apartments by ownership type in Zurich 2008 to 2023 (Data Source: Stadt Zürich 2024c, own representation).

The institutional investor sector cannot be considered a homogeneous sector. Significant differences exist between the fields of activity, the available capital volume, the asset allocation, the standing of real estate, the risk management methods and the number of apartments in Zurich. As criticised in interviews 3, 7, 14, 17 and 22, despite its legally prescribed public accessibility, the land register in Zurich is severely restricted by various limits (maximum number of queries per day and IP address, costs, etc.) (cf. Jacoby 2023b), so that a detailed analysis at the meso level of the companies is only possible with money and a lot of time. Apart from the authorities, nobody knows who owns how many apartments. However, a comprehensive database of property owners in Zurich was created in 2021 as part of a journalistic research project. Although it includes 26 companies and covers around 30% of all apartments owned by institutional investors, it still lacks other major institutional investors such as the pension fund *Profond*, the cantonal bank *Zürcher Kantonalbank* and the insurance companies *Swiss Re* and *Baloise Holding* (cf. Zeier 2021). The remaining 70% are presumably less well-known real estate companies that are not listed on the stock exchange, family offices or “some private individuals with a fantasy name [...] where I sometimes wonder who is behind it" (Interview 23, translated). Nevertheless, the database shows, firstly, that the real estate holdings of the major banks, insurance companies, pension funds and real estate companies are spread across the entire city and, secondly, that almost all major institutional investors have grown significantly between 2006 and 2021 (see Figure 11). The interviews with the players in the private market revealed that growth continued to be strong after 2021, with the big five players in particular again building a large number of apartments through site developments such as *Green City*, *Austrasse* or *Letzi-Turm – City Life Style*.

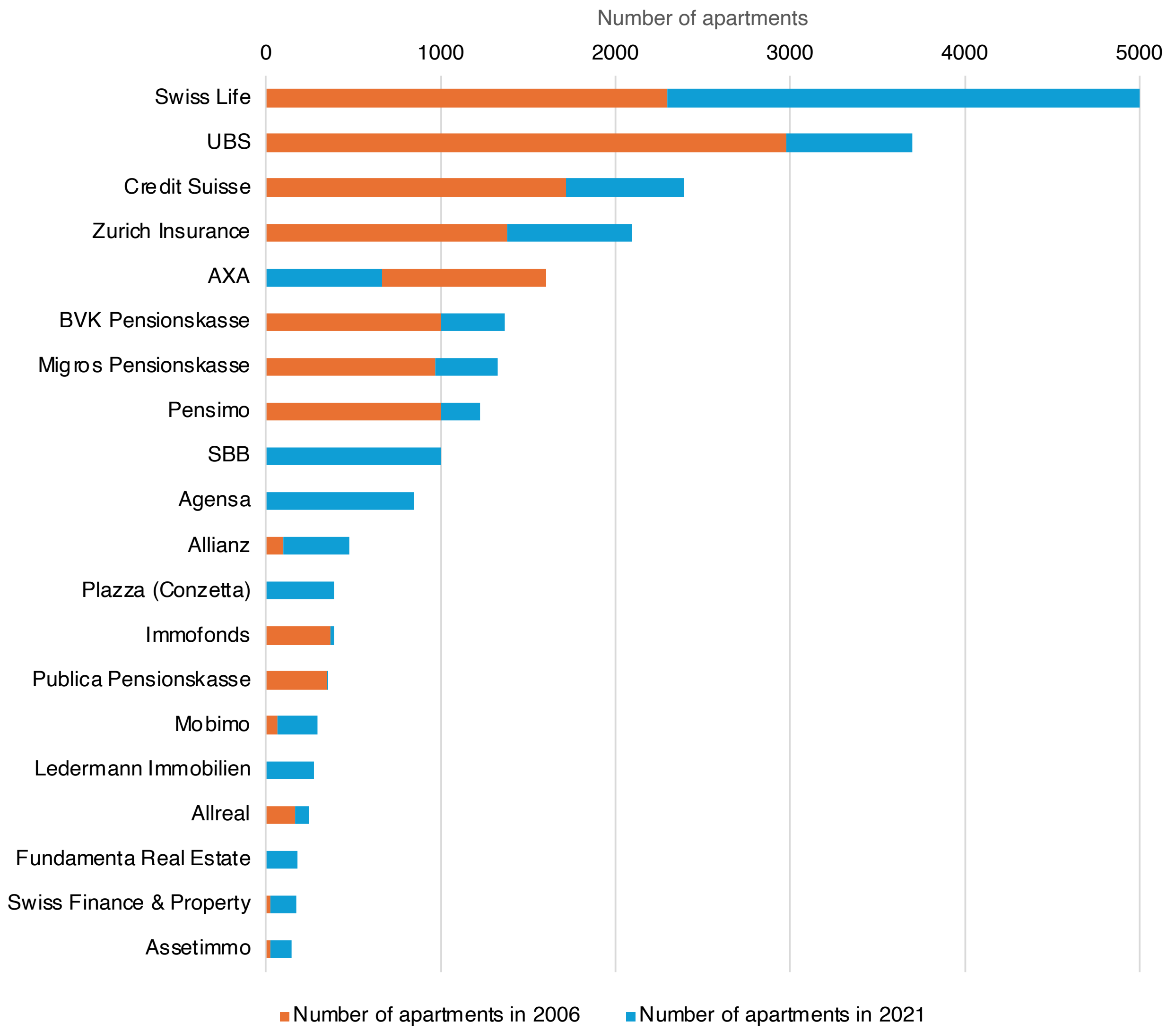


Figure 11: Number of apartments owned by the top 20 institutional investors (Data source: Zeier 2021, own representation).

What was noticeable in the interviews with institutional actors and political representatives is that competition within the private sector is fierce and that a further gap has opened between the substantial – especially globally active – institutional investors and the slightly smaller real estate companies. An interviewee from a Swiss real estate investment management company stated: "It is extremely difficult for us to do anything new in Zurich [...] I can not remember the last time we were able to buy something in Zurich. It is just often too expensive" (Interview 5, translated). Some institutional investors see another reason for this in their long-term investment strategy and the emergence of small, newly established housing developers who achieve high liquidity through cooperation with so-called family offices (cf. Schickinger et al. 2022) and can, therefore, pay “astronomical prices” (Interview 11) in the bidding process, thereby outbidding established investors. These players pursue a different, shorter-term strategy: buying, demolishing, and building luxury, large-scale condominiums. By selling the living space as expensive condominiums, these companies achieve a quick profit and high liquidity, which they can, in turn, use to acquire properties within bidding processes. As a result, Xania Real Estate, for example, was able to implement more than ten construction projects in just under a year and a half (cf. Meyer 2023). This trend cannot (yet) be observed in the statistical data (Stadt Zürich 2024e).

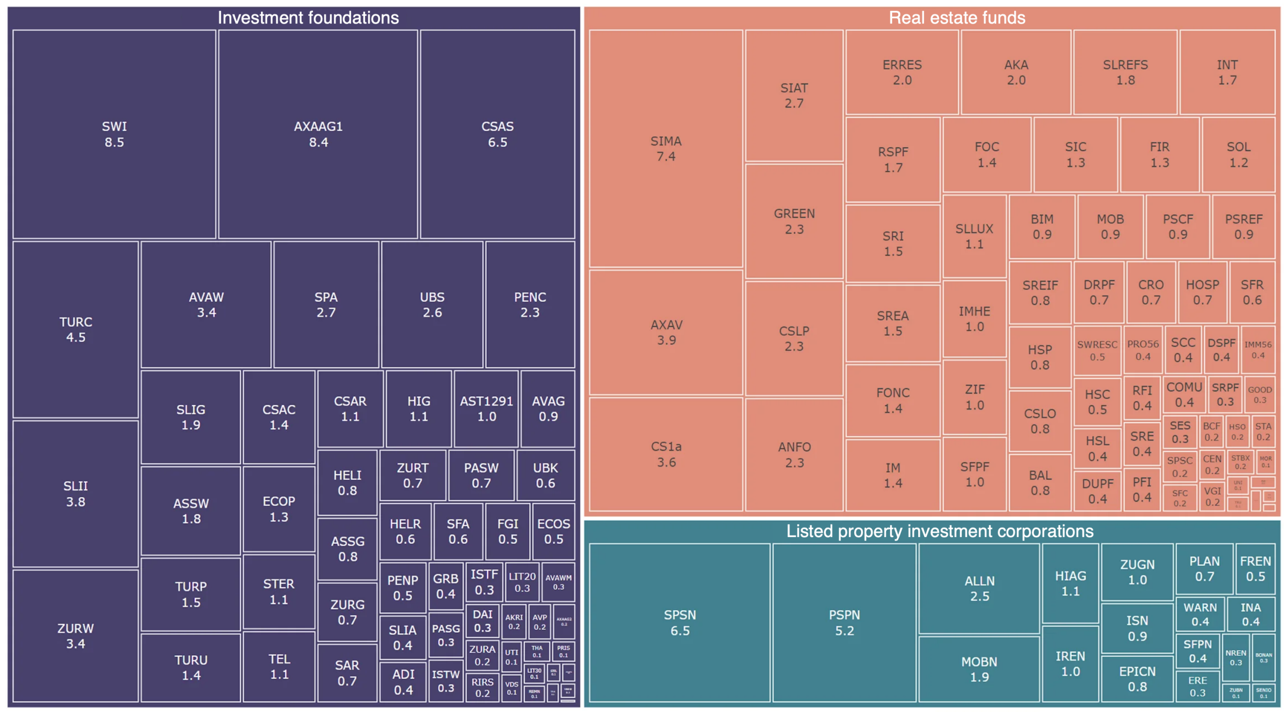
The interviewees from the private market attribute these developments, especially the increased rents, to the free market logic: “In the housing market, we have a large number of suppliers and buyers. This corresponds fairly closely to the standard economic model, where we have supply and demand [...] and yes, it is a fairly perfect market, almost textbook” (Interview 9, translated). Many of the interviewees see the main reasons for this in the increasing demand resulting from Switzerland's positive migration balance and the “strong influx into the cities” (Interview 11, translated). In contrast, many interviews from civil society, the third sector and the state sector (politics) argue that the housing market is not a market like any other, but rather an “imperfect market” (Interview 1, translated). Contrary to the neoclassical market model, which assumes that prices are determined by supply and demand (cf. Krätke 1991: 198), both the rental housing market and the housing good are characterised by three particularities (cf. Claus & Sommer 2021: 102ff). Firstly, apartments and land are immobile and cannot be increased, making them finite and immovable goods. This forms the basis for speculation on the housing market within the capitalist-oriented property system (cf. Harvey 1982). Secondly, apartments are irreplaceable, as no other good can satisfy the need for housing. Thirdly, the rental housing market is characterised by a complex relationship of dependence on upstream markets in land and finance (cf. Schiffers 2009: 32ff). Given these particularities of the housing market, and echoing the more critical perspectives from my interviews, I contend that the underlying causes of these observed empirical developments are more deeply rooted, particularly in the upstream markets and the growing financialisation, along with the conditions that facilitate it, as will be demonstrated in the next chapter.

6.2 Financialisation of Housing Post-2008 and its Conditions

Since the 2008 financial crisis, the factors driving up the price of rental apartments cannot be found in rising net immigration or restrictive spatial planning (cf. Büchler et al. 2023) but originate in what Harvey (1982) calls the crisis of over-accumulation. The collapse in equity prices, bonds, and interest rates caused by the crisis led to a shortage of low-risk investment opportunities that offered attractive returns. In the wake of the financial crisis, the Swiss National Bank (SNB), like other central banks, lowered its key interest rate to boost the national economy (cf. Jordan 2009). Because the Swiss franc is regularly used as a safe haven currency in times of crisis, the SNB was forced to go even below zero in 2015, and a phase of negative interest rates emerged that lasted until 2022 (Schätti & Steck 2022). This low-interest rate environment created a situation in which the risk-adjusted real interest rate and, thus, the real government debt yield is below the long-term growth rate of real gross domestic product. Like many other economies, Switzerland was in a situation of over-accumulation (cf. von Weizsäcker & Krämer 2019) – or, as orthodox economists call it, dynamic Inefficiency (Abel et al. 1989). The surplus (global) capital had to be reinvested somewhere to prevent devaluation.

Immediately after the financial crisis, investors in Switzerland were still cautious because the property markets in Spain, Ireland and the United Kingdom, for example, had been severely affected by the crisis (cf. Ball 2010). It was still uncertain how the crisis would affect the Swiss property market. “But then it became clear that the Swiss real estate market is quite resilient to the crisis, and then confidence was gained, and real estate investments by institutional investors increased” (Interview 8, translated). In the post-crisis period, Swiss real estate was considered a safe investment offering solid returns. As with the vast majority of interviews, this development took off with the SNB's decision and the introduction of negative interest rates. “Then, there were almost no more investment alternatives that were relatively safe, such as real estate. That is why there was an extreme boost, a high willingness to pay, and people just wanted to invest the capital they had in real estate. The returns took a back seat at first, the main thing being to be able to invest because there was such investment pressure” (Interview 8, translated). Accordingly, the capital was invested in the secondary capital cycle, where it is only gradually reintegrated into the economic cycle via the ground rent (cf. Harvey 1985: 6; Wiegand 2014: 33). During the phase of negative interest rates, a stabilisation mechanism could be observed that Harvey (2004) describes as temporal fix. “Low interest rates turned concrete into gold, and the real estate market became a real gold rush” (Interview 22). In this context, real estate has developed into an asset class on par with securities, becoming an ideal investment. It has been instrumental in advancing diversification strategies within investment portfolios (Theurillat et al. 2010: 194). Given the restricted access to statistical data and the imprecise nature of the available data – such as on fixed capital formation – because they do not cover exactly what Harvey (1982) refers to as the secondary capital cycle (they also include investments in fixed means of production), Christophers (2011: 1353) shows that capital redeployment can also be observed in the investment and fixed asset portfolios of institutional investors. These players are able to redeploy capital in a targeted manner to the most profitable sectors and can thus reveal larger patterns. In the interviews, the shift in asset allocation in favour of real estate after 2008 and especially after 2015 was mentioned several times: “In multi-asset portfolios, real estate investments have become an almost indispensable allocation, especially in the years of low interest rates” (Interview 11, translated). This can be illustrated using Swiss pension funds as an example. The share of Swiss pension funds invested in real estate rose from 17.1% in 2007 to 27% in 2022 before falling slightly to 25.8% last year due to the interest rate reversal (Salomon et al. 2013; Pitsch et al. 2024). In the interviews with private market players who do not belong to the pension fund sector, this upward trend is confirmed, and all of them state that in recent years, they have increasingly focused on real estate in their asset allocation, which is still seen as a protection against the volatility of the financial markets. The interviews show that while reputation protection, which was a significant part of the capital protection phase that Salomon et al. (2013) identified in their interviews with pension funds in the immediate aftermath of the 2008 crisis, continues to play an important role – many institutional investors emphasise that as large and well-known players, they have a social obligation. At the same time, the pressure on investors to perform and generate returns, as well as the legal requirements and the expectations of pensioners in the case of pension funds, were repeatedly emphasised. “We have a fiduciary mandate for the economic beneficiaries [...], but we do not do it for our own sake because I just feel like I want to get a super-expensive rent, no. We have an assignment. We have a client and must generate a return for them” (Interview 12, translated). In Switzerland, this pressure on institutional investors to achieve returns has been met primarily by real estate investments in recent years. As Fleury et al. (2021: 10) point out, a cash flow yield (net yield) of 7% on average could be achieved with residential investment properties between 2010 and 2019, with higher cash flow yields likely to have been achieved in cities, according to Wüest Partner (2023a: 2). In 2023, the net yield in Zurich (6.8%) was above the Swiss average (5.3%). This trend is also reflected in the performance of indirect Swiss real estate investments. The prices of Swiss real estate stocks and real estate funds have increased by 150% and 200%, respectively, since 2008. This corresponds to an average annual return of 7.7% for real estate stocks and 7.1% for real estate funds. At 6.4%, the return on the Swiss stock market is considerably lower. Over the same period, 10-year federal bonds yielded an average of 0.9% or one-eighth of the real estate return (Schärrer et al. 2022: 17).

Swiss real estate is popular with institutional investors – this applies not only to direct investments but also increasingly to indirect investments such as real estate funds, stock corporations, and investment foundations (Interviews 6, 11 & 13). Although property funds, in particular, have a long history in Switzerland and are the oldest investment funds in the country, indirect property investments were long underestimated or considered a niche product (Fuchs & Hennig 2016: 5). In 2012, the share of indirect real estate investments held by Swiss pension funds was 10.5% (Dändliker et al. 2022: 44). In the last 11 years, this share has risen to 14.5% (Pitsch et al. 2024: 44). The positive development of the product range is often cited in the interviews as the reason for this strong growth. “In recent years, funds and investment foundations have sprung up almost like mushrooms [...] at least 25 new investment groups have been created since the interest rate turnaround” (Interview 15, translated). The interviews mentioned tax advantages and participation rights as a pension fund were advantages for investment foundations compared to direct investments. The lower risk profile, weaker correlation to the financial markets and the opportunity to participate in diversified real estate portfolios were mentioned in favour of real estate funds. According to an analysis of the annual reports as of 2023, the net assets of 144 investment products within indirect real estate products amount to over CHF 165 billion (Spycher & Grädel 2024). While 45% of net assets are attributable to investment foundations, 40% to real estate funds and 14.8% to listed real estate companies, the market is dominated by the volume of a small number of products (see Figure 12). The ten most significant investment products (5 investment groups, 3 funds, 2 property companies) have net assets of CHF 58.5 billion, which accounts for more than 35% of the total value.



Size ratio of the vessels corresponds to the value of the net assets in billions (CHF) according to the annual report 2023.

Figure 12: The universe of indirect Swiss property investments (Source: Spycher & Grädel 2024, modified).

If one examines who manages these large investment foundations and property funds, some companies from Figure 11 reappear, such as UBS, Credit Suisse, Swiss Life, and AXA. Regarding property funds, it is clear that the two major banks, Credit Suisse and UBS, which manage several of the most significant funds, dominate the market. In a report on the take-over of Credit Suisse by UBS, Baudenbacher et al. (2023: 117) show that they manage over half (51.3%) of the volume of listed Swiss property funds. The second-placed Realstone manages just 5.6% of the total volume. Even before the merger, Credit Suisse had a market share of 20.6%, and UBS had a market share of 30.7%. This indicates that the effective competition was mainly between the two big banks, which the merger will now eliminate. As a result of the merger, UBS will assume a dominant position in the Swiss property fund market, which was only mentioned with negative connotations in all interviews.

In some interviews, it was pointed out that the advantage over direct property investments is that investing in indirect property investments strengthens market liquidity by making property investments easier and quicker to trade. This implies what Theurillat (2023: 9) refers to as the conversion into “completely deterritorialised, mobile and liquid assets (financial products) that can be valued and withdrawn by investors almost instantaneously on the financial markets”, making these forms of investment much more fungible than the real estate from which their returns originate (Scharmanski 2009: 70). The following real-life example shows how property funds convert residential properties into a tradable financial product: On 1 October 2018, the Swiss insurance group Baloise Holding launched a new real estate fund, the Baloise Swiss Property Funds (BSPF). The issue of fund units generated CHF 275 million (issue volume), and the fund also raised CHF 85 million through debt financing. The total amount of CHF 360 million was initially used to acquire 35 real estate from the two wholly owned subsidiaries, *Baloise Versicherung AG* and *Baloise Leben AG*. In the first fiscal year of the real estate fund, the fund management company carried out a capital increase of around CHF 200 million and purchased 20 properties from the two subsidiaries, mainly residential buildings. The same was repeated in the third fiscal year (2021), and a capital increase of around CHF 135 million enabled 17 more properties to be acquired from *Baloise Versicherung AG* und *Baloise Leben AG*. The return on investment was 5.7 per cent in the second fiscal year and 5.25 per cent in the third. “Compared to other property funds with a predominantly residential component, the BSPF has strong return figures” is how the fund management of the BSPF (2021: 6, translated) assesses its performance. The fund was listed on the stock exchange on 1 November 2021. On the first day of trading, the BSPF achieved a closing price of CHF 152. This was 42 per cent above the net asset value per unit (BSPF 2020; BSPF 2021; Brüllmann 2022). Voilà, 72 primarily residential properties in the fund's portfolio have become a financial product. At the same time, this leads to a further advantage for institutional investors, as it gives foreign capital looking for investment opportunities access to the Swiss property market. Following the political decision in 2003 to liberalise the Federal Act on the Acquisition of Real Estate by Persons Abroad (*Lex Koller*), international investors gained access to indirect real estate investments in two ways from 2005 onwards: by acquiring shares in open-ended real estate funds or by investing in a listed real estate corporation (cf. Muller et al. 2017; Bodmer 2023: 94ff). This conscious decision opened the door to international investment banks, such as the “international spectre of financialisation BlackRock” (Interview 26, translated).

The world's largest asset manager is the most substantial investor in Switzerland. In 2021, BlackRock held an average of around 5.8% of the listed Swiss companies. Many of these belong to the financial sector, which in turn holds large parts of the Swiss economy. For example, according to the independent research collective WAV (2022), BlackRock held 6.1% of Credit Suisse and 5.8% of UBS. BlackRock also has a stake in the insurance groups Swiss Life (7.1%), the largest property owner in Zurich, and Baloise Holding (10.3%), the manager of the fund described above. Particularly interesting are the shares in Swiss real estate companies, which are exceptionally high. The US asset manager holds around 6% of the Swiss real estate sector. In addition to the shares already mentioned, the high stake of 12% in Swiss Prime Site, which claims to be Switzerland's leading listed real estate company, is particularly striking. Around half of Blackrock's investments in Swiss real estate in recent years have been in Swiss Prime Site shares. Blackrock also owns shares in PSP Swiss Property, Allreal and Mobimo, each worth over CHF 100 million (WAV 2022). While Swiss Prime Site and PSP Swiss Property primarily invest in commercial real estate and play a minor role in the residential market, Allreal and Mobimo are among the most crucial apartment owners in Zurich, along with Swiss Life and the two big banks (see Figure 11). Particularly striking is the speed with which BlackRock has expanded in the Swiss real estate market. While in 2008, the asset manager held shares in five different listed real estate corporations worth almost CHF 26 million, in 2021, it held around two billion spread across 17 listed real estate corporations (WAV 2022). In just 13 years, BlackRock has multiplied its investments in Swiss real estate almost 77-fold. With this massive increase, the profits that have flowed from the Swiss real estate market to the US asset manager have also multiplied.

BlackRock is just one of many foreign investors that indirectly own shares in Swiss residential real estate. Nevertheless, it is an example of how the Swiss real estate market, through the liberalisation and deregulation of national financial systems and new financial innovations for real estate financing, is linked to the "wall of money, a global pool of liquid assets" (Fernandez & Aalbers 2016: 74) in search of investment opportunities. This expansion of financing forms and channels and the associated integration into a global capital system has led to a transition from investment financing by banks to financial investment by institutional investors (cf. Huffschmid 2002). Financialisation has transformed the traditional local and regional Swiss real estate investment system by changing capital flows and ownership structures, linking it to a global system (Theurillat 2023: 5).

Real estate is currently one of the most promising forms of investment in terms of value, and it is one of the most popular investments in Switzerland. In a survey by Zaugg et al. (2024), 98% of the representative cross-section of the Swiss real estate investment market rated Switzerland as an attractive to extremely attractive investment location. In addition, 35% of the institutional investors surveyed are convinced that the targeted purchase of investment properties will continue at a high level, with a continued focus on residential properties (ibid.). At the same time, this means that the transformation of real estate into financial assets is likely to continue and that the shares of BlackRock and other global asset managers in 2022 are likely to be higher than they are today.

From a geographical perspective, a spatial fix can be observed in addition to the temporal fix since capital flows into regional real estate markets are unevenly distributed due to the various levels of achievable cash flow returns in different regions. Whitehead et al. (2023) show in a comparative study of financialisation in 13 cities that capital investments are concentrated primarily in large urban and economic centres. In the Swiss context, the geographical distribution of the investment properties of the ten leading stock corporations, investment foundations and funds investing in residential property shows that, with 9.8%, Zurich's market share is by far the largest, followed by the cities of Basel (5.5%), Geneva (3.9%) and Bern (3.2%) (Wüest Partner 2023b)[5]. Although the importance of portfolio diversification was emphasised in the interviews with institutional investors, a majority of those interviewed also mentioned the attractiveness and significance of the city of Zurich in terms of investment and returns. "Zurich is an attractive location in that we have a high demand there, which is also financially strong [...] and we basically orient ourselves to the market, or sometimes perhaps a little above the supposed market level because people will pay" (Interview 8, translated). Investments in urban areas play a decisive role in the secondary circulation of capital. Harvey's (2012: 42) argument that urbanisation processes are a direct reaction to overaccumulation and are thus deeply rooted in the capitalist system is almost exemplified here. The focus on the urban built environment, coupled with the pressure on yields, favouring a sustained high demand for real estate investments – especially since they promise relatively stable and higher returns compared to other forms of investment – is leading to an enormous demand for corresponding investment properties in Zurich. Due to the limited

[5] This data was provided by Theurillat and Crevoisier (HES-SO Haute école spécialisée de Suisse occidentale) and collected as part of the Swiss National Science Foundation (SNSF) project 'The changing role of real estate in Swiss urban development: evidence and theoretical reorientation', see SNSF: 192829.

supply, both in terms of available land and in the transaction market, there is considerable investment pressure. This manifests itself in investors' increased willingness to pay and take risks, leading to rising real estate and land prices (see Figure 13).

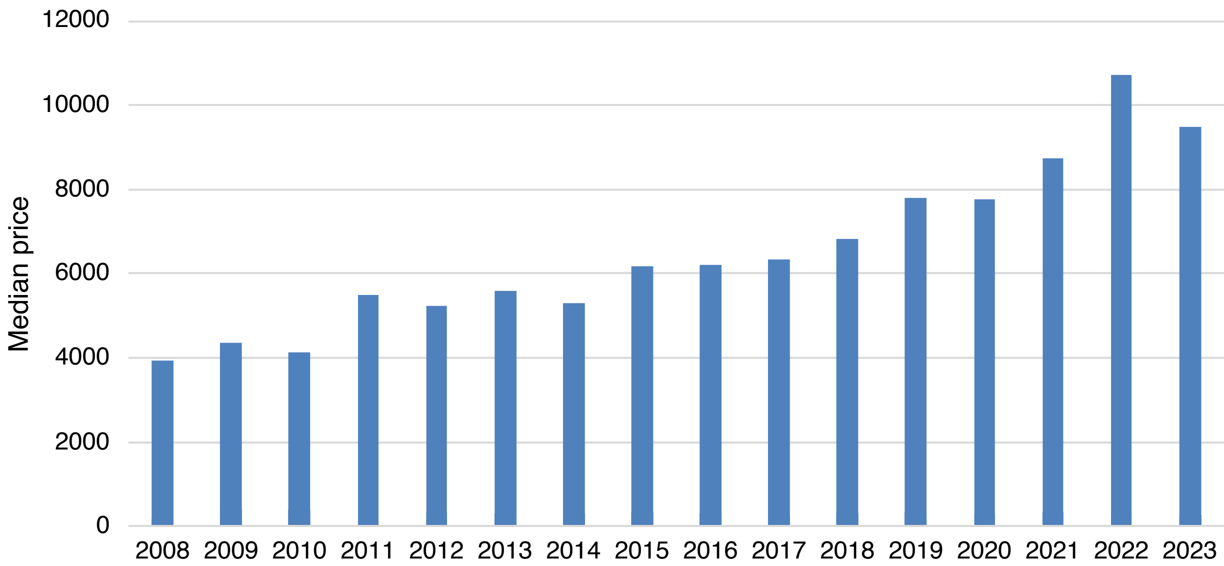


Figure 13: Median price per square metre of land in Zurich (Data Source: Stadt Zürich 2024b, own representation).

“Land prices are rising because there is increasing speculation in land” (Interview 4, translated). The land prices formed on the urban land market do not represent the value of the land but are attributed to the ground rent that can be achieved with a property (cf. Marx 2012: 636). The property owners benefit from enormous increases in value, as the example of the *Harsplen* site shows. In March 2019, Swisscanto, an investment foundation, bought the 30,000-square-metre undeveloped site for CHF 155.6 million and planned to build 370 new apartments as part of a CHF 320 million project. For the project, Swisscanto was dependent on the rezoning of 130 square metres (half a tennis court), which the city parliament (*Gemeinderat*) rejected because no non-profit apartments were included in the plans. Swisscanto abandoned the project and sold the property to the city of Zurich in March 2024 for CHF 211.3 million (Siegrist 2024). Within just four years, the property's sale value rose by 36%. “As a result, land becomes a pure financial investment and the concrete on it becomes gold” (Interview 3, translated).

Rising land prices were also considered problematic in over 80% of all interviews – including by private market actors: “At these land prices, they simply no longer have any chance of being able to buy anything at all” (Interview 18, translated). Private individuals and more minor, primarily local, investors are denied access to the land market in Zurich, which leads them to switch to local markets outside the city of Zurich: “The situation on the housing market has led us to start taking an interest in locations such as *Dübendorf*, *Regensdorf* or *Schlieren*, which are localities in the first agglomeration belt around Zurich [...] so that is one kind of alternative strategy. We would all like to invest in the city, but in reality, it is practically no longer possible” (Interview 5, translated). Only investors with a high volume of equity or investment instruments, such as real estate funds, where further capital is made available through capital increases, can acquire real estate in the city. This situation has created a feedback loop that continues to drive up land prices and, in turn, asking rents, because the price paid for the land is a crucial factor in calculating asking rents. Therefore, the housing question of the 21st century is also a land question.

In this development towards a transformed urban land and housing market, the state and urban governance played an active role in shaping the various patterns of urban housing financialisation. Roughly, two phases can be observed: one between the Swiss real estate crisis of the 1990s and the global financial crisis of 2008, and from around 2010, a more critical housing policy, which gained particular momentum from the 2020s onwards.

In the inter-crisis phase, a policy was established at the national level that pushed for deregulation measures in response to the crisis of the 1990s and the loss of Switzerland's attractiveness as a business location, which was seen as crucial to revitalising Switzerland as a business location (cf. Hirter et al. 2002). This was by no means only due to the centrist-conservative parties; the Social Democratic Party (SP), for example, positioned itself as a business-friendly party from 2003 onwards, despite considerable internal differences on economic policy issues, and admitted programmatically that, in addition to the state, the market is also a central control instrument of the economic process (Senti 2004). In terms of land policy, this orientation was evident in the party's endorsement of the liberalisation of *Lex Koller* in 2005. The SP followed the liberal argument that the abolition would lead to significant economic impulses in the construction industry (Interview 3). While the abolition of the law was even briefly discussed in 2007, it was rejected in 2014 by an unholy alliance between the SP and the Swiss People's Party (SVP) because it had been realised that the law protects the housing market from price-driving cash inflows from abroad. Since the change of course, particularly within the SP, there have been repeated calls at the federal level for tighter restrictions, all of which have been rejected by the centrist-conservative majority (Martel 2022). In several interviews, it is criticised that tenant-friendly initiatives at the federal level have practically no chance due to the real estate and construction lobby: “Apparently, they have enough friends who are in the real estate sector that they are happy to protect [...] the real estate and construction sector is, of course, a powerful part in terms of GDP. There are, of course, vested interests there” (Interview 1, translated). This was exemplified by the Federal Council's generally disappointing Action Plan on the Housing Shortage, which was published at the beginning of the year and which, from the outset, failed to recognise the seriousness of the situation and, above all, sought to please the real estate and construction lobby, as a later analysis of the working process showed (Erol 2024). “The actual motivations for state action in the housing sector have more to do with maintaining the political and economic order than with solving the housing crisis” (Marcuse & Madden 2016: 119-120).

At the municipal level, increased attractiveness as a location for business was mentioned in the interviews as a central component in the financialisation process of the housing sector. At the municipal level, the SP played a central role. After the social-liberal faction within the SP, which wanted to open up to the interests of the economy at the municipal level as well, had prevailed against the left-wing of the party, which was oriented towards stabilisation and qualitative growth, social democracy and the liberal radical party (*Freisinn*) converged (Schmid 2017: 167). From 1998, a social-liberal coalition dominated Zurich City Council, which was firmly committed to promoting the economy and the city as a business location (Eberle 2003: 67). “The city's increased attractiveness in the 1990s and early 2000s certainly contributed to the emergence of excess demand in the city. The Social Democratic Party is not without blame in this, because it was under city mayors *Estermann* and later *Ledergerber* that the city did a lot for its economic growth” (Interview 3, translated).[6] Around the turn of the millennium, the city geared its location promotion towards international corporations to increase jobs and taxes. The example of Google shows that this strategy was fruitful: Google Switzerland developed, also thanks to the very active efforts of the city administration, into one of the largest companies in the city of Zurich and the most extensive Google location outside the USA (cf. Naegeli & Oertli 2023). This pro-business policy of the Social Democrats also impacted urban development, construction, and housing policy. Four interviewees described a relationship with institutional investors that ranged from gentle to flirtatious. Special building regulations, design plans and rezoning were often carried out in line with the investors' interests, enabling them to implement significant projects such as the construction of the Prime Tower – the city's tallest building (cf. Scherr 2016). In some more critical interviews, it was mentioned that this investor-friendly orientation can still be observed at the level of the municipal executive today.

In contrast, a more investor-critical policy has been observed at the level of the city parliament and, above all, outside of parliament since the beginning of the 2010s. On the one hand, this can be attributed to the strengthening of the left-wing party *Alternative Liste* (AL) and to the left wing of the Social Democratic Party (SP), which is characterised by a more critical housing policy, gaining power (Zwicky 2021: 109). On the other hand, and this is probably also why thousands of people took to the streets in May 2024 (cf. Bischofberger 2024), awareness of the housing issue has increased over time due to the increasing unaffordability of housing in the city. The growing crisis means everyone knows someone currently having difficulty finding affordable housing in Zurich: “More restrictive or radical initiatives that want to put a stop to the business of the institutional investors must always be seen as a reaction to the actions and what has been going on in recent years, so that the fundamental question of ownership must be asked more and more” (Interview 16, translated).

[6] The Social Democrats (SP) Josef Estermann (1990-2002) and Elmar Ledergerber (2002-2009) were mayors of Zurich and thus chaired the seven-member city council (cf. Huber 2020).

7 CONCLUSION – QUO VADIS?

The city of Zurich is experiencing a housing crisis. Since the 2008 financial crisis, land and apartment prices and rents have increased many times over, leading to changes in urban structure and community. Amid intensifying political debates about the causes and possible remedies for the housing crisis – one of the most pressing social issues of the 21st century – the central question of this thesis was: What conditions have contributed to the financialisation of housing since the 2008 financial crisis? Rather than answering this research question from an orthodox economic perspective, this thesis attempts to provide an explanation that goes beyond considering imbalances between supply and demand. Although factors such as urban migration and the increased demand for housing are also crucial for understanding real estate development and rental prices in the critical political economy approach, they only form part of a more comprehensive explanation. In order to understand the deeper, often hidden structures underlying the changes in the real estate and housing markets, the first step was to analyse the changing phenomena observed on the surface, in line with critical realism. The main research question was therefore supplemented by the sub-question of how financialisation affects the housing market in Zurich.

In summary, the financialisation of housing in Zurich is a multifaceted phenomenon deeply rooted in the interplay between global economic changes, national and municipal policy decisions, and changing investment strategies. In the aftermath of the 2008 financial crisis, a combination of deliberately low interest rates, deregulation and urban growth has pushed Zurich's real estate and housing market into the focus of institutional investors who, due to the logic of capital accumulation, had to reinvest their capital. The crisis acted as a catalyst, accelerating the inflow of capital into real estate, as negative interest rates caused yields on traditional investments such as equities and bonds to collapse and stagnate at a low level. Zurich's position as a global financial centre, coupled with the attractiveness that the city's politics have promoted for decades and a positive migration balance, made it a promising and safe investment market compared to other investments. Liberalisation of the financial markets and the development and expansion of newer investment instruments, such as real estate funds, facilitated access to domestic and international capital and further embedded the city's housing market in global financial networks. Local politics and administration have played a significant role in this process. The municipal executive, characterised by a hegemonic consent to the entrepreneurial city since the 1990s, has led to a housing policy that has opened the door to institutional investors and thus to (global) capital and profit.

The consequences of this financialisation are profound and can be observed and even felt by many Zurich urbanites. The significant increase in land and rental prices on the Zurich housing market since 2008 is due to both the increased demand and, above all, the increased emergence and approach of institutional investors who take advantage of the excess demand to meet the required rate of return: 'If we can rent it on the market for CHF 500 per square meter, then we'd be foolish to rent it for CHF 300' (Interview 12, translated). This is reflected in the asking rents, which are crucial for institutional investors and have risen sharply, particularly in formerly affordable neighbourhoods. The rent increases are related to closing rent gaps and the activities of institutional investors who exploit the ambiguities of tenancy law to increase rent significantly. Furthermore, there is an increase in large-scale acquisitions of existing housing stock and its conversion into rental apartments (bulk buy-to-let), as well as the development of significant new multi-family housing estates with purpose-built rental apartments (build-to-rent). The financialisation of the housing sector has ultimately led to a shift in ownership structures, with institutional investors now holding the largest share of the market. The conversion of housing into a financial asset that must generate a return puts pressure on institutional investors to achieve returns and pass this pressure on to tenants. The increasing financialisation of housing leads to urban densification but, above all, to gentrification and the displacement of long-standing residents and vulnerable households, exacerbating the housing crisis and fuelling social tensions.

The thesis contributes to the broader academic discourse on the financialisation of housing by examining the financialisation mechanisms, conditions, and impacts discussed in a country that is not dominated by home ownership. Furthermore, the financialisation of the housing sector in Switzerland is a relatively new development and an area that needs to be sufficiently researched, which allowed this thesis to make a first contribution to this research gap. At the urban level, this case study of Zurich is followed by the need for further locally focused studies relevant to understanding the financialisation of housing in smaller cities in a globalised world. This thesis also highlights the methodological value of this approach in urban research by using critical realism as a research paradigm. Its multi-layered ontology enables the exploration of the underlying structures and mechanisms of complex urban phenomena. Since critical realism assumes that observable reality is influenced by deeper, often hidden causal mechanisms that cannot be directly identified through empirical observation alone, this research paradigm enables a more critical interpretation of objective reality, which can be particularly helpful in a politically controversial topic such as housing. Furthermore, this thesis demonstrates the added value of an interdisciplinary approach. Integrating different theories highlights the interconnectedness that may be required to fully understand the multifaceted nature of complex phenomena such as the financialisation of housing. By incorporating an interdisciplinary perspective, this analysis deepens the case study and highlights and illustrates the broader implications of financialisation and housing policies on various other areas of society.

This thesis can and should be the impetus for more in-depth critical research into the financialisation of the housing sector and general housing policy in Switzerland and Zurich. Further research should build on and complement the limitations of this master's thesis case study. One of the main limitations was the restricted access to comprehensive data, particularly concerning detailed financial flows in the real estate market. Since housing research in Switzerland is dominated and influenced primarily by privatised companies such as Wüest Partner, some of which have promising data sets but keep them behind high payment barriers, further research with the appropriate financial resources could use these other data sets, for example on real estate transactions, which could be helpful for a more in-depth study. Although Zurich was an exciting and theoretically highly relevant case study, a comparative approach with other cities in Switzerland or comparable cities abroad would significantly enrich the analysis. Such a comparison would help better understand the specific local factors that have influenced financialisation in Zurich and distinguish them from more general trends, which would ultimately contribute to the validity and transferability of the results. In terms of methodological limitations, purposive sampling and the use of qualitative interviews carry the risk of bias. The interviewees' perspectives often reflected political leanings or commitment to the principles and objectives of the organisation they represent. Furthermore, the absence of interviews with political actors at the national level and city administration representatives can be identified as gaps in the analysis. A final point concerns the validity and quality of the conclusions. According to critical realism, validity is not a question of the research process and methodology but of the relationship between the assertion and the phenomena to which the assertion refers. The reliability of the findings of this thesis could be increased by a discussion with the interviewees and other actors (member checking) or by a debriefing with academic peers (peer review).

In addition to the results that address the research questions and the contribution to housing financialisation research, this work has produced insights into asymmetries and power relations in existing structures and mechanisms of urban housing. In line with the critical political economy approach, these insights are not taken for granted but generate knowledge to strengthen the political engagement and resilience of urban struggles against this capitalist exploitation of tenants. I argue that because housing reveals the blatant social distortions that financialisation produces in the lives of urbanites, resistance can be articulated against the otherwise very abstract, deterritorialised and hypermobile financial market. Given the worsening urban housing crisis, rampant gentrification and renewed protests, it is to be hoped that political pressure – both parliamentary and extra-parliamentary – can substantially shift the urban balance of power, and that post-neoliberal housing policy strategy can be established that can spread from the city to the state. In any case, there is no lack of alternative concepts on how housing can be permanently detached from market logic and organised democratically in self-administration. I am convinced that the model of housing cooperatives can successfully withdraw housing and land from the financialised market in the long term and, at the same time, contribute to a vibrant city. Housing cooperatives have a long tradition in Zurich that should be built on and promoted. Legally obliged to charge only the costs of building and running the property, housing cooperatives are critical players in the socialisation of housing. However, the expansion of the cooperative housing sector cannot be separated from an active land policy. The socialisation of housing is inevitably linked to the socialisation of land. In Zurich, an initiative for a municipal right of first refusal for land will soon be put to the vote, which would enable the city's politicians and authorities to pursue a more active land policy. However, such rights of first refusal only have a depressing effect on the general land value if they can be exercised not at market prices but at capped land prices. Democratic control over land and housing can be expanded through state ownership of land and public-service construction by granting long-term building rights. The city is built; it must not be rebuilt but must be transformed again into a Zurich worth living in, with high urban qualities for all, and the demand of the 80s movement is more relevant than ever: We want the whole city!

ZÜRICH BRENNT NICHT MEHR!
ZÜRICH KAUFT JETZT EIN.
BAUT HOHE HÄUSER,
UM EINE GROSSSTADT ZU SEIN.[7]

[7] ZURICH IS NO LONGER BURNING! ZURICH IS BUYING NOW. BUILDS TALL HOUSES TO BE A BIG CITY. (Lyrics by Faber: Züri, 2015)

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APPENDIX 1: Interview Guideline Questions

Briefing

Information on the research context

- My master's thesis deals with the financialisation of housing in the city of Zurich, in other words, the increasing interaction between (global) capital and housing since the 2008 financial crisis. The aim is to examine and understand the mechanisms and conditions, the actors involved and the impact since the financial crisis.
- Research questions:
    - o What conditions have contributed to the financialisation of housing since the 2008 financial crisis?
    - o How is the financialisation of the housing market in Zurich affecting the housing market?

Key data for the interview

- Extensive data has already been collected on the development of the Swiss/Zurich property and housing market and housing policy
- Interviews with various actors should provide further insights
    - o From the four sectors of civil society, the state (at all levels if possible), the non-profit sector and the private market (institutional investors, etc.), as well as experts
    - o 45 to 60 minutes
- Data protection and confidentiality
    - o The material will be treated confidentially. The raw data (recordings and transcripts) will be anonymised and stored in encrypted form. It will not be shared with third parties.
    - o Interviews and information provided will be treated anonymously.
    - o If statements in the thesis are used as quotations, then no conclusions can be drawn about persons, organisations or roles.
    - o You can cancel the interview anytime and request that the interview data be deleted.
    - o Do you feel sufficiently informed about the research process? Do you have any questions?
    - o Do you agree to the recording of the interview? If yes, then I would start the recording now.

Key questions and sub-questions[8]

- How would you describe the state of the housing market in Zurich?
    - Why do you think rents have been rising for years?
- What changes have you observed in the housing market in Zurich since the 2008 financial crisis?
    - What role do external factors, such as global financial markets, play in the development of the local housing market?
- Institutional property companies have been the most prominent owners in relative terms since last year. What role do these companies play?
    - What strategies are these companies pursuing in the city of Zurich?
    - Have you seen a change in their commitment and strategies since the 2008 financial crisis? Intensification?
    - How would you describe these strategies' impact on Zurich's housing market?
    - What role do real estate funds play in housing provision in Zurich?
- How do you think the strategies of institutional real estate actors have influenced the dynamics of the housing market in Zurich?
    - Are there certain districts or regions in Zurich where the housing market dynamics have changed more due to financialisation strategies?
- According to a REFKLEKT article, the company is among the top 20 in terms of the number of apartments in the city (as of 2021). What strategies does the company pursue in the city of Zurich in particular?
    - How would you describe the changes you have made to your commitment and strategies since the 2008 financial crisis? Intensification?
    - How would you describe these strategies' impact on Zurich's residential property market?
    - Could you observe how other institutional real estate companies in Zurich have adapted their strategies since 2008?
- What role do property funds, such as the fund name, play in housing provision in Zurich?
    - What strategy are you pursuing with this property fund? Do the strategies differ from other investments?
    - Have there been any notable changes in the investment patterns within the real estate fund since 2008? Has capital increased?
    - Please tell me more about the investors: foreign. Reason?
- In your experience, who are the most important/influential players in the housing market in Zurich?
    - In your opinion, have these actors' roles changed since 2008 financial crisis?
    - Which new actors have entered the Zurich housing market since the financial crisis?

[8] A specific guideline was created for each interview, which was adapted to the respective position within the constellation of actors in Zurich's housing governance, the role and the presumed knowledge of the interviewee. The following questions provide an overview of the questions used.

- Do the relevant actors in the field of housing have links or regular contact with each other?
    - Are these actors dependent on each other in any way? If so, to what extent?
    - In your opinion, how strong is the competition for land and capital with other institutional property companies?
- How have market trends and economic conditions since the 2008 financial crisis influenced the development and modification of institutional housing strategies?
    - Do you see any challenges or opportunities that have influenced the development of the strategies?
    - What role does the SNB's interest rate policy play in housing supply?
- In political economy and critical geography, the financialisation of housing is the increasing influence of the financial sector on the real economy. In other words, it is the transformation of an income-generating asset (e.g., housing) into an investment that can be easily traded between financial investors (e.g., funds). This also gives foreign capital access to the Swiss real estate market in search of investment opportunities.
    - Do you think that the financialisation of housing is increasing, and if so, do you think this is problematic for cities like Zurich?
    - What economic and political factors have contributed to the financialisation of housing in Zurich?
    - What impact do you think the financialisation of housing has on rental and purchase prices in Zurich?
    - How has the availability of housing changed as a result of financialisation?
- Housing is a field in which the market normally plays a central role. How important are public actors compared to the market or market actors in providing housing in Zurich?
- How would you characterise the relationship between municipal government policy and institutional housing companies?
    - Have you observed significant changes or adjustments in housing policy at the three different levels before and especially after the 2008 financial crisis?
- What measures have the City of Zurich or other institutions taken to curb or stimulate real estate investment?
    - Are there any proposals or measures that you consider particularly promising or necessary to mitigate or promote the effects of financialisation or the increasing dominance of institutional investors?
- We need to talk about the third target. The figures show that the share of non-profit housing is stagnating. How do you think the target can still be achieved?
- Are there any other policy gaps or areas where you need further action to address the housing shortage?

- How do you see the housing market in Zurich developing in the future, and what factors do you think will be the main drivers of change?
  - Are there any tipping points or specific events that could trigger a change shortly?
  - What measures would you consider necessary to ensure a sustainable and fair housing supply in Zurich?
- Is there an important topic or aspect related to the financialisation of housing and housing policy in Zurich that we still need to address?

Additional questions for the expert interviews

- How would you define financialisation in the context of housing in Switzerland?
  - What key characteristics define this process?
- How does Zurich's or Switzerland's experience with housing financialisation compare with other global cities you've studied or are familiar with?
- Who are the primary actors involved in the financialisation of Zurich's housing market?
- Can you give me an insight into the policies and economic developments you have observed or researched since the 2008 financial crisis that have contributed to the financialisation of the housing market in Zurich?
- What role do financial institutions such as banks and investment funds play in the provision of housing in Zurich?
  - How have these financial players adapted their strategies to the changing landscape since 2008?
  - Have there been any notable changes in the financial instruments or models used by financial institutions in response to the financialisation trends in housing?

Final comments

- Official end, and thanks
- Information on the further procedure
- End of September: Receipt of a summary of the results → yes or no?
- Stop audio recording

APPENDIX 2: Interview Details

	Sector	**Where**	**Duration**
Interview 1	Third sector	On-site	72min
Interview 2	Expert	Online	67min
Interview 3	Civil society	On-site	76min
Interview 4	Private sector: consultancy & representation	On-site	49min
Interview 5	Private sector: institutional investor	On-site	73min
Interview 6	Private sector: institutional investor	On-site	43min
Interview 7	Civil society	On-site	67min
Interview 8	Private sector: consultancy & representation	Online	31min
Interview 9	Private sector: consultancy & representation	On-site	61min
Interview 10	Private sector: institutional investor	On-site	48min
Interview 11	Private sector: consultancy & representation	On-site	54min
Interview 12	Private sector: institutional investor	Online	67min
Interview 13	Expert	On-site	41min
Interview 14	Civil society	Online	45min
Interview 15	Private sector: consultancy & representation	Online	32min
Interview 16	Third sector	On-site	40min
Interview 17	Third sector	Online	50min
Interview 18	State: city level	On-site	63min
Interview 19	Private sector: institutional investor	On-site	45min
Interview 20	Private sector: institutional investor	Online	32min
Interview 21	Private sector: institutional investor	On-site	49min
Interview 22	State: cantonal level	Online	51min
Interview 23	State: city level	On-site	55min