NETWORKING EVENT

COORDINATION, COOPERATION AND PLANNING
TO REGULATE THE FINANCIALIZATION OF THE CITY

Monday 12 February 2018
9h-11h
Room 306
Kuala Lumpur Convention Centre
Financialization of the city

More and more, Cities are becoming places of high concentration of real estate investments without direct relation to the social demand. This speculative urban production is efficient for private finance but costly for public investment. The huge financial assets facilitated by the quantitative easing are largely concentrated in land and real estate markets, becoming a more attractive sector than the real economy. The flow of private funding is fuelled by the high value of land and real estate, fostered by local authorities and governments pushing for higher property values, as the basis for generating higher fiscal income needed to finance utilities, facilities and public services. Economic actors are looking for creation of financial value rather than real economic and social values. Low interest rates trigger real estate production that served also as guarantees for taking out loans for other speculative investments.

Cities have always been the place for making money out of land and real estate. But today the significant increase of land and real estate prices is disconnected to the revenue of the population and the gap has a strong impact on the social, economic and spatial organization of cities: city centres decline or are empty because they are less accessible to citizens, new towns are ghost places despite an housing crisis. The difficulties to identify the origin of most of these massive investments make them suspicious, possibly coming from underground economy. Cities with low regulation are more impacted than those with higher tax and strong urban development regulation (Shanghai and London, more than Paris).

The effect is higher segregation: exclusion by the market lead to removing population from central areas and make these place no longer affordable for a large part of the population. A lot of empty apartments (Paris from 6% to 20 % in 20 years) are creating ghost city centres (Beirut) with empty towers (25% of Dubai apartments).

This phenomenon is also touching the Global South. Developing countries too often have low tax levels and low control of urban development. When land registration is in place, ensuring land security to owners, and real estate market is open to foreign investment, the construction market is booming (Phnom Penh with 630 towers in construction in the city centre). Private investors, supported by banks and international corporations, get rights on public land and informal settlements on large tenements (land titling programs).

Planners are in trouble. Planning is based on socio economic needs shaping urban development. Empty apartments and offices are generally considered as marginal and temporary. But today, new towns are built for investment without balanced housing-employment, or sufficient public transport matching the volume of expected employees (i.e.: Gift New Town near Ahmedabad). Urban design to attract investors seems more important than urban planning to deliver urban development to the population. The project should be attractive to investors despite of over expectation of jobs, functions and population.

Merchandization of urban services is following the same trend, making these services more expensive for the users, with a large difficulty for local authorities to control the quality of the service delivery.

Several questions will be discussed during the networking event:

- How to limit the risk for investors of real estate bubbles generated by financialization?
- How local authorities could control financialization to foster their public policies? What capacities to face and drive the urban development in developing countries?
- How far urban planning and urban development control and land management can regulate the urban development in the present context of high investments?
- What are the roles of networks (of cities, practitioners, regional network etc.) in addressing these issues?

Speakers

Bernadia Irawati Tjandradewi, Secretary General, UCLG-ASPAC
Enrico Campagnoli, former FIABCI World President
Jean-Pierre Elong Mbassi, Secretary General, UCLG-Africa
Eric Huybrechts, IAU – Urban planning agency of Paris Region, France, and MTPA
Michel Sudarskis, Secretary General and Lola Davidson Deputy Secretary General, INTA