“Distressed-as-Desirable Assets: Post-Crisis Representations of Housing”

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Distressed-as-Desirable Assets: Post-Crisis Representations of Housing

Along with several other global real estate and investment companies, Blackstone, the world's largest private equity firm, has been buying up and renting out foreclosed[1] properties in the US since 2012. In 2013, Blackstone's rental subsidiary Invitation Homes pioneered a new financial product, becoming the first investor to securitize the rental income from single-family[2] rental properties. After representing a national burden in the years since the 2008 financial crisis, today distressed, foreclosed properties are the basis of a desirable new institutional asset class.

This paper focuses on how the link between finance and real estate has been repaired in the wake of the US foreclosure crisis, and how this has made the re-financialization of urban space possible (cf. Byrne, under review). Beyond *what* makes distressed property assets an investment opportunity (which can be explained rather easily in terms of market fundamentals), I'm interested in *how* these distressed assets have so rapidly became desirable ones. Distressed assets aren't inherently desirable. Rather they have become so as a result of the praxis of a range of actors, the situated materiality of property, and the various mapping and technological devices that are essential to large-scale investment (Li, 2014). In this sense we might understand today's desirable assets as an assemblage of disparate elements, pulled together so that distressed assets become investable. This assemblage helps sustain the process of financialization, in turn reshaping urban space —in this case, the US Sunbelt. Yet, distressed-as-desirable assets are a work in progress, making them mutable, mobile, and contestable. These qualities afford potential for political solidarities that connect distinct geographies and make alternative claims on urban space. In the rest of this paper, I address the question of what lies beneath the shift from distressed properties to desirable asset class, how this shift

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[1] Mortgage foreclosure is what repossession is called in the US.
[2] A single-family home is a structure designed to be inhabited by one family, sitting on its own plot of land and
[2] A single-family home is a structure designed to be inhabited by one family, sitting on its own plot of land and often not attached to any other homes. Single-family homes are largely synonymous with American suburbs because of many decades of exclusionary zoning limiting most suburban development to single-family residential use, often on large lots. This strategy has been shown historically to limit the development of low-income housing and contribute to race and class segregation, although the geography of race and class in American suburbia, including in single-family districts, is currently in flux. For a further history see: Jackson, K. (1985). *Crabgrass Frontier: The Suburbanization of the United States*. New York: Oxford University Press; Hayden, D. (2003). *Building Suburbia*. New York: First Vintage Books. For an account of the role of the 2000s real estate boom in reconfiguring metropolitan segregation patterns, see: Schafran, A. and Wegmann, J. (2012). Restructuring, Race, and Real Estate: Changing Home Values and the New California Metropolis. *Urban Geography,* 33(5), 630-654.

unfolded, and how it is reconfiguring relationships between local property markets and global capital markets in the post-crisis context.

The geography and materiality of distressed assets

What are distressed assets? In the context of the US foreclosure crisis, this term refers to the fate of homes whose values fell precipitously from the height of the real estate boom, leaving homeowners unable or unwilling to continue mortgage payments on properties where debt outweighed market value. After 90 days of mortgage delinquency, lenders initiate foreclosure proceedings; barring resolution of mortgage default, e.g. securing a mortgage modification, the foreclosure process concludes[3] with the lender attempting to sell the property at auction. Properties not sold at auction become real estate owned (REO) by the financial institution holding the foreclosed mortgage. Distressed assets make for an attractive investment because they can be acquired at a discount; financial institutions are eager to unload properties so as to recoup value and avoid responsibility for managing physical assets.

The subprime boom that set off the 2008 financial crisis signaled a fundamental change in the objective of mortgage lending: from facilitating homeownership to facilitating global investment (Aalbers, 2008). This shift, made possible by extensive deregulation and welfare state restructuring, coincided with state promotion of expanded homeownership and a global credit boom that increased access to mortgage financing (Immergluck, 2015). As a result the US homeownership rate rose from 64% in 1994 to a peak of 69.4% in 2004 However much of this growth was achieved with high-risk subprime lending and predatory marketing practices that saddled borrowers with interest rates, penalties, and principal amounts that would be impossible for them to repay, a process disproportionately affecting racial minorities and women (Dymski, 2009; Immergluck, 2009; Leland, 2008; Newman and Wyly, 2004; Roberts, 2013). The rise of ‘originate to distribute’ lending, in which loans may be resold on the secondary market after origination, and the willingness of investors to pay a premium for bonds backed by higher-risk loans, emboldened mortgage originators to offer increasingly risky products to increasingly marginal populations (Immergluck, 2015, 2011). In other words originators “were given an incentive to meet the

[3] The length of this process depends on state laws about whether foreclosures undergo judicial review (the process can take as little as 37 days in non-judicial states), and how many other people are undergoing the process at the same time (which can draw out the process as a backlog builds up).

appetite of Wall Street rather than respond to authentic demand from homebuyers and homeowners" (Immergluck, 2015, p. 6), thereby providing a steady stream of what Newman (2009) terms the 'post-industrial widget' (mortgage capital) for private-label securitization.

The aggressive financialization of homeownership in the 2000s was borne out in an increasing volume of subprime compared to prime loans after 2003, and the securitization of a majority of the former, which reached 80% by 2006 (Lapavitsas, 2013). The elevated volume of subprime lending was largely comprised of high-risk loans (especially from 2005-2007), fueling the housing bubble as loan amounts ballooned relative to borrower income (Immergluck, 2015; Levitin and Wachter, 2013). As such loans were packaged and repackaged in mortgage-backed securities and other financial instruments, their risk was distributed through the system, making the mortgage market itself more fragile (Immergluck, 2015). Once home prices stopped climbing after 2006, subprime borrowers began to default and foreclosures increased; the financial instruments crafted from these loans gradually became illiquid, and a chain of events commenced that culminated in a crisis of the global financial system (Harvey, 2011; Immergluck, 2015; Lapavitsas, 2013). When Lehman Brothers, one of Wall Street's oldest investment banks, collapsed under the weight of massive losses due to overexposure to subprime loans in September 2008 the crisis finally became "real", with liquidity drying up and the stock market plummeting.[4]

Distressed assets proliferated in 2008, emerging in a distinctive geography. Foreclosure activity increased 81% from 2007 and 225% from 2006 as more than 3 million notices of mortgage default, auction sales, and bank repossessions were reported (RealtyTrac, 2009). In 2008 major foreclosure hot spots were already evident in the southwest and southeast US Sunbelt, especially California, Nevada, Arizona, and Florida, as well as Ohio and Michigan in the former industrial heartland known as the Rust Belt (see Figure 1). Correspondingly, home values fell dramatically. From the end of 2007 to the end of 2008 prices fell by 26.9% in California, 26.5% in Nevada, 21.1% in Arizona, and 19.5% in Florida (CoreLogic, 2009). The real estate bubble was most dramatic in the Sunbelt; these markets also experienced the largest losses in home values when the bubble burst (Aalbers, 2009; Immergluck, 2015).

[4] Lapavitsas (2013) argues that the state's differential treatment of ailing investment banks that were both heavily involved in the subprime securitization business—intervening to bail out and sell Bear Stearns while allowing Lehman Brothers to go bankrupt—"destroyed all remaining vestiges of trust among banks in the money markets, leading to a freeze in lending" (p. 280).

Since the US homeownership rate peaked in 2004, seven million foreclosures have been completed (CoreLogic, 2014). The pileup of foreclosed properties dragged down property values for those were able to stay current, bringing a new term into the national discourse about the crisis: “underwater”. This refers to homeowners in negative equity, or owing more on their mortgages than their properties are worth. As with the foreclosure activity map, we see a particular geography featuring the Sun Belt in Southern California, the southwest and southeast US, and the Rust Belt in Ohio and Michigan as places with the highest levels of negative equity in 2012 (see Figure 2).

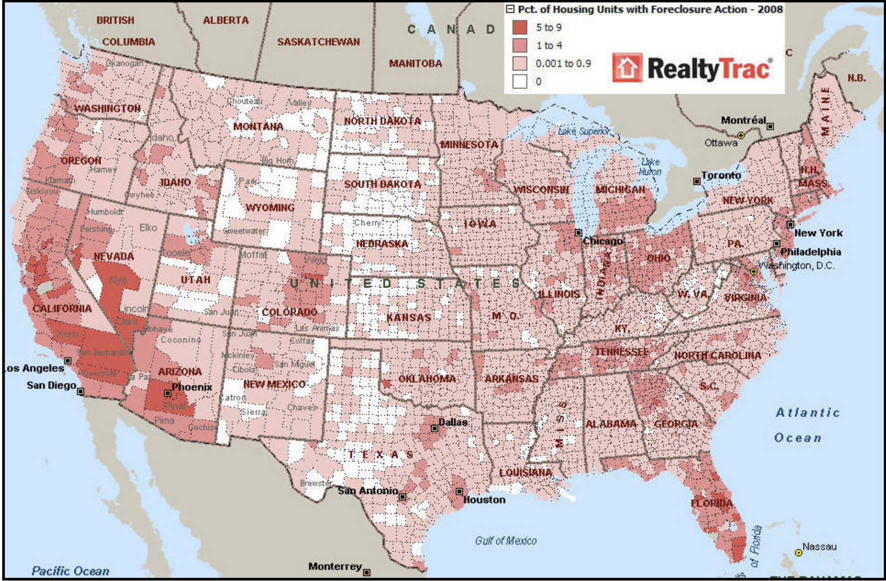


Figure 1: 2008 foreclosure actions (source: RealtyTrac)

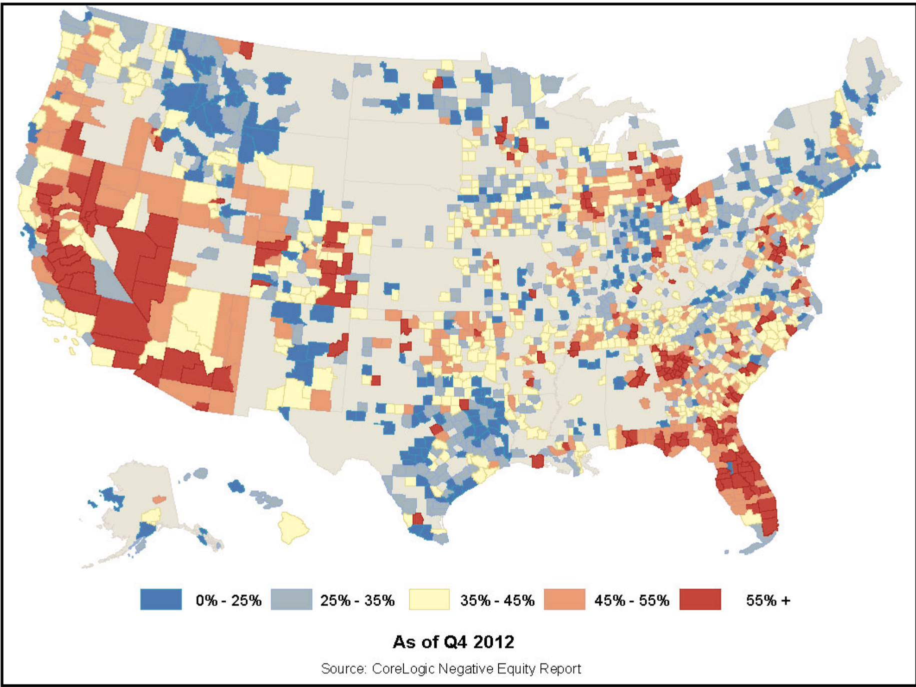


Figure 2: Percentage of homes in negative equity by county as of 2012 (source: CoreLogic Negative Equity report, 2012)

We also became familiar with another new term: the “shadow inventory”. This refers to homes that are not yet on the market, but will be, including properties in serious delinquency or already in the foreclosure process (which slowed down as lenders and courts were unable to keep up with the pace of delinquency and default), and REO homes that have not yet hit the market. A healthy housing market should have less than one month’s shadow inventory; this can be easily absorbed without impacting house prices (CoreLogic, 2011). In 2010, the shadow inventory peaked at 2 million units, an 8.5 month supply (Figure 3). This unprecedented shadow inventory further depressed home values, pushing more homeowners underwater. The language with which we represented the crisis—underwater, shadow inventory—conveys a public imaginary of a nation drowning in a shadowy wave of debt.

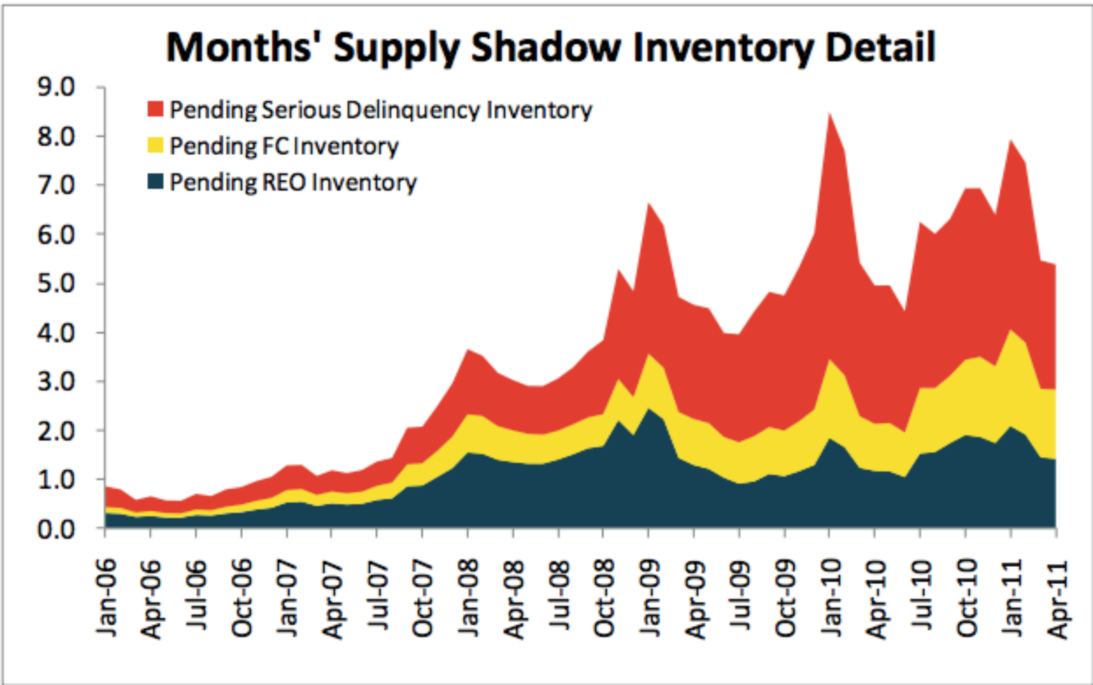


Figure 3: The shadow inventory, 2006-2011 (source: CoreLogic June 2011 Shadow Inventory report)

Foreclosed properties came to symbolize a national burden, both in terms of their financial distress and their materiality as physical assets. For years, neighbors and municipalities contended with boarded-up windows and lawns overgrown with weeds. Streets were lined with for sale signs and auction notices dotted front yards (see figure 4). Homeowners able to stay current on their mortgages saw their property values fall as distressed inventory piled up; many remain underwater today.[5] In sunny California, Arizona, and Florida, places the crisis hit particularly hard, 'zombie pools' in abandoned properties became incubators for disease as they grew algae and bred mosquitoes (Reisen et al., 2008). The materiality of these distressed assets was a glaring reminder of how so many were "expelled" (Sassen, 2014) from their lives as predatory mortgage loans incorporated their homes into global capital markets.

Figure 4: Foreclosed single-family home in Queens, NY, 2011 (photo credit: author's own)

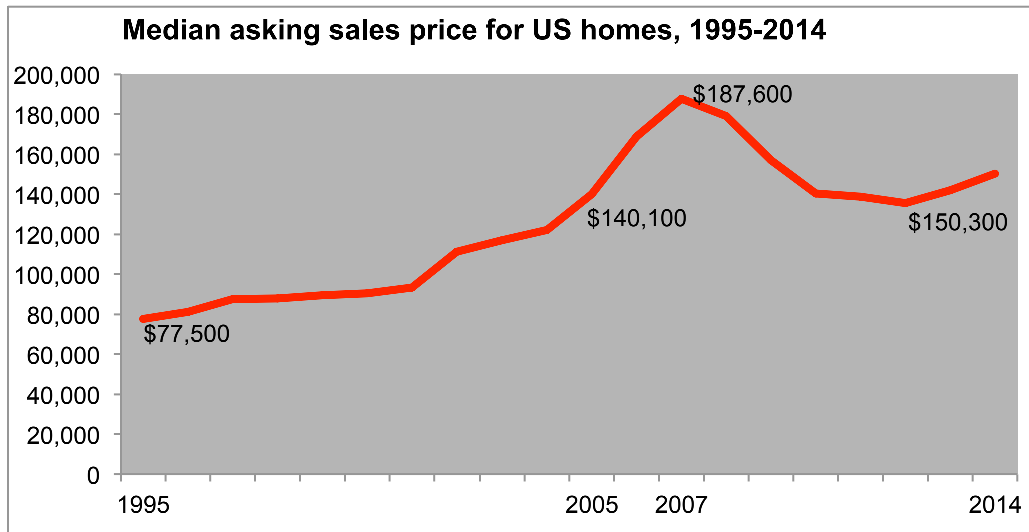
Shifting representations of distressed assets

But around 2012, something shifted: these distressed assets began to be represented as a vast opportunity. The business media described filling foreclosed homes with tenants, a strategy termed REO-to-rental, as "a business some deep-pocketed investors are betting is poised to explode" (Rich, 2012). Rick Sharga, former vice president of Carrington Capital Management, which raised $450 million from Oaktree Capital group to acquire foreclosed properties, was "betting renters will be lining up" once their properties went on the market (quoted in Gittelsohn, 2012). Waypoint, an early entrant to the REO-to-rental market, outlined an ambition to treat acquiring, renovating, and renting out single-family

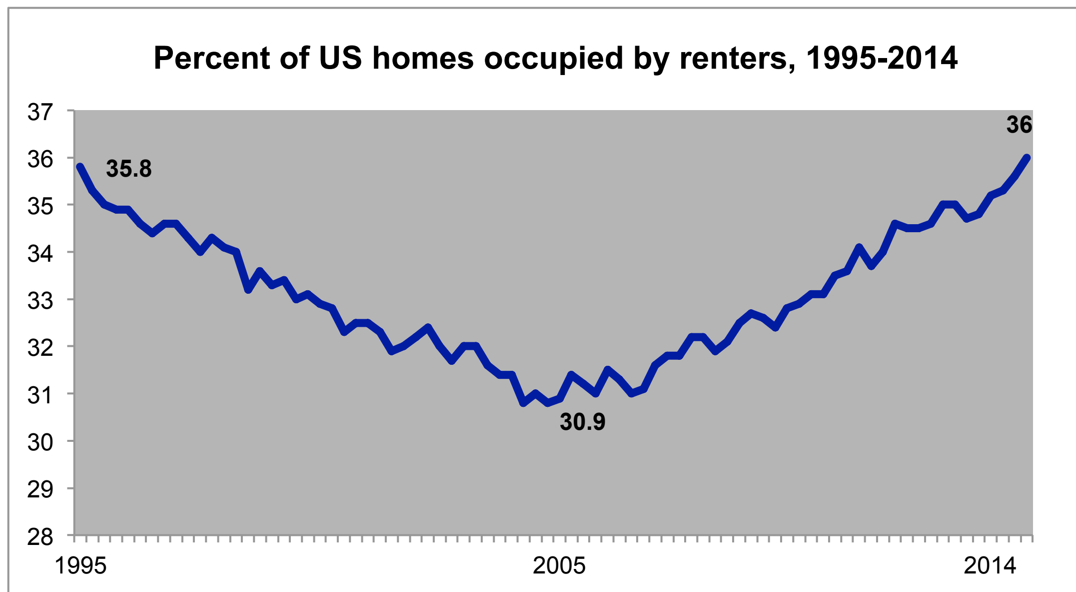
[5] In the 15 hardest-hit metropolitan areas, 23-35% of homeowners were in negative equity as of 2014. See Dreier et al. (2012). *Underwater America.* Haas Institute for a Fair and Inclusive Society, UC Berkeley.

homes “like a factory and create a production line to do this” (co-founder Colin Weil, quoted in Rich, 2012). By 2012, investors including Waypoint, Carrington, Blackstone, Colony Capital, and others had raised $7.2 billion to buy foreclosed properties (Gittelsohn, 2012).

What happened to suddenly make distressed assets so desirable for this kind of large-scale investment? On the surface, this can be explained easily: investors saw an opportunity to capitalize on low property values (prices were rolled back to pre-crisis levels) and surging post-crisis rental demand (back up to 1995 rates as gains made in ownership since the 90s have been erased, cf. Joint Center for Housing Studies, 2015) by purchasing foreclosed properties and converting them to rental housing (see figures 5-6). In the process they are institutionalizing the single-family rental market, which has traditionally been not one single market, but many distinct, highly differentiated local markets characterized by small inventories under ownership of small investors. This has historically presented a barrier to institutional investment in single-family rental. But today, a private equity landlord might control thousands or tens of thousands of single-family properties scattered across the country. Blackstone is the biggest player, controlling 46,000 properties through its rental subsidiary, Invitation Homes. Altogether institutional investors control more than 500,000 single-family rental homes, with seven firms responsible for approximately 140,000 properties (St. Juste et al., 2015).



Figures 5-6: Median asking price for US homes and percentage of homes occupied by renters, 1995-2014. data source US Census, 2015



The scale of acquisitions by private equity landlords has opened up a pipeline for new financial instruments. Since Blackstone completed the first single-family rental securitization in 2013 it and seven more firms have issued a total of 21 such securitizations including 84,142 properties with a market value of $16.5 billion (Fields et al., forthcoming). Single-family rental securitization is similar to mortgage securitization in many respects; instead of mortgage payments, it is the stream of monthly rental income that provides the basis for payments to bond holders (I elaborate more on the differences between single-family rental bonds and other types of asset-backed securities later). A financial industry market participants view as "somewhere between anxious and desperate for new products" (Rick Sharga of Carrington Mortgage Holdings, quoted in Neumann, 2012) has eagerly received single-family rental bonds, with many products subject to more demand than they can accommodate (Corkery, 2014; Tricon Capital Group, 2015). The status of bank-repossessed properties littering the U.S. urban landscape has thus changed dramatically over the past few years, fueling a brand new asset class. Market fundamentals of low acquisition costs and surging rental demand, as artifacts of the crisis, serve as necessary conditions for this shift, but cannot sufficiently explain it.

Analyzing the renewal of financial expropriation

The post-crisis reformulation of financialization highlights the persistence of finance's expansion since the 1970s and how this process both depends on and reproduces uneven urban development. The interdependence of financialization and urbanization makes the

capture of financial rents reliant on how space can be mobilized, which in turn (re)shapes urban space (Byrne, under review; Moreno, 2014). We saw this in how the subprime lending boom linked neighborhoods previously excluded from mainstream credit to national lenders and Wall Street investment banks via a network of brokers, non-bank subsidiaries, mortgage companies, and private investors (Wyly et al., 2009). Local housing was transformed into an "electronic instrument" that failed as exploited borrowers defaulted on their debts (Sassen, 2009). The resulting geography and materiality of distressed assets systematically disadvantaged low-income and minority people and neighborhoods (Wyly et al., 2012). Homeowners forced into renting are now witnessing their former wealth being centralized by institutional investors acquiring foreclosed properties. In the transformation of distressed to desirable assets, we see the link between place and global finance re-established via financial instruments based on value extracted from monthly rent checks. This affirms the financial industry's collective power over Mark Kear's (2013) "*homo subprimicus"*, even when the cord of mortgage debt has been snipped. The landscape resulting from the most recent round of accumulation by dispossession has therefore aided a new mode of financial expropriation.

The process of creative destruction is not determined solely by the market; it requires the participation of a cadre of technical experts, state and non-state institutions, and other intermediaries who help make value extraction possible (Weber, 2002). To better understand the reconstitution of financialization within the rental sector, I draw on an assemblage analytic, tracing how heterogeneous actors, processes and elements have cohered into the newly-institutionalized single-family rental market. Here I look to work on large-scale investments in rural and agricultural land (which has taken off since 2008 in what is termed the global land rush) emphasizing land as an asset class "still 'in the making'" (Ouma, 2014, p. 163). Like land, distressed assets are not intrinsically investable (Li, 2014). Rather, their 'resourceness' requires labor that pulls "heterogeneous elements including materialities, relations, technologies, and discourses" into alignment (Li, 2014, p. 589). In agreement with Ouma's call (2014) for developing more grounded understandings of *how* of this making unfolds, I employ an assemblage analytic to examine how the single-family rental market space is made and configured—what makes it "investable" and amenable to financial logics and practices.

The emphasis on assemblages as works in progress means they are not fixed or essential, but incomplete and therefore open to fragmentation (Li, 2014; McCann, 2011).

This kind of thinking can help us understand the ‘everydayness’ of global finance: not only how it operates and to what effect, but also as a means of probing for potential critiques, and opportunities for contesting financialization (Ouma, 2014). In the remainder of this paper I start opening up ‘the black box’ of finance (cf. Ouma, 2014) using business media, transcripts of a field hearing on the federal government’s REO Pilot Initiative, financial analyst reports, presale reports for single-family rental bonds, and the web site of a trade group formed by the five largest private equity landlords. I focus on the relation of selective regulatory and policy absences to the insistent materiality of distressed assets; technologies for scoping markets, acquiring and managing properties; the role of state practices in welcoming investors to the single-family rental space; and financial industry practices and discourses. These elements have cohered to make single-family rental a desirable asset class. In conclusion I discuss how this assemblage is mutable, mobile, and subject to contestation in ways that may destabilize its alignment.

Selective absences and insistent materialities

The insistent materiality of distressed assets is directly related to conspicuous policy and regulatory absences in the lead-up to and aftermath of the foreclosure crisis. We can think of these as selective absences: they are situated in a federal regulatory environment that more often intervened on the side of financial institutions than borrowers and struggling homeowners, e.g. Bush Administration pre-emption of state consumer protection laws to rein in predatory lending (Immergluck, 2015). As risky, largely unregulated loan products ultimately proved unsustainable, government inaction left borrowers largely on their own in efforts to stay in their homes (Fields et al., 2010). Federal responses have been more targeted to the needs of lenders and investors than those of homeowners, who have had to navigate complicated and confusing programs (Bratt and Immergluck, 2015). Indeed perverse incentives to foreclose, the lack of imperative for lenders to participate in relief programs, and the inability for bankruptcy judges to reduce mortgage principal mean homeowners have benefited little from government responses (Bratt and Immergluck, 2015; Cordell et al., 2008). The selective absence of the state is then directly related to the materialities that have made it possible to assemble an institutionalized single-family rental market: the volume of foreclosed vacant properties piling up in neighborhoods around the country.

The insistent materiality of these distressed assets was not only a burden to neighbors and municipalities, but for large financial institutions. The dispossession wrought on homeowners consolidated millions of properties once owned by individual households under the control of these institutions. Banks had an imperative to auction the properties in order to recover losses, and to avoid being tasked with managing a physical asset.[6] The consolidation of single-family homes and the imperative to dispose of these distressed assets created new opportunities for capital. While the scale of bulk disposition is low, it became possible to acquire large amounts of property one-by-one at monthly auctions held on the steps of local courthouses. The courthouse steps became another form of materiality important to assembling the single-family rental market, serving as the site where distressed properties were transferred from banks to investors, allowing the latter to build up their portfolios.

The distinctive geography of mortgage distress, home price declines, and negative equity lent a material specificity to the new REO-to-rental market. While few places in the US were spared from the foreclosure crisis, it hit hardest in the Sun Belt and the Rust Belt. While the Rust Belt represents centers of industrial decline such as Detroit and Cleveland with old housing stock and often shrinking populations, Sun Belt metropolitan areas around Las Vegas, Phoenix, and Atlanta experienced massive population growth and construction booms in the 2000s. This Sun Belt-Rust Belt geography made a difference for making single-family rental investable: newer, larger foreclosed properties stand to require less time and fewer resources to rehabilitate before they can be leased out, and are also more likely to recover lost value. And so investors headed to the Sun Belt.

Technologies for scoping, acquisition, and asset management

The crisis therefore uncovered new avenues for treating property as a financial asset. Amidst historically low interest rates and liquidity injected into the economy by quantitative easing, investors are pursuing yield in property markets globally, often via higher risk strategies such as private equity. The material conditions of distressed assets in the US Sun Belt, plus market fundamentals of low prices and rising rental demand provided a compelling opportunity for private equity firms, who after all frequently specialize in

[6] Many still did avoid this, failing to properly maintain and market REO properties, particularly in African-American and Latino neighborhoods, even as fiscally strained municipalities struggled to keep up with complaints about neglected properties (Abedin and Smith, 2013; Bartholomew, 2012).

distressed assets. But such firms, e.g. Blackstone, are not experts in single-family homes. They needed this opportunity to be legible in ways that could be enacted as business strategy, making technologies a crucial element for institutionalizing the single-family rental market. What David Demeritt (cited in Li, 2014) refers to as “statistical picturing devices” allow investors to quantitatively measure opportunities and translate them into tactics.

I’ve already acquainted you with some of these devices—maps of foreclosure activity and negative equity produced by companies like CoreLogic and RealtyTrac (see figures 1-2). These companies rose to prominence in tandem with the foreclosure crisis because they analyze and visualize property, mortgage, and financial records on a national basis. Beyond documenting market trends, CoreLogic and RealtyTrac seek to shape them, for example by producing heat maps of the most profitable places to flip homes, and by using algorithmic models to “predict performance, identify opportunity, gauge trends and detect risk” (CoreLogic, 2015). They provide a synoptic view, allowing investors to scope multiple markets at once and assemble portfolios to achieve their desired mix of risk and return. The ability to see across markets in this way affords new ways of thinking about, comparing, and selecting investment sites.

Information technology helps large investors enact acquisition strategies, renovate properties, and rent them out, even without local knowledge of target markets (Molloy and Zarutskie, 2013; Rahmani et al., 2014). Proprietary software and algorithms identify the recently built, three-bedroom two-bath suburban homes that are the most desirable to purchase. Firms can purchase private data and access public data on local school quality, crime, proximity to public transportation, and property-level information on conditions and projected maintenance costs, then import it into custom-designed apps that generate maximum bids using an algorithmic assessment. Waypoint Homes calls this their “livability formula” (Kapp, 2011). As journalist Drew Harwell writes, “The information helps certify, to the dollar, that each home's rent will more than cover its costs: *Every home becomes a monitored asset, and every renter a revenue stream*” (2013, emphasis added). Minimizing the need for human expertise and local knowledge in the property acquisition process allows investors to subcontract this task. Locals hired off Craigslist attend courthouse auctions, use tablets or smartphones to track properties that meet location and price requirements, and purchase them on behalf of firms like Blackstone (Perlberg and Gittelsohn, 2013). With such technologies, firms can offset the challenge of assembling large, geographically-dispersed portfolios of property.

Private equity landlords' ability to demonstrate they can manage scatter-site single-family homes has been central to making single-family rental an investable asset class. Remote technologies such as online portals and smartphone apps for rent payments and maintenance requests ease property management, while also providing a flow of data landlords can use in their corporate communications and reporting to rating agencies. Yet data systems are vulnerable to glitches and breaches. Invitation Homes' tenants have complained of systems that mistakenly record on- time rent payments as late, generating eviction notices automatically (Call et al., 2014). Tenants may not be aware of how their data is being used by their corporate landlords, or how it might be used against them later; more and more services use nontraditional data such as rent payments to develop predictive risk credit ratings (Pasquale, 2015). Given the difficulty of correcting credit inaccuracies, a mistaken eviction notice is more than an inconvenience: it's something that could potentially impact access to housing, credit, and employment down the line (Bernard, 2013; Pasquale, 2015). Systematic data on the tenant and property pool has been crucial in making financial analysts and investors in rental bonds comfortable with this new asset class (Garrison, 2014), even as it raises questions about tenant rights in an era of big data.

Reinventing financialization: State and capital market practices

The state has been a prominent force in facilitating financialization since the 1970s. At the macroeconomic level, free market neoliberal ideologies justified interventions toward financial liberalization (Harvey, 2011; Krippner, 2012). This is also true of the financialization of real estate specifically, as in the state's role in constructing the secondary mortgage market and making use of mechanisms such as tax increment financing for urban development (cf. Gotham, 2009, 2006; Weber, 2002).Even as financial crises have become more frequent over this period of transformation (Harvey, 2011; Lapavitsas, 2013), these moments "bring into play new state powers" that are ultimately productive for financialization, often resulting in government action to promote "new markets, sources of profits and financial instruments" that "endure beyond the moment of crisis" (Byrne, under review, p. 17). As Byrne argues, state attempts to respond to crisis conditions are therefore critical to how we understand re-financialization of urban space.

The 2012 REO Pilot Program points to the role of the Federal Housing Finance Agency (FHFA), itself created as part of the 2008 Housing and Economic Recovery Act, in affording the transformation of distressed to desirable assets. The initiative sold

government-owned foreclosed properties to investors in bulk as a means of getting these distressed assets off public balance sheets, focusing on hard-hit metropolitan areas such as Atlanta, Chicago, Las Vegas, Phoenix, and parts of Florida.[7] Its architects envisioned the program as a test case to gauge investor appetite for scatter-site single-family housing as a new asset class and determine whether bulk sales could stimulate markets by attracting large, well-capitalized investors (testimony of FHFA Senior Associate Director of Housing and Regulatory Policy, 2012). In field hearings, a Department of Treasury representative noted that investors were actively pooling capital in a sign of increased demand for the buy-to-rent model, and that the private sector was looking to the FHFA initiative as a potential model (Counselor to the Treasury Secretary of Housing Finance Policy, 2012). The REO Pilot Initiative helped legitimate the single-family rental as a space for institutional investment.

Armed with tools allowing them to stratify regional markets and classify, value, and prioritize desirable properties, large investors now had the welcome of the public sector to a space they were already drawn to. In 2012, investors like Blackstone, Waypoint, Colony Capital, and American Homes 4 Rent undertook a program of fast-paced, high-volume acquisitions, focusing intensively on particular “feeding ground” cities including Atlanta, Phoenix, Las Vegas, and Tampa (Perlberg and Gittelsohn, 2013). Aiming to build their inventory before home prices could recover, investors worked quickly, moving on to the next feeding ground once they picked a city clean of discounted properties (Gopal and Gittelsohn, 2012). Large investors enjoy a competitive advantage over other types of buyers in that they can purchase homes with cash raised cheaply on capital markets rather than relying on the uncertainties of mortgage credit (Molloy and Zarutskie, 2013). In 2012, Blackstone alone was spending around $150 million a week on property acquisition (Perlberg and Gittelsohn, 2013). These acquisition practices mean that the geography of the newly institutionalized single-family rental market is deeply uneven, with investors quickly scaling up portfolios in areas that have been struggling to recover for half a decade or more while other areas are passed over.

Single-family rental is attractive to institutional investors not only because of the flow of monthly rental income it offers, but because the market, so long characterized by small-scale ownership, presents an untapped space for innovation. Beyond renting out the

[7] FHFA completed a total of three bulk sales totaling 1763 properties in Florida, Chicago, Arizona, California, and Nevada.

properties they own, private equity landlords are leveraging their investments, either by going public as a real estate investment trust, issuing rental securitizations, or both. As the bond manager for Deutsche Bank said at an American Bankers Association conference last year, Wall Street "is looking for another product to sell. Back in the day we had the CDO machine, and I think they're trying to replicate something along those lines" (Alloway et al., 2014). Securitization is the final step in the transformation of distressed single-family assets into a desirable institutional asset class, making rent payments more than a contractual obligation of customer to service provider, but the basis of a globally traded class of asset-backed securities (Bryan and Rafferty, 2014).

Credit rating agencies are an important actor in the re-financialization process, evaluating the new rental securitizations for risk and assigning ratings based on those evaluations. The participation of multiple rating agencies lent important credibility to this asset class (Rahmani et al, 2014), even as doubts by some agencies influenced how the instrument was conceived (Raymond, 2014). Before the first securitization, the industry debated whether the bonds should be structured as residential mortgage-backed securities because the underlying asset is a single-family home, or as commercial mortgage-backed securities because the cash flow comes from rent, a more unstable source of income (Raymond, 2014). Ultimately ratings agencies used models from both commercial and residential securities to determine the probability and severity of default, and to conduct stress tests to generate ratings for the different tranches (Rahmani et al., 2014; Raymond, 2014). This debate and questioning, and the hybridity of the products and ratings systems, highlight the single-family rental asset class as a work in progress: something in the process of coming together and being invented along the way.

Internal and public-facing industry discourses

Finally, discourses circulating within the financial industry and between the industry and the public have been essential to institutionalizing single-family rental. A discourse of an America moving away from George W. Bush's "ownership society" and toward a rentership society underpins investor enthusiasm for the buy-to-rent model. A 2011 Morgan Stanley analysis said hopefully "each distressed single-family liquidation creates potential renter household, as well as a potential single-family rental unit" (Chang et al., 2011, p. 1). This kind of discourse drew on market fundamentals of increasing rental demand and falling homeownership rates, as well as potential homeowners' difficulty accessing mortgage

credit, to highlight the investment opportunity emerging in single-family rental. Indeed, the analysis concluded by musing about the opportunities that would emerge if homeownership rates fell by three times the magnitude they increased during the housing bubble. More recent analyses continue to emphasize constrained credit availability as a factor offering institutional single-family landlords an advantage over their primary competitors: first-time homeowners (St. Juste et al., 2015). Within the financial industry, the discourse around single-family rental single-family rental is primarily opportunistic.

The public-facing discourse by which private equity landlords represent their business emphasizes the social and economic benefits of the new single-family rental market. This can be seen in the website of the National Rental Home Council, a trade group several of the largest private equity landlords formed last year. Here, private equity landlords claim they are "investing in America's recovery and helping to rebuild communities" by renovating and re-occupying vacant properties, stabilizing and improving property values, stimulating local economies, and meeting contemporary housing needs. Such messages aim to present the industry in a favorable light and normalize what is in fact a paradigm shift in single-family renting. For example, the National Rental Home Council's (2015) response to the Frequently Asked Question "what is securitization and why are rental contracts being securitized?" emphasizes that "securitization is a common financial practice that is well-regulated and regularly done with all types of assets". The public-facing discourse of private equity landlords, with its emphasis on revitalizing communities, represents an effort to counter concerns about the potential for this new asset class to set off another financial crisis and destabilize the same places destabilized when the last real estate bubble burst.

Mutation, mobility, and contestation

This paper has analyzed how the link between finance and real estate has been reconstituted in the wake of the mortgage crisis. In Newman's (2009) terms, post-crisis financial innovation has borne a new "post-industrial widget": rent itself. The transformation from distressed single-family assets to desirable rent-backed securities relies on much more than market fundamentals. An assemblage analytic shows how the alignment of a range of heterogeneous elements has effected the institutionalization of single-family renting. Attesting to the "lattice" of institutions and actors needed to enact financialization (Weber, 2002, p. 523) not only investors have been involved in this transformation--the

state has played a clear role, as have other actors in the finance industry, such as rating agencies and financial analysts. Just as important as the practices of these actors has been the materiality of foreclosed properties—their volume, size, age, and location in places with growing populations. The algorithms, software, and data that make it possible to scope markets, target properties, and manage properties in ways that legitimate them as financial assets are crucial to assembling the single-family rental market. Public-facing messages employed by investor-landlords are designed to acclimate renters, community members, policymakers, and the public more broadly to the idea that the same kinds of financial interests and products that nearly crashed the global economy are safe, credible, and have the common good in mind.

As Li (2014) argues with respect to land, the emerging post-crisis assemblage of the single-family rental market represents a change in the social relations in which homes were embedded, drawing in new actors and sociotechnical devices and excluding certain uses (such as community ownership of foreclosed homes) in favor of others (the construction of novel financial instruments). By making this praxis visible, we are better able to attend to its conflicts, weaknesses, and failures, and how potential spaces for critique open up as post-crisis financialization circulates (Ouma, 2014). To end, I want to return to the idea of distressed-as-desirable assets as mutable, mobile, and contestable. These qualities remind us that this assemblage, while "made stable through the work of particular powerful actors" such as global investment firms, can also "be made to disperse or realign through contestation, shifting power relations, or new contexts" (McFarlane, 2011, p. 209), pointing to the ever-present possibility of social transformation, even within a capitalist political economy.

Even as post-crisis financialization comes together, it is already subject to internal differentiation and change. This mutability of the new single-family rental market may be seen in the emergence of new multi-borrower single-family rental securitizations. While the first wave of such securitizations included only properties owned by private equity landlords, in this case investors supply private-label mortgages to small operators of single-family rental housing—those owning as few as five homes—and then securitize those loans. Thus far First Key Lending and Blackstone's lending arm B2R Finance have each issued one multi-borrower securitization (Lane, 2015). However at a recent investment forum panel on securitization, participants suggested the market for such deals is potentially much larger than that for single-borrower securitizations, as small operators

still dominate single-family rental. The turn toward multi-borrower securitization furthers the institutionalization of this market. At the same time it opens up questions about potential parallels to pre-crisis "originate to distribute" dynamics that allowed lenders to shed risks associated with exotic subprime loans by selling them to investors who packaged them into toxic assets. As the assemblage of distressed-as-desirable assets mutates, points of potential mis-alignment also become visible.

The mobility of distressed-as-desirable assets is evident in how large investors have set their sights on other real estate markets exposed to severe downturns due to the global financial crisis. Spain in particular is seen as a major opportunity: "the big prize for foreign investors is finding a way to profit from the structural shift in Spain's housing market", with many looking to enact a version of the same REO-to-rental seen in the US (Baker, 2014). Here we also see the mutability of distressed-as-desirable assets, with both Blackstone and Goldman Sachs acquiring protected and public housing developments from fiscally strained municipal governments in 2013 (Baker, 2014). This emboldened a rush of other investors to the Spanish market: in 2014, investments in Spanish real estate by private equity funds and other vehicles increased 330% from 2013, totaling more than €23 billion (Baker, 2014; Font and Garcia, 2015). Legislative changes making it easier for landlords to evict tenants and allowing the transfer of officially protected housing to real estate investment funds have made Spain's rental market more favorable to international investors (Font and Garcia, 2015).

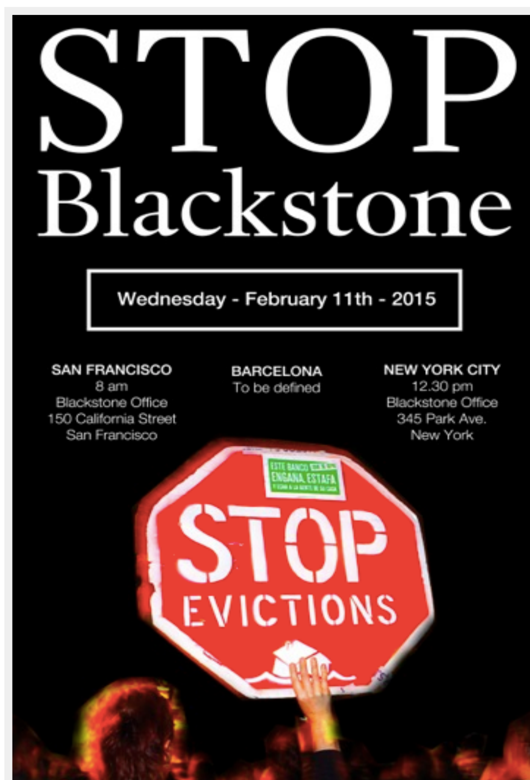


Figure 7: Poster for bi-continental demonstration against Blackstone by the PAH in partnership with the Right to the City Alliance.

As investors attempt to reconfigure the assemblage of distressed-as-desirable assets in new contexts, they are also encountering a different set of political realities. Blackstone has acquired a portfolio of 100,000 nonperforming mortgage loans at a nearly

50% discount from a bank nationalized in a 2011 bailout, but has encountered protests from Platform for Mortgage-Affected People (PAH), an influential Spanish social movement (Neumann, 2014). Indeed the mobility of distressed-as-desirable assets has fostered a transatlantic social justice cooperation around private equity landlords. The Right to the City Alliance, a US network of social, racial, and housing justice groups, has collaborated with the PAH on a bi-continental demonstration against Blackstone in Barcelona, San Francisco and New York. Recently the Right to the City Alliance sent a delegation to Spain to learn more from the PAH about their model for grassroots activism and to deepen the relationship between the organizations. Such efforts suggest the potential for Katz's (Katz, 2001) notion of counter-topographies as a political strategy that works against the way global segments places as markets by analytically connecting geographically distinct places that share exposure to global processes such as financialization. The emergence of activism targeting private equity landlords demonstrates that as a work in progress, distressed-as-desirable assets are also subject to contestation.

Crisis and dispossession have transformed rental housing into a global institutional asset class by devaluing and selectively re-incorporating property into new regimes of financial accumulation. In this paper I have used an assemblage analytic to begin developing a grounded understanding of how distressed assets become desirable. Even as this assemblage moves and mutates, it is open to contestation. As the linkages between real estate and finance continue to be rebuilt since the crisis, it is critical to pay attention to the everyday operations of global finance and the potential fracture points within the assemblage of distressed-as-desirable assets.

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