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Constructing a New Asset Class: Property-led Financial Accumulation after the Crisis

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abstract

This article is concerned with new modes of property-led financial accumulation emerging in the wake of the 2008 financial crisis. Focusing on the United States, the article traces the creation of an asset class derived from securitizing the rental income of foreclosed homes turned rental properties. The study strategically combines conceptual agendas often pursued separately. Theories of market formation rooted in science and technology studies inform the method of analysis so as to attend to the work of realizing markets, the role of calculative devices in market formation, and the contingent and conditional aspects of markets. This analysis reveals the single-family rental (SFR) asset class as a practical accomplishment. However, a broader framework rooted in political economy is necessary to attend to the broader significance of the SFR asset class in terms of power, politics, and the dynamics of capital accumulation. The article particularly focuses upon the historical and geographic contingencies making it

possible to conceive of a large-scale SFR market, the work of state and capital market actors in reframing repossessed single-family homes as rental properties and the role calculative practices played in this process, and the strategies of issuers and credit rating agencies to frame a novel asset class for institutional investors. The SFR asset class affirms the fundamental role for housing in the ideology of capital, and speaks to new entanglements of financial actors and home life as financial accumulation is adjusted to the postcrisis context. Beyond shedding light on postcrisis housing financialization, the article demonstrates how economic geographers can carefully integrate theoretical perspectives to critically examine both the circumstances of market formation and the social, spatial, and political consequences of markets.

Key words:

financialization

marketization

political economy

real estate

financial assets

credit rating agencies

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Notes

¹ Later mentions of “approaches drawn from STS” and “STS-inspired approaches” indicate this diffusion.

² The term asset class denotes “a set of assets that bear some fundamental economic similarities to each other, and that have characteristics that make them distinct from

other assets that are not part of that class" (Greer [1997](#), 86).

³ A single-family home is a structure designed to be inhabited by one family, in the United States, typically sitting on its own plot of land and not attached to any other homes.

⁴ As Anderson and colleagues ([2012](#), 187) note, "The relation between the French word *agencement* and *assemblage* in English is vexed"; the latter is an imprecise translation that does not fully capture the distributed agency emergent in the arrangement of heterogeneous elements. In this article I rely on the English term *assemblage*, but I use it in a way that retains "dynamic potential" and "the often uneven and uncomfortable practices of composition" (*ibid.*, 173), that is, without reducing *assemblage* to a merely formal arrangement.

⁵ Statements about the nature and norms of the SFR market drawn from Savage ([1998](#)) are based on the 1995 Property Owners and Managers Survey, the only national survey of US property owners and managers conducted by the US Census.

⁶ For example, the state could have compelled financial institutions to sell repossessed properties to nonprofit ownership or rental schemes that would benefit residents and stabilize neighborhoods while lifting banks' responsibility to maintain physical assets. But such alternatives would undermine, rather than restore, housing's role in financial accumulation, thus dramatically transforming its political economy.

⁷ REO stands for real estate owned, referring to properties repossessed by banks.

⁸ Based on the markets listed on the websites of Invitation Homes, American Homes 4 Rent, and Colony Starwood in May 2016.

⁹ Across the first twenty-five SFR securitizations, issued between 2013 and June 2016, 51 percent of the total issuance offered (approximately \$7 billion of \$13.8 billion offered) was rated AAA (author's calculations based on Morningstar rating agency presale reports).

¹⁰ CMBS are commercial mortgage-backed securities; RMBS are residential mortgage-backed securities.

¹¹ Panel on securitization at the IMN Third Annual SFR Investment Forum (East), April 20-22, 2015, Miami, FL.

¹² E-mail alert from Morningstar Rating Agency for June 2016 SFR Performance Summary.

¹³ Panel on securitization at the IMN Third Annual SFR Investment Forum (East), April 20-22, 2015, Miami, FL.

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